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IGB Real Estate Investment Trust

Annual Report 2014



annual report 2014

**IGB REIT MANAGEMENT SDN BHD** (908168-A)

Level 32, The Gardens South Tower,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur, Malaysia.  
Tel: (603) 2289 8989 Fax: (603) 2289 8802



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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** of the Third Annual General Meeting ("3<sup>rd</sup> AGM") of IGB Real Estate Investment Trust ("IGB REIT") to be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Tuesday, 28 April 2015 at 2.30 p.m. to transact the following business:

## Ordinary Business

To receive the Financial Statements of IGB REIT for the year ended 31 December 2014 together with the reports issued by the Trustee, the Manager and the Auditors.

By Order of the Board

**IGB REIT MANAGEMENT SDN BHD (908168-A)**  
**as Manager of IGB REIT**

Tina Chan  
Company Secretary

Kuala Lumpur  
28 February 2015

## Notes:

### (1) Appointment of proxy

- (a) A unitholder is entitled to appoint one or two proxies and they need not be unitholders.
- (b) A unitholder, who is an authorised nominee, may appoint up to two proxies in respect of each Securities Account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each Securities Account held.
- (c) A member who appoints a proxy must execute the Proxy Form, and if two proxies are appointed, the number of units to be represented by each proxy must be clearly indicated.
- (d) A corporate member who appoints a proxy must execute the Proxy Form under seal or the hand of its officer or attorney duly authorised.
- (e) Only unitholders registered in the Record of Depositors as at 20 April 2015 shall be eligible to attend, speak and vote at the 3<sup>rd</sup> AGM or appoint a proxy to attend and vote on his behalf.
- (f) The executed Proxy Form must be deposited at the Manager's registered office, not later than 2.30 p.m. on 26 April 2015, being 48 hours before the time set for the 3<sup>rd</sup> AGM.
- (g) The IGB REIT Annual Report and Proxy Form can be accessed at [www.igbreit.com](http://www.igbreit.com)

### (2) Registration of unitholders/proxies

- (a) Registration will start at 12.30 p.m. on the day of the 3<sup>rd</sup> AGM.
- (b) Unitholders/proxies are required to produce identification documents for registration, and parking tickets for endorsement (only applicable for parking at Mid Valley Megamall and The Gardens Mall; no reimburse parking charges at anywhere else).
- (c) You will be given wrist tags. No persons will be allowed to enter the meeting room without the wrist tags. There will be no replacement in the event that you lose or misplace the tags.
- (d) If you have any question, please proceed to the Help Desk Counter.

### (3) Enquiries

If you have any enquiries prior to the 3<sup>rd</sup> AGM, please contact the following persons during office hours on Mondays to Fridays:

- (a) Unitholders' enquiries: Tina Chan, Head of Compliance/Company Secretary - 603-22898820/corporate-enquiry@igbreit.com; Lucia Tho, Manager - 603-22643883/Lucia.Tho@my.tricorglobal.com
- (b) Investor relations: Chai Lai Sim, Chief Financial Officer; Chow Yeng Keet, Head of Investment - 603-22898838/8689/investorrelations@igbreit.com
- (c) CD-ROM assistance: Ching Kar Heng, IGB IT General Manager; Chai Voon Chung, IGB IT Senior Executive - 603-22898910/8884

# Corporate Information

## MANAGER

IGB REIT Management Sdn Bhd (908168-A)  
Level 32, The Gardens South Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia  
Telephone : 603 - 2289 8989  
Telefax : 603 - 2289 8802  
Website : www.igbreit.com

## BOARD OF DIRECTORS ("BOARD")

### Tan Sri Dato' Dr. Lin See Yan

*Chairman and Independent Non-Executive Director*

### Dato' Seri Robert Tan Chung Meng

*Managing Director and Non-Independent Executive Director*

### Halim bin Haji Din

*Independent Non-Executive Director*

### Le Ching Tai @ Lee Chen Chong

*Independent Non-Executive Director*

### Tan Boon Lee

*Non-Independent Executive Director*

### Daniel Yong Chen-I

*Non-Independent Executive Director*

### Elizabeth Tan Hui Ning

*Non-Independent Executive Director*

### Tan Lei Cheng

*Non-Independent Non-Executive Director*

### Tan Yee Seng

*Non-Independent Non-Executive Director*

## CHIEF EXECUTIVE OFFICER

Antony Patrick Barragry

## COMPANY SECRETARY

Tina Chan Lai Yin

## TRUSTEE

AmTrustee Berhad (163032-V)  
Level 22, Bangunan AmBank Group  
55 Jalan Raja Chulan  
50200 Kuala Lumpur, Malaysia  
Telephone : 603 - 2036 2633  
Telefax : 603 - 2032 1914

## PROPERTY MANAGER

Chartwell ITAC International Sdn Bhd (52312-H)  
Suite A-6-3, Level 6, Block A  
Putra Majestik, Jalan Kasipillay  
Batu 2½, Off Jalan Ipoh  
51200 Kuala Lumpur, Malaysia  
Telephone : 603 - 4043 3998  
Telefax : 603 - 4043 9388

## AUDITOR

PricewaterhouseCoopers (AF 1146)  
Level 10, 1 Sentral, Jalan Travers  
Kuala Lumpur Sentral  
50706 Kuala Lumpur, Malaysia  
Telephone : 603 - 2173 1188  
Telefax : 603 - 2173 1288

## UNIT REGISTRAR

Tricor Investor Services Sdn Bhd (118401-V)  
Level 17, The Gardens North Tower  
Mid Valley City, Lingkaran Syed Putra  
59200 Kuala Lumpur, Malaysia  
Telephone : 603 - 2264 3883  
Telefax : 603 - 2282 1886

## PRINCIPAL BANKERS

Hong Leong Bank Berhad (97141-X)  
Level 5, Wisma Hong Leong  
18 Jalan Perak  
50450 Kuala Lumpur, Malaysia  
Telephone : 603 - 2773 0280/0289  
Telefax : 603 - 2715 8697

Public Bank Berhad (6463-H)  
Head Office, Manara Public Bank  
146 Jalan Ampang  
50450 Kuala Lumpur, Malaysia  
Telephone : 603 - 2176 6000  
Telefax : 603 - 2163 9917

## STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad  
Stock Name : IGBREIT  
Stock Code : 5227

# Financial Highlights

Statement of Comprehensive Income	FY 2014 RM'000	FY 2013 RM'000	FP 2012* RM'000
Gross Revenue	461,768	430,726	115,285
Net Property Income	312,641	285,727	76,174
Distributable Income	268,795	241,110	62,333
Earnings per Unit ("EPU") (realised) (sen)	6.76	6.06	1.56
Core EPU (sen)	9.23	9.13	4.50
Distribution per Unit ("DPU") (sen)	7.79	7.04	1.83
Annualised DPU (sen)	7.79	7.04	6.50
Annualised Distribution Yield (%)	5.95	5.92	4.89

Notes:-

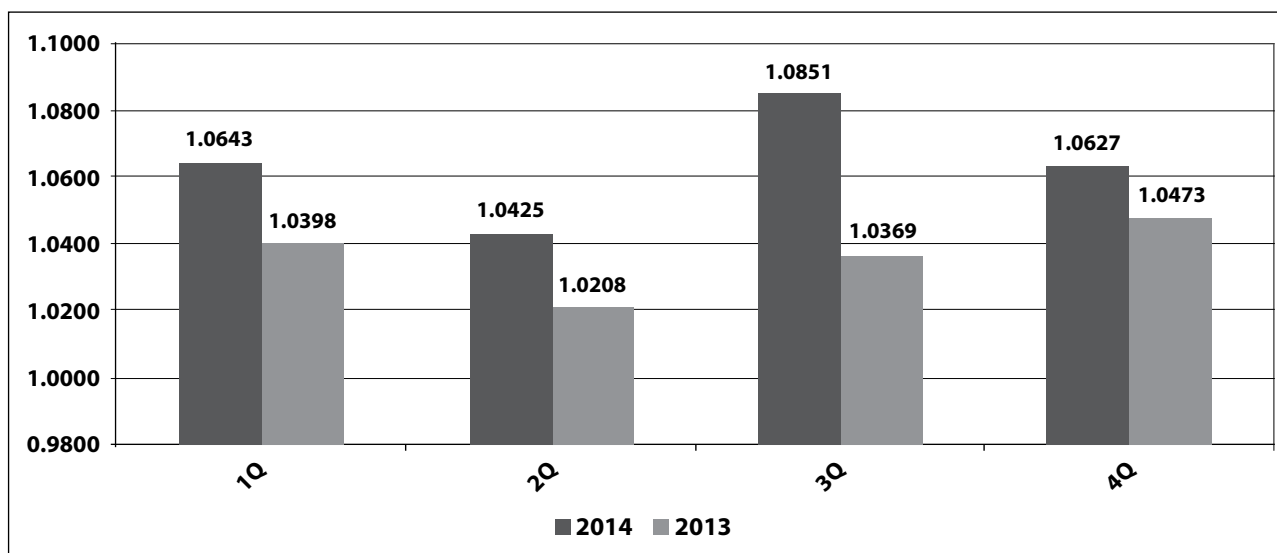
\* From 20 September 2012 to 31 December 2012

FY Financial year ended 31 December

FP Financial period ended 31 December

Statement of Financial Position	As at 31.12.2014	As at 31.12.2013	As at 31.12.2012
Investment Properties (RM'000)	4,890,000	4,805,000	4,700,000
Total Asset Value (RM'000)	5,156,780	5,059,489	4,892,134
Total Liabilities (RM'000)	1,493,322	1,475,149	1,408,090
Net Asset Value ("NAV") (RM'000)	3,663,458	3,584,340	3,484,044
NAV per Unit (RM)	1.0627	1.0473	1.0247

## NAV PER UNIT PERFORMANCE (RM)



Notes:-

1Q 1st Quarter

2Q 2nd Quarter

3Q 3rd Quarter

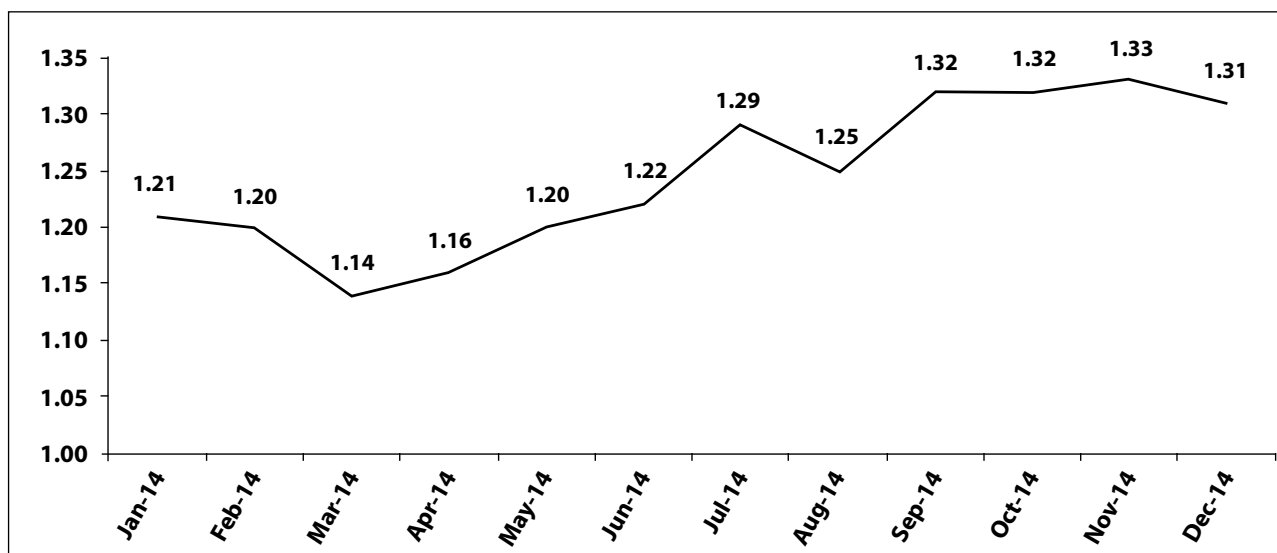
4Q 4th Quarter

# Financial Highlights

(continued)

## UNIT PRICE PERFORMANCE

Month End Closing Price (RM)



Trading performance	FY 2014	FY 2013	FP 2012
Closing price as at 31 December (RM)	1.31	1.19	1.33
Highest traded price (RM)	1.35	1.45	1.44
Lowest traded price (RM)	1.12	1.13	1.31
Units in circulation ('000)	3,447,328	3,422,620	3,400,000
Market capitalisation as at 31 December (RM'000)	4,515,999	4,072,918	4,522,000

# Portfolio Summary

## PORTFOLIO COMPOSITION

	Properties	
	Mid Valley Megamall ("MVM")	The Gardens Mall ("TGM")
Land area of master title (sq ft)	1,047,532	421,773
Tenure	Leasehold for 99 years expiring on 6 June 2103	Leasehold for 99 years expiring on 6 June 2103
Master title	PN 37075, Lot 80 Seksyen 95A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	PN 37073, Lot 79 Seksyen 95A, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur
Encumbrances/material limitations in master title	<ul style="list-style-type: none"> <li>Private caveat lodged by AEON Co. (M) Bhd vide Presentation No. 13931/2012 dated 15 August 2012</li> <li>Trust caveat lodged by AmTrustee Berhad on behalf of IGB REIT vide Presentation No. 15448/2012 on 14 September 2012</li> <li>Trust caveat lodged by AmTrustee Berhad on behalf of IGB REIT vide Presentation No. 16050/2012 on 26 September 2012</li> </ul>	<ul style="list-style-type: none"> <li>Private caveat lodged by MVCG vide Presentation No. 5949/2005 dated 17 May 2005</li> <li>Private caveat lodged by AmTrustee Berhad on behalf of IGB REIT vide presentation No. 12690/2012 on 26 July 2012</li> <li>Trust caveat lodged by AmTrustee Berhad on behalf of IGB REIT vide presentation No. 14472/2012 on 30 August 2012</li> <li>Trust caveat lodged by AmTrustee Berhad on behalf of IGB REIT vide presentation No. 16049/2012 on 26 September 2012</li> </ul>
Restrictions in interest in master title	This land shall not be transferred, leased, secured or charged except with the consent of the Federal Territory Land Executive Committee Secretariat (Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur) <sup>(1)</sup>	This land shall not be transferred, leased, secured or charged except with the consent of the Federal Territory Land Executive Committee Secretariat (Tanah ini tidak boleh dipindahmilik, dipajak, dicagar atau digadai melainkan dengan kebenaran Jawatankuasa Kerja Tanah Wilayah Persekutuan Kuala Lumpur) <sup>(2)</sup>
Express conditions in master title	This land shall be used for commercial building only (Tanah ini hendaklah hanya untuk bangunan perdagangan sahaja)	This land shall be used for commercial building only (Tanah ini hendaklah hanya untuk bangunan perdagangan sahaja)
Type	Retail	Retail
Market Valuation as at 31 December 2014 (RM'000)	3,610,000	1,280,000
Purchase consideration (RM'000)	3,440,000	1,160,000
Net Lettable Area as at 31 December 2014 (sq ft)	1,776,059	827,895
Gross Floor Area as at 31 December 2014 (sq ft)	6,107,103	3,379,510
Number of leases as at 31 December 2014	492	242
Occupancy as at 31 December 2014 (%)	99.9	97.6
Number of parking bays as at 31 December 2014	6,092	4,128

<sup>(1)</sup> Mid Valley City Sdn Bhd had on 28 March 2014 obtained the State Authority's consent for the transfer of MVM in favour of AmTrustee Berhad.

<sup>(2)</sup> Mid Valley City Developments Sdn Bhd had on 18 October 2013 (and vide extension granted on 4 September 2014) obtained the State Authority's consent for the transfer of TGM in favour of Mid Valley City Gardens Sdn Bhd ("MVCG"). MVCG had also on 28 March 2014 obtained the State Authority's consent for the transfer of TGM in favour of AmTrustee Berhad.

# Message from the Chairman and the Managing Director

*Dear Unitholders,*

***On behalf of the Board of IGB REIT Management Sdn Bhd, we are pleased to present the annual report for IGB REIT for the financial year ended 31 December 2014 ("FY2014").***

Globally, 2014 was a year marked by significant volatility driven by a confluence of factors including the outbreak of Ebola in Africa, geopolitical tensions in Europe and the Middle East, and an oil market in turmoil. Here in Malaysia, we have not been spared with a year ending with declining business sentiment as the ringgit continued to depreciate, plunging oil prices, and significantly, airline catastrophes afflicting two of our nation's most recognisable brands.

Despite this, Malaysia has continued to post strong gross domestic product growth ("GDP"), up from corresponding figures the year before, while consumer sentiment has largely reflected rising confidence, supporting another strong year for IGB REIT.

## **ROBUST FINANCIAL & OPERATING PERFORMANCE**

Driven by an experienced management team that understands evolving consumer needs and demands, IGB REIT has continued to execute asset enhancement initiatives ("AEIs") to achieve steady, long term growth, and optimal returns for our unitholders. The success of these initiatives is reflected in our financial performance, allowing us to post a FY2014 revenue of RM461.8 million and a net property income of RM312.6 million, reflecting a 7.2% and 9.4% year on year growth respectively.

Distributable income for FY2014 totalled RM268.8 million or RM7.79 sen per unit for the year, up 10.7% from the year before, while NAV for IGB REIT as at 31 December 2014 after income distribution was RM3.66 billion, compared with RM3.58 billion the year before.

Fair value for MVM increased from RM3.56 billion at the end of 2013 to RM3.61 billion as at 31 December 2014, while the corresponding figure for TGM increased from RM1.245 billion to RM1.28 billion in the same period.

## **MVM**

MVM remains a key shopping destination in the Klang Valley retail landscape. The mall continues to enjoy full occupancy with 155 renewals and 67 new tenants registered in 2014.

Major renewals that were completed in 2014 included the anchor tenants AEON and Golden Screen Cinemas.

In 2014, we welcomed established brands such as Antipodean, Black Bull, Birkenstock, Garrett Popcorn Shops, Pedro, Souper Tang, Vans; and also new to market concepts such as Magnum Kuala Lumpur, Texas Chicken, Tiffin's by Chef Korn, and LEGO distributor BOX OF BRICKS.

Major AEIs that commenced in 2014 included reconfigurations of the 3rd floor (South) and the ground floor (North).

Upgrades that were undertaken in the car parks to improve the ease of use and customer experience included the changing of car park lightings to LED, installing an individual bay car park guidance system, repainting of the walls, and the application of epoxy floorings.

Demonstrating its domestic appeal, MVM also received the Gold Award at the second edition of the Kuala Lumpur Mayor's Tourism Awards 2014.



# Message from the Chairman and the Managing Director

(continued)

## **TGM**

TGM continued to enjoy strong growth in terms of revenue and tenant sales in 2014, maintaining 100% occupancy, with 61 renewals and 21 new tenants opening in the year. The injection of high profile brands such as Prada, Salvatore Ferragamo, and Fitness First Platinum, have ensured a continued mix of retail outlets that appeal to the customer demographic of TGM, driving increased foot fall and sales.

Steps were also taken in the year to enhance the customer experience, with the installation of a water feature and plant column at the riverview entrance as well as the upgrading of toilets on the lower ground floor. The Gardens Club programme, which has seen sustained growth in membership, was also further enhanced with the introduction of a higher tier membership called the Emerald Club.

## **LOOKING AHEAD**

Looking ahead, 2015 is set to be a challenging year globally. In particular for Malaysia, the outlook remains uncertain on the back of continued volatility in oil prices, a weak ringgit and the introduction of Goods and Services Tax ("GST") in April. These factors will undoubtedly impact consumer and business sentiment in the year as the Malaysian public cautiously enters 2015.

Nevertheless, we will continue to focus on rolling out further AEs while bringing in new tenants in 2015, including Bath & Body Works, Under Armour, Victoria Secrets and Yeast. Additionally, for MVM, we will be reconfiguring existing layouts to add another 40,000 sq ft of net lettable space this year.

With IGB REIT's strong fundamentals, clear strategy for continued asset enhancement, vibrant tenant mix, and dedicated management team, we are poised to continue to drive sustainable growth and achieve optimal long term returns for our unitholders.

## **ACKNOWLEDGEMENTS**

We want to take this opportunity to express our thanks and appreciation to the members of the Board for their continued guidance and to the management team for their unwavering commitment and hard work. We would also like to thank all our unitholders, tenants, business partners and customers for their continued support.

We look forward to forging ahead with you, seizing opportunities and maximising returns while sustaining balanced and stable growth.

**TAN SRI DATO' DR. LIN SEE YAN**  
*Chairman*

**DATO' SERI ROBERT TAN CHUNG MENG**  
*Managing Director*

# Message from the Chief Executive Officer

Dear Unitholders,

## **SUSTAINED GROWTH & STABILITY**

2014 was a good year for IGB REIT as we continued to build upon the strong foundation we have established. Through the implementation of several AEs that impacted both MVM and TGM, and the continued focus on keeping on trend and offering our customers a vibrant tenant mix, we have seen sustained growth as our key performance indicators improved year on year.

We also continued to focus on sustaining our commitment to our community this year, an effort that has become a cornerstone in our strategy for long term growth and stability. We recognise that being a part of the community - giving back and understanding their needs - is paramount in allowing us to meet our business objectives, drive unitholder value, and ultimately achieve sustained growth.

## **AN UNWAVERING COMMITMENT TO OUR COMMUNITY**

### **Our People**

At its core, IGB REIT is driven by its people - those who manage the REIT, those who run our malls, our tenants, our business partners, and of course our customers. Looking after our people and making sure we have the right mix to support our business objectives is therefore extremely important.

IGB REIT is committed to creating and maintaining an inclusive and collaborative work environment that leverages on the diverse backgrounds, experiences and perspectives of our people. This commitment extends throughout all aspects of our business, including recruitment, talent development, Board appointments, as well as succession planning. We do not tolerate any form of discrimination or harassment in the workplace and work to ensure that all our people conduct themselves with the utmost level of professionalism.

Our longevity also relies on the support we receive from our tenants and customers. Recognising this, the Manager works tirelessly to ensure the tenants of both MVM and TGM get the support they require and that their employees are given the opportunities to achieve their potential whilst striking a balance between work and play.

Additionally, this year, we took deliberate steps to better understand our customers through active engagement via social media. The response and feedback that we have received has indeed been heartening and it has allowed us to spot emerging trends, address queries, and also help promote and support our tenants through an alternative channel.

### **Our Local Community**

Having a presence in and giving back to our local community is also extremely important to us. This year, in addition to the usual festive celebrations that saw both MVM and TGM support various organisations such as the Bellevue Residential Homecare, Persatuan Kebajikan Al-Shakur, Persatuan Kebajikan Teratak Shifa, Pertubuhan Kebajikan Agathians Malaysia, and the Good Samaritan Home, we also launched the inaugural Mid Valley City Charity Run in partnership with HSBC, New Balance, and Revive. The run was a tremendous success, attracting more than 1,000 participants and raising RM30,000 which was donated to St John Ambulance of Malaysia.

In providing support to non-profit organisations, we have also allocated space within our malls to organisations who have opened stores such as Kedai BLESS, the Malaysian Association for the Blind ("MAB") shoppe, OKU DBU, and the Urban Environmental Education Hub, allowing them to operate for a minimal fee, or in some cases rent free, so that they can use the space to generate revenue for their respective communities.

### **Our Environment**

This year, we have also increased our focus on the environment, both in terms of doing our part to raise awareness about the importance of preserving the environment we live in, as well as improving our immediate surroundings.

Notably, in 2014 we have spent a considerable amount of time and money on improving our car parking facilities as we understand the importance of this in terms of safety, security, and convenience, both for our customers as well as our tenants. We have introduced a car park guidance system and a variable message signage system to help communicate to visitors the availability of parking spaces and where they are located. We have also improved the quality of the car park environment, giving it a cleaner and brighter look and feel.

Following the success of our "Beautiful Earth" campaign in 2013, we worked with several partners, including Shark Savers Malaysia to roll out the "Beautiful Ocean" campaign, to encourage people to take a moment to reflect on the beauty and fragility of our oceans. Booths were set up, allowing our corporate partners to disseminate information on the cause, raising awareness around the importance of marine life, marine habitat, and sustainable food. The "I'm FINished with fins" campaign, formed part of this broader initiative, and was met with tremendous success, with visitors pledging to reduce the consumption of shark fins.

# Message from the Chief Executive Officer

(continued)

## THE YEAR AHEAD

2015 looks set to be a challenging one, with a confluence of factors such as a weak ringgit, plunging oil prices, and a rising cost of living, set to impact overall consumer and business sentiment. If we look at other nations who have introduced GST, overall consumption has generally dipped post its implementation before recovering some 6 to 9 months later.

Having said that, we remain confident that IGB REIT is poised for continued stability moving forward, driven by a strong management team, a vibrant tenant mix, and a clear strategy for sustained growth.

## ACKNOWLEDGEMENTS

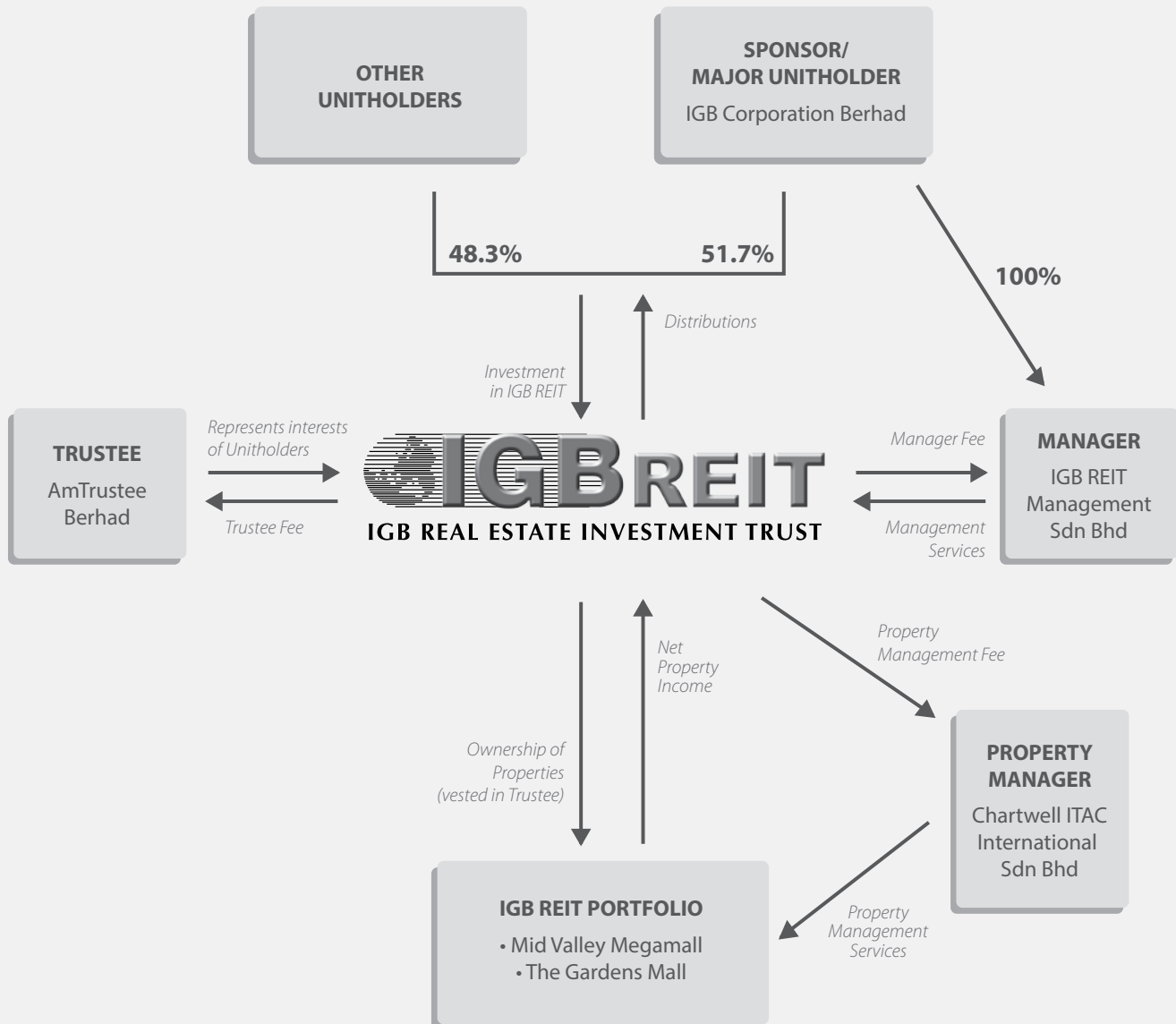
I want to take this opportunity to thank our unitholders, business partners, tenants, and customers for their continued and unwavering support, and also extend my sincere gratitude to our Trustee and members of the Board for their guidance.

I look forward to continuing to work hand in hand with all of you so that we can continue to build on our strengths, explore emerging opportunities, and create value for all.

**ANTONY PATRICK BARRAGRY**

*Chief Executive Officer*

# IGB REIT Structure



## Salient Features of IGB REIT

<b>Fund Name</b>	IGB REIT
<b>Fund Category</b>	Real estate investment trust
<b>Fund Type</b>	Income stability and growth
<b>Fund Duration</b>	<p>IGB REIT shall terminate on the earlier of:</p> <ul style="list-style-type: none"> <li>the occurrence of any of events listed in Clause 26.2 of the deed of trust dated 18 July 2012 ("Deed");</li> <li>the date 999 years after 25 July 2012 i.e. the date of establishment of IGB REIT; or</li> <li>the date on which IGB REIT is terminated by the Manager under Clause 26.1(b) of the Deed</li> </ul>
<b>Approved Fund Size</b>	3,550,000,000 Units
<b>Authorised Investments</b>	Real estate, unlisted single-purpose companies, real estate-related assets, non-real estate-related assets, cash, deposits, money market instruments and any other investments not specified above but specified as a permissible investment in the Securities Commission's ("SC") Guidelines on Real Estate Investment Trust ("REIT Guidelines") or as otherwise permitted by the SC
<b>Authorised Investments Limits</b>	<p>The investments of IGB REIT are subject to the following investments limits imposed by the REIT Guidelines:</p> <ul style="list-style-type: none"> <li>at least 50.0% of IGB REIT's total asset value ("TAV") must be invested in real estate assets at all times; and</li> <li>not more than 25.0% of IGB REIT's TAV may be invested in non-real estate-related assets and/or cash, deposits and money market instruments,</li> </ul> <p>provided that investments in both real estate-related assets and non-real estate-related assets are limited as follows:</p> <ul style="list-style-type: none"> <li>the value of IGB REIT's investments in securities issued by any single issuer must not exceed 5.0% of IGB REIT's TAV;</li> <li>the value of IGB REIT's investments in securities issued by any group of companies must not exceed 10.0% of IGB REIT's TAV; and</li> <li>IGB REIT's investment in any class of securities must not exceed 10.0% of the securities issued by any single issuer, or</li> </ul> <p>such other limits and investments as may be permitted by the SC or the REIT Guidelines.</p>
<b>Distribution Policy</b>	At least 90% of IGB REIT's distributable income, on semi-annual basis for each six-month period ending 30 June and 31 December of each year (or such other intervals as the Manager may determine at its absolute discretion)
<b>Borrowing Limitations and Gearing Policy</b>	Up to 50.0% of IGB REIT's TAV at the time the borrowing is incurred or such higher amount with the prior approval of the unitholders or such other limit permitted by the REIT Guidelines from time to time
<b>Revaluation Policy</b>	At least once every three years based on an independent professional valuation pursuant to the REIT Guidelines or such other shorter interval as the Manager deems necessary



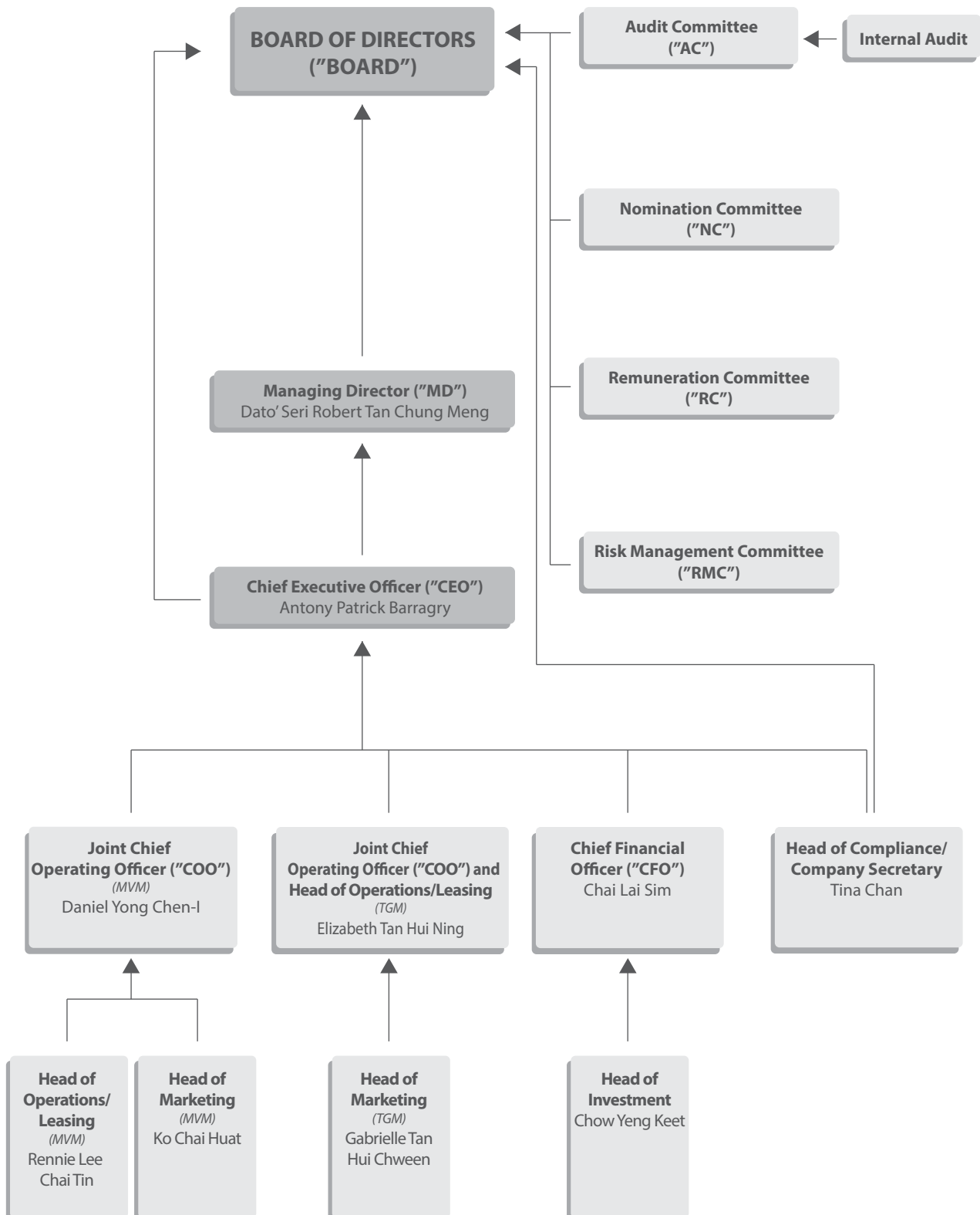
## Salient Features of IGB REIT

(continued)

<b>Manager Fee</b>	<p>The Manager may elect to receive the Manager Fee in cash or units or a combination of cash and units (as it may in its sole discretion determine). The Manager is entitled under the Deed to the following Manager Fees (exclusive of service tax, if any):</p> <ul style="list-style-type: none"><li>• Base Fee: up to 1.0% per annum of IGB REIT's TAV (excluding cash and bank balances which are held in non-interest bearing account). [FY2014: RM15,111,000]</li><li>• Performance Fee: 5.0% per annum of IGB REIT's net property income ("NPI") in the relevant financial year. [FY2014: RM15,625,000]</li><li>• Acquisition Fee: 1.0% of the total purchase consideration of any Authorised Investments directly or indirectly acquired by the Trustee on behalf of IGB REIT</li><li>• Divestment Fee: 0.5% of the total sale consideration of any Authorised Investments directly or indirectly sold or divested by the Trustee on behalf of IGB REIT</li></ul>
<b>Financial Year (FY2014)</b>	1 January 2014 to 31 December 2014
<b>Minimum Investment</b>	100 units per board lot
<b>Bursa Securities Stock Number</b>	IGB REIT 5227

# Reporting Structure

## IGB REIT MANAGEMENT SDN BHD



## Profile of Directors

### **TAN SRI DATO' DR. LIN SEE YAN**

*Chairman, Independent Non-Executive Director*

Tan Sri Dato' Dr. Lin See Yan, aged 75, is Chairman of the Manager. Dr. Lin was appointed to the Board on 27 April 2012. He is also the Chairman of NC and RC, and a member of AC.

Dr. Lin is an independent strategic and financial consultant. Prior to 1998, he was Chairman/President and Chief Executive Officer of Pacific Bank Group and for 14 years previously, Deputy Governor of Bank Negara Malaysia (the Central Bank), having been a central banker for 34 years. Dr. Lin continues to serve the public interest, including Member, Prime Minister's Economic Council Working Group, as well as a member of a number of key National Committees on Higher Education; Economic Advisor, Associated Chinese Chambers of Commerce & Industry of Malaysia; Board Director, Monash University Malaysia Sdn Bhd and Sunway University Sdn Bhd; and Governor, Asian Institute of Management, Manila. In addition, Dr. Lin sits on the boards of several public listed companies in Malaysia, including Ancom Berhad, Genting Berhad, JobStreet Corporation Berhad and Wah Seong Corporation Berhad ("WSCB"), and a number of business enterprises in Malaysia, Singapore and Indonesia engaged in mining, petroleum related products, property development, software and private equity. Dr. Lin is a Member of Harvard University's Graduate School Alumni Association Council in Cambridge (USA) as well as President, Harvard Club of Malaysia. He is also Research Professor, Sunway University; Professor of Economics (Adjunct), Universiti Utara Malaysia; and Professor of Business & International Finance (Adjunct), University Malaysia Sabah; and a Trustee of the Tun Ismail Ali Foundation (PNB), Harvard Club of Malaysia Foundation, Malaysian Economic Association Foundation and Jeffrey Cheah Foundation.

Professionally qualified in the United Kingdom as a Chartered Statistician, Dr. Lin is also banker, economist and venture entrepreneur, having received three post-graduate degrees from Harvard University (including a PhD in Economics) where he was a Mason Fellow and Ford Scholar. He is a British Chartered Scientist. Dr. Lin is an Eisenhower Fellow and a Fellow of the IMF Institute (Washington DC), Royal Statistical Society (London), Malaysian Institute of Bankers, Malaysian Insurance Institute, Malaysian Institute of Management and Malaysian Economic Association. He is also a Distinguished Fellow of the Institute of Strategic and International Studies in Malaysia.

### **DATO' SERI ROBERT TAN CHUNG MENG**

*MD, Non-Independent Executive Director*

Dato' Seri Robert Tan Chung Meng, aged 62, is the MD of the Manager. Dato' Seri was appointed to the Board on 21 March 2012 and a member of RC.

Dato' Seri has extensive experience in property development, hotel construction, retail design and development as well as corporate management with more than 30 years' experience in the property industry. After studying Business Administration in the United Kingdom, he was attached to a Chartered Surveyor's firm for a year. He also developed a housing project in Central London before returning to Malaysia. His stint in the property industry began with IGB Corporation Berhad ("IGB") in 1995 when he was IGB's Joint Managing Director and subsequently becoming its Group Managing Director in 2001, a position he currently holds today.

Dato' Seri has been involved in various development projects carried out by IGB group, in particular Mid Valley City. From inception to the realisation of MVM and TGM, he was actively involved in every stage of their developments. He is instrumental to the development and success of MVM and TGM, and more importantly, in retaining their positions as prime retail players amidst increasingly competitive retail landscape. Through his management and leadership, MVM and TGM are now two of the most popular shopping malls in the Klang Valley, enjoying an almost full occupancy rate for the past few years.

Dato' Seri is also Non-Executive Chairman of WSCB, and a Director of Goldis Berhad ("Goldis") and Tan & Tan Developments Berhad ("Tan & Tan"), the property arm of IGB.

## Profile of Directors

(continued)

### HALIM BIN HAJI DIN

*Independent Non-Executive Director*

Encik Halim bin Haji Din, aged 68, joined the Board of the Manager on 27 April 2012, and was appointed AC Chairman. He is also a member of NC and RC.

He is a Chartered Accountant who spent more than 30 years working for multinational corporations and international consulting firms. He accumulated 18 years of experience working in the Oil and Gas Industry – 6 years of which as Board member of Caltex/Chevron, responsible for financial management, before engaging in the consulting business. Prior to his appointment as Board member of Caltex Malaysia, Encik Halim served as Regional Financial Advisor for Caltex Petroleum Corporation Dallas, Texas overseeing investment viability of the corporation's Asian subsidiaries.

He also had an extensive experience in corporate recovery when he worked for Ernst & Whinney, London, United Kingdom in mid-1980's. He was appointed as Managing Partner of the consulting division of Ernst & Young Malaysia from 1995. He later became the Country Advisor of Cap Gemini Ernst & Young Consulting Malaysia when Cap Gemini of France merged with Ernst & Young Consulting. In 2003, he with two partners took over the consulting business of Cap Gemini Ernst & Young Malaysia through a management buy-out and rebranded it as Innovation Associates, currently known as IA Group, where he is currently the Chairman of the group.

He was Council Member of The Malaysian Institute of Certified Public Accountants from 1994 to 2003. He also served as Board member of Employees Provident Fund for four years from April 2009 to May 2013.

He is also a Director of WSCB and BNP Paribas Malaysia Berhad.

### LE CHING TAI @ LEE CHEN CHONG

*Independent Non-Executive Director*

Mr Lee Chen Chong, aged 73, was appointed to the Board of the Manager on 27 April 2012. He is a member of AC, NC and RC.

He is a Fellow of the Chartered Institute of Bankers (FCIB), London, United Kingdom and spent a total of 34 years in commercial and international banking with local as well as banks overseas. From 1972 to 1984, he was Chief Executive Officer of an overseas bank in the City of London. In 1985, he returned to Malaysia and joined a Malaysia-French joint-venture bank in Kuala Lumpur as Executive Director. He was subsequently appointed Managing Director until he relinquished the post in end 1993. The next four years saw him spend time overseas as Chief Executive Officer and Director of international banks in the Czech Republic, Hungary and Malta. He was associated with Multi-Purpose group of companies from 1989 until his retirement as Executive Director in end 2000. He was also Executive Director of Ipimuda Berhad from December 2001 until retiring in January 2008.

He is presently Chairman of Koyo International Limited, which is listed on Singapore Exchange Securities Trading Limited.

### TAN BOON LEE

*Non-Independent Executive Director*

Mr Tan Boon Lee, aged 51, was appointed to the Board of the Manager on 27 April 2012.

He holds a Bachelor of Economics from Monash University, Australia and a Master in Business Administration from Cranfield School of Management, United Kingdom.

He has 28 years' experience in the property and hotel industry, providing management and technical assistance to hotel and hospitality projects in Malaysia and Asia. He was President of the Malaysian Association of Hotel Owners (MAHO) from 2002 to 2004. He spearheaded IGB group's growth into emerging economies of Myanmar and Cambodia in 1990's via the group's hotel division.

He is presently an Executive Director of IGB and Goldis, a Director of Dato' Tan Chin Nam Foundation; and SW Homeowners Berhad, and Chief Executive Officer of Tan & Tan.

### TAN LEI CHENG

*Non-Independent Non-Executive Director*

Madam Tan Lei Cheng, aged 58, was appointed to the Board of the Manager on 27 April 2012, and a member of AC and NC.

She holds a Bachelor of Commerce from University of Melbourne, Australia, and a Bachelor of Law from King's College, London (LLB Hons.), England. She is also a member of Lincoln's Inn and was admitted to the English Bar in 1983.

She has more than 30 years of experience in the property industry and the corporate sector. She was Chief Executive Officer of Tan & Tan from March 1995, a property development company that was listed on Bursa Securities until Goldis took over its listing on 8 May 2002, following the completion of the merger between IGB, Tan & Tan and Goldis. She is presently Executive Chairman and Chief Executive Officer of Goldis.

She also sits on the boards of IGB, Tan & Tan and Dato' Tan Chin Nam Foundation. She is a member of the World Presidents' Organisation, Malaysia Chapter.

## Profile of Directors

(continued)

### **DANIEL YONG CHEN-I**

*Non-Independent Executive Director*

Mr Daniel Yong Chen-I, aged 43, was appointed to the Board of the Manager on 27 April 2012. He is the Joint COO (MVM).

He is a law graduate from University of Bristol, England. He joined Mid Valley City Sdn Bhd ("MVC") in 1999 as a member of the pre-opening retail development team. He was appointed Executive Director of MVC in 2003 and is responsible for overseeing the management and operation of MVM. He was also involved in the design and pre-opening of TGM from 2004 to 2007. His prior work experience includes the development of bespoke systems with BYG Systems Ltd in England and Operational Management with Wah Seong Engineering Sdn Bhd, the distributor and manufacturer for Toshiba Elevator and Escalators in Malaysia.

He is also a Director of Goldis, and the alternate Director to Pauline Tan Suat Ming on the boards of IGB and WSCB.

### **ELIZABETH TAN HUI NING**

*Non-Independent Executive Director*

Madam Elizabeth Tan Hui Ning, aged 31, was appointed to the Board of the Manager on 27 April 2012. She is the Joint COO and Head of Operations/Leasing (TGM).

She graduated with First Class Honours from Cardiff University, Wales, United Kingdom with a degree in Business Administration (BSc) in June 2004. She joined Mid Valley City Gardens Sdn Bhd ("MVCG") in August 2004 and subsequently assumed her present role as Director of Leasing of MVCG. She is responsible for the conceptualisation and strategy of the tenant mix of TGM as well as overseeing the leasing, retail development and customer service departments.

### **TAN YEE SENG**

*Non-Independent Non-Executive Director*

Mr Tan Yee Seng, aged 34, was appointed to the Board of the Manager on 27 April 2012 and is a NINED.

He holds a professional Diploma of Architecture (Royal Institute of British Architects, Part 2) from University of East London, United Kingdom. He joined IGB in 2010 as Senior General Manager (Property Development division). His prior work experience includes being part of the pre-opening team member of G Tower which is owned by Goldis, where he oversaw the coordination of base building, fit out and operations. He was also extensively involved in the aesthetic realisation of TGM while working at Ensignia Construction Sdn Bhd, the construction arm of IGB, where he worked as a design architect. There he used his training to create and fine tune the facades and key elements of TGM and MVM. He has also been a design architect at Eric Kuhne Associates in London where he worked on several large mixed-use proposals.

He is the alternate Director to Tan Boon Seng on the board of IGB and a Director of Tan & Tan.

#### *Notes:*

1. All Directors are Malaysian.
2. Save for Dato' Seri Robert Tan Chung Meng, Tan Boon Lee, Tan Lei Cheng, Daniel Yong Chen-I, Elizabeth Tan Hui Ning and Tan Yee Seng, the Directors have no family relationship with any Director of the Manager and/or major unitholder of IGB REIT.
3. Save for the Directors' interests in IGB REIT (as disclosed under Unitholdings of Directors and CEO) and the transactions with companies related to the Manager (as disclosed in Notes to the Financial Statements), no conflict of interest has arisen during FY2014.
4. All Directors have not been convicted of any offence.



## Profile of Management

### ANTONY PATRICK BARRAGRY CEO

Antony Patrick Barragry, aged 63, a British but a permanent resident of Malaysia, was appointed CEO of the Manager on 1 September 2012.

He is a qualified architect with 38 years of international experience in the design, development and operations of major mixed-use developments.

His prior work experience includes Jebel Ali Hotel development in Dubai, Putra World Trade Centre in Kuala Lumpur and Kempinski Ciragan Palace Hotel in Istanbul. His career with IGB group commenced with Renaissance Kuala Lumpur Hotel in 1993. Subsequently, he was appointed Project Director in the construction of phase 1 of Mid Valley City, including MVM. Appointed as Executive Director of MVC in 2002, he spearheaded the development of more than 6 million square feet of commercial space in Mid Valley City's phase 2 ("TGM and The Gardens Hotel & Residences-St Giles Luxury Hotel"), phase 3 ("Southpoint", which is under construction) and phase 4 ("Northpoint"). He was also Project Director for the design and construction of St Giles Hotel, Heathrow, London and the upgrading of IGB's Pangkor Island Beach Resort, a 100-acre beach-front property on Pangkor Island. He was Chief Executive Officer of MVCG from January 2008 until he relinquished the post in September 2012.

He holds a Diploma in Architecture from the University of Sheffield and a member of the International Council of Shopping Centres and The International Real-Estate Federation (FIABCI).

He has no family relationship with any Director of the Manager and/or major unitholder of IGB REIT, has no conflict of interest with IGB REIT, and has not been convicted of any offence.

### DANIEL YONG CHEN-I Joint COO (MVM)

Please refer to description under the heading "Profile of Directors".

### ELIZABETH TAN HUI NING Joint COO and Head of Operations/Leasing (TGM)

Please refer to description under the heading "Profile of Directors".

### CHAI LAI SIM CFO

Chai Lai Sim has over 30 years of experience in audit, corporate finance, capital management strategy including treasury, financial accounting and taxation in property development, commercial and retail property investment and hospitality industries. She began her career as an articled student with Coopers & Lybrand (now known as PriceWaterhouseCoopers) before joining Tan & Tan as the Group Financial Controller in 1993. Following the completion of the merger between Tan & Tan and IGB in 2002, she was appointed the Senior Group General Manager of Group Finance and subsequently assumed the present role of Group Chief Financial Officer of IGB.

She is a member of the Malaysian Institute of Accountants (MIA) and Malaysian Institute of Certified Public Accountants (MICPA).

### TINA CHAN LAI YIN Head of Compliance and Company Secretary

Tina Chan has a broad knowledge and skill-base in corporate secretarial work, having dealt with a wide range of corporate exercises in the course of her 25 years working experience. She is also presently the Company Secretary of IGB group, a position which she has held since 1997. She heads the corporate secretarial division and is responsible for the efficient administration of IGB group, particularly with regard to ensuring compliance with statutory and regulatory requirements including key areas relating to governance and compliance structures which are implemented throughout the group. Prior to joining IGB, she had worked in a legal firm, Rahman Hashim, V.T. Ravindran and Partners where she was the Company Secretary and was later attached to Tan & Tan, her last position there being the Joint Company Secretary where she had been significantly involved in the floatation of Tan & Tan in 1993 (the listing status of which was assumed by Goldis following the completion of the merger between Tan & Tan and IGB in 2002).

She is an Associate of The Institute of Chartered Secretaries and Administrators.

## Profile of Management

(continued)

### **CHOW YENG KEET**

*Head of Investment*

Chow Yeng Keet is presently the General Manager, Corporate Finance of IGB and Director of Finance of MVC. He has 6 years of experience in corporate finance and advisory covering mergers and acquisitions, equity and debt fund raising, capital management and restructuring, valuations as well as take-over offers.

He started his career as Corporate Finance Executive with the then Sime Merchant Bankers Berhad in 1997. Thereafter, he was with Commerce International Merchant Bankers Berhad (now known as CIMB Investment Bank Berhad) for 5 years where his last position was Corporate Finance Manager prior to joining IGB in 2004.

He holds a Bachelor of Economics (First Class Honours) from University of Malaya and a Fellow of the Association of Chartered Certified Accountants.

### **RENNIE LEE CHAI TIN**

*Head of Operations/Leasing (MVM)*

Rennie Lee joined MVC in 1995. She has more than 20 years of work experience in leasing and operations within the retail industry. She is credited with being part of the founding team in the marketing of Mid Valley City. Her previous work experience includes leasing and marketing of Mahkota Parade in Malacca, Subang Parade and IOI Shopping centres in Kuala Lumpur. She was a key member of MVM pre-opening team. She is also General Manager of MVC.

### **KO CHAI HUAT**

*Head of Marketing (MVM)*

Ko Chai Huat joined MVC in 1999. He has 27 years of work experience in visual merchandising as well as advertising and promotions. He was formerly Visual Merchandising Manager at Atria Shopping Centre in Petaling Jaya. He directs, conceptualise and leads all design set ups for promotional activities and events in MVM. He was a key member of MVM pre-opening team. He holds a Diploma in Fine Arts. He is also Director of Design of MVC.

### **GABRIELLE TAN HUI CHWEEN**

*Head of Marketing (TGM)*

Gabrielle Tan holds a Bachelor of Arts in Business Economics from the University of Exeter, United Kingdom and a Bachelor of Fine Arts in fashion design and marketing from American Intercontinental University, London, United Kingdom. She joined MVCG as Head of Marketing in 2008 and subsequently assumed the role of Director of Marketing. She oversees the advertising and promotions activities as well as the public relations initiatives at TGM. She is also Director of Marketing of MVCG.

# Governance Report

IGB REIT was established on 25 July 2012 with the principal investment policy of investing, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes (including retail properties and mixed-use developments with a retail component) in Malaysia and overseas, as well as real estate-related assets, with the key objective of providing unitholders with regular and stable distributions, sustainable long term unit price and distributable income and capital growth, while maintaining an appropriate capital structure.

IGB REIT was listed on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012 with 2 investment properties under its portfolio, namely MVM and TGM (collectively, "Properties").

IGB REIT Management Sdn Bhd was appointed the Manager of IGB REIT pursuant to the Deed. The Manager shall, subject to the provisions of the Deed, carry out all activities as it may deem necessary for the management of IGB REIT and its business.

The Board of the Manager remains committed towards ensuring that the Manager implements and operates good governance practices in its overall management of IGB REIT. In developing its system of corporate governance, the Board is guided by the measures set out in the REIT Guidelines, Bursa Securities' Main Market Listing Requirements ("MMLR") and Malaysian Code on Corporate Governance 2012 ("MCCG"). The policies and practices of the Manager, supported by existing internal control processes, are regularly audited and reviewed, to ensure competency, accountability and transparency.

This report outlines the Manager's governance principles which sets out the role of the Board, its processes and its relationship with executive management as well as describes the work of the Board and its Committees during FY2014. Except where specifically identified in this report, the Board believes that the Manager has complied substantially with the best practices of MCCG and the provisions in MMLR as well as the obligations under the Deed in discharging its responsibilities as Manager.

## I. THE MANAGER

IGB REIT, which is constituted as a trust, has no personnel of its own. It is externally managed and administered by the Manager, who appoints experienced and well-qualified management staff to handle the day-to-day operations of IGB REIT. All Directors and employees of the Manager are remunerated by the Manager and not by IGB REIT. The Manager also manages and supervises the service providers including the property manager, who provides property management, marketing and management services for the Properties.

The Manager's main responsibility is to manage activities in relation to IGB REIT. The Manager shall, in managing IGB REIT, undertake primary management activities including but not limited to overall strategy, risk management strategy, new acquisition and disposal analysis, marketing and communications, individual asset performance and business planning, market performance analysis and other activities as provided under the Deed, and in accordance with acceptable and efficacious business practices in the real estate investment industry in Malaysia.

The Manager has a Capital Markets Services Licence issued by the SC to carry on the regulated activity of fund management in relation to asset management. The Manager's licensed representatives are Antony Patrick Barragry and Elizabeth Tan Hui Ning.

## II. THE BOARD

### (a) Board

The Manager is led and managed by an experienced Board with a wide and varied range of expertise.

The Board has the overall responsibility for managing and governing the Manager and IGB REIT in the best interests of unitholders and stakeholders. The Board provides leadership to the Manager, sets the strategic directions and oversees the management of IGB REIT.

The Board assumes, among others, the following key roles:

- (i) Set objectives, goals and strategic plans for the Manager and IGB REIT with a view of maximising unitholders' value.
- (ii) Formulate policies and oversee the proper conduct of the Manager (including budgeting approval and all other financial matters).
- (iii) Oversee the conduct of the Properties under IGB REIT's portfolio to evaluate whether they are properly managed.
- (iv) Consider management's recommendations on key issues including acquisitions, divestments, funding and significant capital expenditure.
- (v) Oversee the risk management processes, internal compliance controls and integrity of management information systems of the Manager and IGB REIT.
- (vi) Monitor compliance with all relevant laws, legislative and regulatory requirements (including continuous disclosure).
- (vii) Determine and approve the distribution amounts to unitholders.

# Governance Report

(continued)

The roles, responsibilities, processes and operations of the Board in discharging its fiduciary leadership functions are elaborated in the Board Charter. All Directors are expected to act ethically at all times and acknowledge their adherence to the policies set forth in the Directors' Code of Business Conduct and Ethics ("Code"). The Code prohibits actions that could be considered a conflict of interest and contains provisions in respect of fair dealing, confidentiality and prohibitions, and illegal or unethical behaviour. The Board has also put in place a set of internal guidelines, which set out authority limit for, among others, capital expenditure, investments and divestments, and operation of bank accounts. The Board approves transactions exceeding certain limits, while delegating authority for transactions below those limits to the MD and the CEO. For transactions below a certain level, the authority is delegated to the key management officers to facilitate operational efficiency.

## **(b) Board Composition and Balance**

The Directors with property investment and commercial experience with diverse academic backgrounds provide a collective range of skills and expertise which is vital to effectively lead the Manager and IGB REIT. The Directors' biographical details are set out in this Annual Report under the heading "Profile of Directors".

The Board as at the date of this report comprises 9 members; 5 Non-Executive Directors ("NEDs") and 4 Executive Directors ("Executive Board"), with 3 of the 5 NEDs being Independent Directors ("INEDs"). The current Board fulfils the requirement under MMLR which requires one-third of the Board to be independent. The Executive Board and NEDs are equal members of the Board, both having fiduciary duties to unitholders and have overall collective responsibility for the direction and performance of the Manager and IGB REIT.

There is a clear identifiable roles and responsibilities for Board Chairman, MD and CEO. This is to ensure an appropriate balance of power and authority to facilitate effective oversight and clear segregation of duties. The Board Chairman is an INED. He assumes responsibility for the management of the Board and ensures that members of the Board and the management work together with integrity and competency, and that the Board engages the management in constructive debate on strategies, business operations, enterprise risks and other plans. The MD as a representative of the Board, together with the CEO, is accountable to the Board and responsible over the business direction and the strategy implementation of the Manager and IGB REIT. The CEO has the overall responsibility for the day-to-day operational management of the Manager and IGB REIT, including execution of the agreed business policies and directions set by the Board and of all operational decisions in managing the Manager and IGB REIT.

The INEDs, all of whom are persons of high calibre and integrity, play important roles by exercising independent judgement and objective participation in the proceedings and decision-making processes of the Board. The presence of INEDs fulfils a pivotal role in corporate accountability to ensure that the interests of minority unitholders are properly safeguarded. The non-INEDs ("NINEDs") also bring with them a wide range of essential business and financial experience relevant to the Manager and IGB REIT.

The size and composition of the Board are reviewed annually to ensure that it has the appropriate mix of expertise and experience. A Director with multiple board representations is expected to ensure that sufficient attention is given to the affairs of the Manager and IGB REIT. The NC examines the size and composition of the Board with a view of determining the impact of the number upon effectiveness and makes recommendations to the Board on what it considers an appropriate size and composition for the Board. The Board is satisfied that the Board as presently constituted is of sufficient size and diversity with the appropriate mix of experience, competencies and skills to carry out its responsibilities.

## **(c) Board Meetings and Access to Information**

Directors are expected to prepare for, attend, and contribute meaningfully in all Board and applicable Board Committee meetings in order to discharge their obligations. Consistent with their fiduciary duties, Directors are expected to maintain the confidentiality of the deliberations of the Board and its Committees.

Board meetings are scheduled at least once every quarter, to discuss and review IGB REIT's business and affairs, with a focus on its performance and results as well as matters of material consequence for IGB REIT and its unitholders. Additional meetings may be convened as warranted by specific circumstances. To facilitate participation at the Board meetings, Directors may attend in person, via teleconference or video-conference. Board meetings are also supplemented by resolutions circulated to the Directors for decision between the scheduled meetings. The Board met 4 times during FY2014 which were attended by all Directors except Tan Boon Lee who attended 3 out of 4 meetings.

# Governance Report

(continued)

Directors receive agenda together with a full set of Board papers containing information relevant to the business of the meetings ahead of the scheduled meetings to enable Directors to peruse, obtain additional information and/or seek further explanations or clarification on the matters to be deliberated. The key management officers of the Manager are invited to attend Board meetings to present reports on matters relating to their areas of responsibility, and to brief and provide details on recommendations or reports submitted to the Board. In the event of potential conflict of interest, the Director in such position will make a declaration in the meeting and abstain from deliberation and decision of the Board on the subject proposal. Matters to be considered by the Board will be adopted on the basis of a majority of votes. In the case of an equality of vote, the Board Chairman will have a casting vote. A record of the Board's deliberation of the issues discussed and conclusions reached in discharging its duties and responsibilities is captured in the minutes of each meeting. Minutes of each Board meeting are circulated to each Director prior to confirmation of the minutes in the next meeting.

The Directors are notified of any announcement released to Bursa Securities and the impending restriction in dealing with the securities of IGB REIT prior to the announcement of the financial results. Directors are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period. Each Director is required to give notice to the Manager of his acquisition of units or of changes in the number of units which he holds or in which he has an interest, within three market days after such acquisition or changes in interest. All dealings in units by Directors are announced to Bursa Securities.

All Directors have full and unrestricted access to all information and records of the Manager and IGB REIT as well as the advice and services of key management officers in furtherance of their duties. Directors may seek external legal or independent professional advice on any matter concerned with the discharge of their responsibilities as they may deem necessary and appropriate.

## (d) Board Committees

The Board has entrusted specific responsibilities to certain Board Committees, which operate within defined terms of reference. The authority and role of the Board Committees are set out in the Board Charter. Topics of discussion and frequency of meetings will vary depending on each Committee's charter and the portfolio's complexity. The chairman of the respective Board Committees reports to the Board on any salient matters noted by the Committees and which require the Board's notice, direction or approval. The minutes of Committees' meetings are included as part of the Directors' materials for meeting. In common with the Board, each Committee has access to independent advice and counsel as required.

The composition of Board Committees and Working Group and their terms of reference were as follows:

### (i) AC

AC comprises 3 INEDs and a NINED, namely Halim bin Haji Din (Chairman), Tan Sri Dato' Dr. Lin See Yan, Le Ching Tai @ Lee Chen Chong and Tan Lei Cheng. AC as a whole has an appropriate and experienced blend of commercial, financial and audit expertise to assess the issues it is required to address. With an independent component of 75% and comprised of NEDs, the composition of AC is fully compliant with MMLR.

AC met 4 times in 2014 to assist the Board in discharging its responsibility for the integrity of IGB RET's quarterly and year-end financial results, the assessment of the effectiveness and efficiency of the internal controls, risk management and governance processes of IGB REIT and the Manager, and monitoring the effectiveness of the internal and external auditors. AC also met twice in 2014 with the external auditor independently of the Executive Board and management, and discussed with them the financial statements and other financial issues as deemed appropriate.

Further details on terms of reference and the activities carried out by AC during FY2014 are set out in this Annual Report under the heading "Audit Committee Report".

### (ii) NC

NC comprises 3 INEDs and a NINED, namely Tan Sri Dato' Dr. Lin See Yan (Chairman), Halim bin Haji Din, Le Ching Tai @ Lee Chen Chong and Tan Lei Cheng.

NC recommends suitable candidates for appointments to the Board, including Committees of the Board; conducts annual review of the structure, size and composition of the Board (including skills, knowledge, experience and gender diversity), the performance of the Board, the Committees, each individual Director and those Directors who are due for re-election/re-appointment at the Manager's annual general meeting ("AGM"); assesses the performance of the INEDs based on the criteria for independence as defined in MMLR and presents its assessment to the Board for final determination; and reviews Board's succession plans.



# Governance Report

(continued)

NC met once in 2014 which was attended by all members. NC had carried out a performance evaluation of the Board, its Committees and each of the Directors and an assessment of INEDs as well as Directors due for re-election/re-appointment at the Manager's AGM, and made recommendations to the Board as appropriate. This process is discussed in more detail in the sections under Board Appointment and Re-election and Board Performance Evaluation.

## **(iii) RC**

RC comprises 3 INEDs and the MD, namely Tan Sri Dato' Dr. Lin See Yan (Chairman), Halim Bin Haji Din, Le Ching Tai @ Lee Chen Chong and Dato' Seri Robert Tan Chung Meng.

RC recommends to the Board the policy framework on terms of employment and on all elements of the remuneration of the Executive Board, CEO and key management officers; reviews and approves the annual salary increment and bonus of the Executive Board, CEO and key management officers; and reviews and recommends to the Board the remuneration framework for NEDs' annual fee and meeting allowance. In its deliberation, RC will take into consideration industry practices and norms in addition to the Manager's relative performance to the industry and performance of the individual Directors and key management officers in determining a fair overall assessment. No Directors will be involved in deciding his or her own remuneration.

RC met once in 2014 during which it considered the extension of service contracts of the Executive Board, CEO and key management officers, the quantum of NEDs' remuneration, and the level of pay increases and annual bonus for the Executive Board, CEO and key management officers. RC had recommended the renewal of the service contracts of the Executive Board, CEO and key management officers for another 3 years after having regard to their work performance and contributions with specific adjustments in remuneration, of which the Board had approved. The Board had also endorsed RC's recommendation on the annual fee FY2014 for NEDs. RC, in consultation with the MD on matters relating to the financial and operating performance of IGB REIT and the Manager, including consideration of market environment, had applied its judgement in determining a balanced fair outcomes for pay increases and bonus of the Executive Board, CEO and key management officers.

## **(iv) RMC**

RMC comprises the CEO, Joint COO, Head of Operations/Leasing and Head of Investment.

RMC is tasked with the responsibilities to oversee the risk management activities of IGB REIT. The responsibilities of RMC for risk oversight include, among others, reviewing IGB REIT's risk profile and ensuring the implementation of appropriate systems to manage and mitigate the identified risks.

RMC was formed in November 2013 and met thrice during FY2014.

## **(v) Investment Working Group ("IWG")**

IWG, comprising Executive Board and CEO, is tasked with the responsibilities to review, assess and consider investment and divestment strategies of IGB REIT, with an aim to grow IGB REIT and improve distribution yields.

## **(e) Board Appointment and Re-election**

Appointments to the Board are the responsibility of the full Board on the recommendation of NC. There is a formal and transparent procedure for appointment of new Directors to the Board, which is made on merit against objective criteria for the purpose. There were no new appointments to the Board during FY2014.

The Manager's constitution provides that one third of the Board except the MD shall retire from office and be eligible for re-election at every AGM. The Directors to retire in each year are those who have remained in office the longest since their last election/appointment. Directors over 70 years of age are required to submit themselves for re-appointment annually in compliance with Section 129(6) of the Companies Act 1965 ("Act").

The Board Charter does not impose a term of limitation on the tenure of a Director. Term limits hold the disadvantage of losing Directors who have been able to develop, over a period of time, increasing insight into the operations of the Manager and IGB REIT, and therefore provide an increasing contribution to the Board as a whole.

Prior to the appointment of a new Director or Directors standing for re-election/re-appointment, NC reviews the skills and contribution of the Directors concerned. The recommendation from NC would then be considered by the Board. NC also assesses the independence of INEDs based on the criteria for independence as defined in MMLR and other governance standards as appropriate and presents its assessment to the Board for final determination.

# Governance Report

(continued)

NC at its meeting in January 2015 assessed and recommended that those Directors retiring under the Manager's constitution or the Act be nominated for re-election/re-appointment having regard to the individual's experience, contributions and performance whereupon the Board (without participation by the related Directors) has endorsed NC's recommendation. NC also assessed the independence of the 3 INEDs and is satisfied that they remain objective and independent in carrying out their roles and responsibilities as members of the Board and Board Committees.

In accordance with MMLR, each member of the Board holds not more than 5 directorships in listed issuers.

## (f) Board Performance Evaluation

The Board under the guidance of NC reviews and evaluates its own performance and the performance of its Committees as well as the contribution of each Director on an annual basis against both measurable and quantitative indicators, thus ensuring the Manager is under the oversight and guidance of an accountable and competent Board. The review allows each Director to individually express his/her personal assessment of the Board's overall effectiveness in accomplishing its goals and discharging its responsibilities. It provides insight into the functioning of the Board, while identifying areas that might need strengthening and development. Each Director is required to complete an assessment questionnaire. The questionnaire covers topic which include, among others, the responsibilities of the Board in relation to strategies and direction, accountability and oversight, risk management, performance management, compliance and corporate governance. Other areas being assessed include Board structure, Board decision-making and meeting processes. Upon completion of the evaluation process, the NC chairman briefs the Board on the overall results of the evaluation conducted and improvements recommended where appropriate.

All Directors had taken part in a formal evaluation process during the year. NC had conducted the process, and concluded that the Board as a whole and its Committees have performed well with the individual's creditability to add value to the Board and Board Committees' deliberations and exercise objective judgement in decision-making processes, and each of the Director has devoted the necessary time to appropriately discharge their responsibilities and contributed to the governance and operations of the Manager and IGB REIT. NC had also undertaken an assessment of the independence of INEDs, and was satisfied that they remained independent of the management and free of any business or relationship with the Manager and IGB REIT, and that they had and would continue to provide check and balance to the Board in discharging their responsibilities in an independent manner. The Board's concurrence (without participation by related INEDs) had also been obtained for the INEDs to continue to act as Independent Directors.

## (g) Directors' Remuneration

The remuneration of the Directors is paid by the Manager and not IGB REIT. The remuneration structures are designed as such to attract, motivate and retain Directors of the calibre needed to assist in managing the Manager's operations efficiently.

The Executive Board and CEO have entered into service agreements with the Manager. The service agreement covers the terms of employment, specifically salary and other benefits. NED's remuneration reflects the experience, expertise and level of responsibilities undertaken by the individual NED concerned.

In general, the remuneration of the Executive Board and CEO is structured on the basis of linking rewards to corporate and individual performance. Performance is measured against profits and other targets set from the Manager's annual budget and plans. NEDs' remuneration takes the form primarily of fees, which are agreed by the Board and approved at the Manager's AGM. NEDs also receive meeting allowances for participation in meetings of the Board and any Committee meetings. The Directors do not participate in decision regarding their own remuneration.

Evaluation of the Directors' remuneration is performed once a year, and this process has been conducted by RC in 2014, whereupon recommendations were submitted to the Board for approval.

The remuneration of Directors and staff of the Manager is paid by the Manager from the fees it receives from IGB REIT. As IGB REIT does not bear the remuneration of the Manager's Board and staff, the Manager does not consider it necessary to include a report on remuneration of its Directors and key senior management.

## (h) Directors' Continuing Education

The Board firmly believes in the continuing education of individual Directors for maintaining a current and effective Board. Accordingly, the Board encourages Directors to participate in ongoing education as well as participation in accredited director education programmes.

# Governance Report

(continued)

During FY2014, all Directors had attended various training programmes, conferences and workshops which they have individually or collectively considered as relevant and useful in contributing to the effective discharge of their duties as Directors. The Directors had attended/participated in one or more of the following training programmes, seminars and workshops in 2014:

- AB Maximus Training - Top 18 Lessons We Learn : Playing detective with financial statements
- Akauntan Negara Malaysia/Innovation Associates Consulting Sdn Bhd - Thought Leadership Seminar: Understanding and embedding accrual accounting in the Malaysian public sector
- Asian Institute of Management - 2nd Asian Business Conference 2014: 2015 Approaching - Priming for ASEAN integration
- BDO Tax Services Sdn Bhd - GST Awareness
- BNP Paribas - Fixed Income Economic Outlook
- BNP Paribas - Training on Fundamentals of Shariah and Islamic Banking
- Bursa Securities - Advocacy Sessions on Corporate Disclosure for Directors
- CHK Consultancy Sdn Bhd - Mergers & Acquisitions: The process and making mergers succeed
- Ekuiti Nasional Berhad - The Malaysian Private Equity Forum
- Hawaii Asia Pacific Association - Current economic situation in Malaysia\*
- IABT Advanced In Business Training Sdn Bhd - Global Trend & Market Strategy: The world in 2014 and beyond, with new growth strategy
- ICLIF/Bank Negara Malaysia - Leadership Energy Summit Asia 2014
- Kwasa Land Board Session - Study tour and technical visit in Spain
- Malaysian Accounting Standards Board - Roundtable discussion on financial reporting
- PNB Investment Institute Sdn Bhd - PNB Nominee Directors Convention 2014: Managing stakeholders' expectations in the fast changing business trends towards value creation
- PNB Investment Institute Sdn Bhd - Great companies deserve great boards, and great boards leading the way for highly innovative companies
- PricewaterhouseCoopers - 2015 Budget highlights and recent tax development
- Silverglobe/IDC Financial Insights - 10th Asian Financial Services Congress 2014
- Singapore Institute of Directors - Conference 2014: Towards the new capitalism
- The ICLIF Leadership & Governance Centre - Asian Leadership Index: Defining leadership in the Asian century
- The Inaugural Conference of Jeffrey Cheah Institute on Southern Asia - Human capital needs for the 21st century: The role of higher education\*
- The School of Economics, Fudan University, Shanghai - Economic globalisation and the choice of Asia: Identifying new dynamics\*
- Tricor Knowledge House Sdn Bhd - Roles and responsibilities of directors in relation to financial statements
- University Sains Malaysia - International Conference: Contemporary economic issues 2014\*

\* Tan Sri Dato' Dr. Lin See Yan acted as a panellist and/or keynote speaker

The Directors are also kept informed of the various requirements and updates issued by regulatory authorities.

### III. INVESTOR RELATIONS AND UNITHOLDERS COMMUNICATION

The Board acknowledges the need for unitholders and investors to be informed of all material business matters affecting IGB REIT. In addition to the various disclosures and announcements made to Bursa Securities, the timely release of quarterly and annual results provides unitholders and investing public with an overview of IGB REIT's performance. The Manager has a website at [www.igbreit.com](http://www.igbreit.com) from which investors, analysts and unitholders can access detailed information on IGB REIT's businesses and latest developments. All information reported to the market via the regulatory information service appears as soon as practicable on the corporate website to promote accessibility of information to all market participants.

The annual unitholders' meeting of IGB REIT provides the principal forum for dialogue and interaction between the Board and unitholders. The participation of unitholders, both individuals and institutional, at unitholders' meetings on clarification of pertinent and relevant information is encouraged. The Board Chairman, MD and CEO respond to unitholders' questions, where appropriate, during the meeting. The external auditor also present to answer unitholders' questions on the conduct of the statutory audit and the preparation and content of their audit report. In 2014, all Directors attended the annual unitholders' meeting except Tan Sri Dato' Dr. Lin See Yan.

Management of the Manager also conducts regular dialogues, briefings and meetings with fund managers, financial analysts and the media to provide updates and new developments about IGB REIT based on permissible disclosures. However, information that is price-sensitive or that may be regarded as undisclosed material information about IGB REIT is not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

# Governance Report

(continued)

Whilst the Manager aims to provide sufficient information to unitholders and investors about IGB REIT, it also recognises that unitholders and investors may have specific queries and require additional information. Any enquiries on investor related matters may be directed to this email address: [investorrelations@igbreit.com](mailto:investorrelations@igbreit.com). To better serve stakeholders of IGB REIT, a feedback page on the website provides an avenue for stakeholders to suggest improvements via email address: [feedback@igbreit.com](mailto:feedback@igbreit.com).

## IV. ACCOUNTABILITY AND AUDIT

### (a) Financial Reporting

The Board is committed to providing a balanced, clear and comprehensive assessment of the financial performance and prospects of IGB REIT in all disclosures made to stakeholders and regulatory authorities.

The Board, assisted by AC, oversees the financial reporting process and the quality of the financial reporting of the Manager and IGB REIT. AC reviews and monitors the integrity of IGB REIT's annual and interim financial statements. It also reviews the appropriateness of the Manager's and IGB REIT's accounting policies and the changes to these policies as well as ensures these financial statements comply with accounting standards and regulatory requirements.

The Statement by the Manager in respect of the preparation of the annual audited financial statements of IGB REIT is set out in this Annual Report.

### (b) Internal Controls

The Board is responsible to maintain a sound system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures to safeguard unitholders' investment and IGB REIT's assets. While acknowledging their responsibility for the system of internal control, the Directors are aware that the Manager's system is designed to manage rather than eliminate risks and therefore cannot provide absolute assurance against material misstatement, fraud and loss.

During the year, AC, with the assistance of the internal and external auditors, has reviewed the adequacy of IGB REIT's internal controls that address critical and compliance nature. No significant weaknesses were noted from the external and internal auditors' respective scope of reviews. The findings were discussed, followed up and where appropriate, rectifications were made by management. On this basis, the Board (with the concurrence of AC) is of the opinion that the internal controls are adequate.

The Manager's internal audit function is undertaken by the internal audit division of its parent company, IGB. The internal auditor subscribes to, and is guided by the Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors ("IIA"), and has incorporated these standards into its audit practices and meets with the standards set by the IIA. The internal auditor provides risk assessment services and controls assurance in order to ensure internal controls are aligned to business objectives and address related risks, and reports directly to AC. Management is responsible for addressing issues identified by the internal auditor. The internal auditor will also audit and report on the appropriateness and effectiveness of processes for the management of related party transactions ("RPT").

### (c) Relationship with the Auditors

The appointment of the external auditor, who may be nominated by the Manager, must be approved by the Trustee. The auditor appointed must be independent of the Manager and the Trustee. The remuneration of the auditor must be approved by the Trustee.

The Board maintains, via AC, an active, transparent and professional relationship with the auditors of IGB REIT. The auditors report their findings to AC members as part of the audit process on the statutory financial statements. The role of AC in relation to the auditors is disclosed in this Annual Report under the heading "Audit Committee Report".

### (d) Compliance Officer

The Manager has a designated compliance officer working towards ensuring the compliance with all legislations, rules and guidelines issued by SC and Bursa Securities as well as the Deed.

## V. CONFLICTS OF INTEREST AND RPT

The Deed provides that the Manager, the Trustee and any delegate of either of them shall avoid conflicts of interest arising or, if conflicts arise, shall ensure that IGB REIT is not disadvantaged by the transaction concerned. The Manager must not make improper use of its position in managing IGB REIT to gain, directly or indirectly, an advantage for itself or for any other person or to cause detriment to the interest of unitholders.

# Governance Report

(continued)

In dealing with any conflict-of-interest situations that may arise, the Manager's policy is that all transactions carried out for or on behalf of IGB REIT are to be executed on terms that are best available to IGB REIT and which are no less favourable than arm's-length transactions between independent parties. The Directors are under a fiduciary duty to IGB REIT to act in its best interests in relation to decisions affecting IGB REIT when they are voting as a member of the Board. In addition, the Directors are expected to act with integrity at all times.

For RPT, the Manager has established procedures to ensure that transactions involving, among others, Trustee, Manager, Directors, CEO, major unitholders and persons connected with them, are conducted at arm's length and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties, and in accordance with all applicable requirements of REIT Guidelines and/or MMLR relating to the transaction in question. The Manager maintains a register to record all RPTs (and the basis, including, where applicable, the quotations obtained to support such basis, on which they are entered into) which are entered into by IGB REIT. All RPT are reviewed by AC on a quarterly basis to ensure compliance with the internal control procedures and with the relevant provisions of REIT Guidelines and MMLR. If a member of the Board and/or AC has an interest in a transaction, the Director concerned is to abstain from participating in the review and recommendation process in relation to that transaction. The Manager shall adhere strictly to the Deed which prohibits the Manager and its related parties from voting with their units at, or being part of a quorum for, any meeting of unitholders convened to approve any matter in which the Manager and its related parties have interest in the outcome of the transaction unless an exemption is obtained from the SC.

Details of the RPT entered into by IGB REIT during FY2014 are disclosed in this Annual Report under the heading "Notes to the Financial Statements."

## VI. CORPORATE SOCIAL RESPONSIBILITY ("CSR")

IGB REIT's CSR activities are described under the heading "Message from the Chief Executive Officer" in this Annual Report.



# Audit Committee Report

## FORMATION

AC was established by the Board of the Manager on 7 May 2012.

The role of AC is to assist the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal controls and the audit process of the Manager and IGB REIT as well as the Manager's process for monitoring compliance with laws and regulations.

## COMPOSITION

AC as whole has an appropriate and experienced blend of commercial, financial and audit expertise to fulfil its duties and responsibilities. AC members during FY2014 are as follows:

Encik Halim bin Haji Din, *AC Chairman (INED)*  
Tan Sri Dato' Dr. Lin See Yan (*INED*)  
Le Ching Tai @ Lee Chen Chong (*INED*)  
Tan Lei Cheng (*NINED*)

## OBJECTIVES

The primary objectives of AC are:

- (a) ensure transparency, integrity and accountability in the activities of IGB REIT so as to safeguard the rights and interests of unitholders.
- (b) provide assistance to the Board in discharging its responsibilities relating to the management of principal risks, internal controls, financial reporting and compliance of statutory and legal requirements of IGB REIT and the Manager; and
- (c) maintain through regularly scheduled meetings, a direct line of communication between the Board, senior management, internal and external auditors.

## TERMS OF REFERENCE

AC is governed by the following terms of reference:

### (a) Membership

AC members shall be appointed by the Board upon the recommendations of NC and shall consist of not less than 3 members, all of whom must be NEDs, with a majority of them, including the chairman, must be independent. AC members should be financially literate, and at least one of whom shall be a member of the Malaysian Institute of Accountants or fulfils such other requirements as prescribed or approved by Bursa Securities. No alternate Director shall be appointed to AC.

### (b) Authority

AC shall, within the limits of the policy determined and powers delegated by the Board, has the authority to -

- (i) investigate any matter within its terms of reference;
- (ii) obtain the resources required to perform its duties;
- (iii) full and unrestricted access to information, records and documents relevant to its activities;
- (iv) communicate directly with the external and internal auditors, as well as employees of the Manager;
- (v) engage, consult and obtain external legal or independent professional advice as necessary; and
- (vi) convene meetings with external and internal auditors, property manager or its service providers or all of them whenever deemed necessary.

### (c) Responsibilities

The responsibilities of AC include -

- (i) review and recommend quarterly results of IGB REIT and annual financial statements of IGB REIT and the Manager for the Board's approval, focusing primarily on:
  - going concern assumptions;
  - changes and implementation of new accounting policies and practices;
  - major judgemental areas, significant and unusual events; and
  - compliance with applicable approved accounting standards and regulatory requirements

# Audit Committee Report

(continued)

(ii) review with external auditor of the following:

- audit plans and audit reports and the extent of assistance rendered by management of the Manager, property manager or its service providers;
- evaluation of the system of internal controls;
- issues and reservations arising from audits; and
- audit fee and any questions of resignation, dismissal or reappointment of external auditor.

(iii) review with internal auditor of the following:

- internal audit's charter which defines the independent purpose, authority, scope and responsibility of the internal audit function;
- adequacy and relevance of the scope, functions, competency and resources of the internal audit function and the necessary authority to carry out its work;
- audit plan of work programme and results of the internal audit processes including recommendations and actions taken;
- effectiveness of the system of internal controls, risk management and governance processes including compliance with the operational manual, REIT Guidelines and MMLR; and
- assessment of the performance of the internal audit function including that of senior staff and any matter concerning their appointment and termination.

(iv) review RPT and conflict-of-interest situations that may arise, including any transaction, procedure or course of conduct that raises questions of management integrity.

(v) consider and recommend the distribution amounts to unitholders for the Board's approval.

(vi) review all prospective financial information provided to the regulators and/or the public.

(vii) prepare reports, if the circumstances arise or at least once a year, summarising the work performed by AC for inclusion in IGB REIT Annual Report.

(viii) report promptly to Bursa Securities on any matter reported by it to the Board which has not been satisfactorily resolved resulting in breach of MMLR.

(ix) act on any matter as may be directed by the Board from time to time.

## (d) Meetings

AC shall meet at least 4 times a year and its quorum must at all times comprise of at least 2 INEDs. AC meetings may be held by telephone or video-conference or by circular resolution. Other Board members and key management officers may attend meetings upon invitation of AC, to assist in its deliberations and resolutions of matters raised.

At least twice a year, AC shall meet with external auditors without the presence of Executive Board and management of the Manager. Additional meetings may be held upon request by any AC member, internal or external auditors.

Minutes shall be kept of the proceedings and the resolutions of AC. Minutes shall be signed by the chairman and made available prior to the next meeting and approved therein. AC Chairman shall report to the Board on any salient matters noted by AC and which requires the Board's notice, direction and approval. AC minutes shall be included in the Directors' materials for meeting.

## MEETINGS FY2014

AC met 4 times in FY2014 which were attended by all members.

The MD, CFO, Head of Compliance, Head of Investment, internal and external auditors were invited to all AC meetings to present their respective reports to AC. The external auditor attended 2 AC meetings in 2014 to present the Auditor's Report on the annual financial statements FY2013 and Auditor's Audit Plan FY2014. AC also met with PwC twice in 2014 without the presence of the MD, CEO and senior management of the Manager to make enquiries in relation to management's co-operation in financial reporting, and the state of affairs of internal audit function.

# Audit Committee Report

(continued)

## ACTIVITIES FY2014

In line with the terms of reference of AC, the following activities were carried out by AC during FY2014 in discharging its functions:

### (a) Financial Reporting

- (i) Reviewed and recommended for the Board's approval the quarterly results and the annual financial statements of IGB REIT.
- (ii) Reviewed and recommended for the Board's approval the annual financial statements of the Manager.
- (iii) Reviewed and discussed management accounts with the management.

### (b) External Audit

- (i) Reviewed and approved PwC's audit plan and the scope for the annual audit.
- (ii) Evaluated the external auditor and recommended for their engagement for the following year.
- (iii) Reviewed and directed follow-up action, when needed, the findings of PwC on the results of their audits.
- (iv) Reviewed the extent of assistance rendered by management and issues and reservations arising from statutory audit with PwC, without the presence of the MD, CEO and management.

### (c) Internal Audit

- (i) Reviewed and approved internal auditors' charter as well as annual audit plan which covered entities across all level operations within the Manager.
- (ii) Reviewed and directed follow-up action when needed, on internal audit reports on the Manager and IGB REIT.
- (iii) Reviewed internal auditor's reports on the effectiveness and adequacy of internal controls, risk management, operational, compliance and governance processes.

### (d) RPT

- (i) Reviewed all RPT entered into by IGB REIT.
- (ii) Reviewed any conflict-of-interest situation that may arise including any transaction, procedure or course of conduct that raises questions of management integrity.

## AC'S CONTINUING EDUCATION

The details of training programme and seminars attended by each AC member during FY2014 are set out in the Governance Report under the heading "Directors' Continuing Education".

## INTERNAL AUDIT FUNCTION

The internal audit function is outsourced and undertaken by the Manager's parent company's Group Internal Audit division. It reports to AC on its activities based on the approved annual plan. The internal auditor adopts a risk-based auditing approach, taking into account global best practices and industry standards. The main role of the internal auditor is to provide AC with independent and objective reports on the effectiveness of the system of internal controls within the Manager. The internal auditor's reports arising from assignments were issued to the management for their response, corrective actions and status of implementation of audit recommendations. The internal auditor's reports were subsequently tabled to AC for their deliberation.

The internal auditor together with senior management monitor the risk governance framework and the risk processes of IGB REIT and the Manager to ensure their adequacy and effectiveness.

The internal auditor carried out the following activities during FY2014:

- (a) Developed the annual audit plan for AC's approval.
- (b) Performed scheduled audits and special engagements as requested by management and issued audit reports on the results.
- (c) Attended AC meetings to table and discuss the audit reports and followed up on matters raised.
- (d) Performed governance review and compliance with REIT Guidelines, MMLR and MCCG.
- (e) Conducted RPT reviews to assess the accuracy and completeness of reporting.

The costs incurred for the internal audit function for FY2014 were RM110,000.

# Statistics of Unitholders

as at 12 February 2015

## APPROVED FUND SIZE

3,550,000,000 Units

## ISSUED AND FULLY PAID UNITS

3,453,233,369 Units (voting right : 1 vote per Unit)

## PUBLIC SPREAD

As at 12 February 2015, the public unitholding spread of IGB REIT was 46.29%

## DISTRIBUTION OF UNITHOLDINGS

Range of Unitholdings	No. of Unitholders	% of Unitholders	No. of Issued Units	% of Issued Units
Less than 100	1,511	6.93	45,300	Nil
100 – 1,000	7,554	34.65	3,650,100	0.10
1,001 – 10,000	9,033	41.43	39,309,895	1.14
10,001 – 100,000	3,043	13.95	98,624,783	2.86
100,001 to less than 5% of Issued Units	660	3.03	1,369,249,317	39.65
5% and above of Issued Units	2	0.01	1,942,353,974	56.25
<b>Total</b>	<b>21,803</b>	<b>100.00</b>	<b>3,453,233,369</b>	<b>100.00</b>

## SUBSTANTIAL UNITHOLDERS (5% AND ABOVE)

Name	Direct No. of Issued Units	% of Issued Units	Deemed* No. of Issued Units	% of Issued Units
IGB Corporation Berhad	1,733,617,754	50.20	53,233,369	1.54
Goldis Berhad	Nil	Nil	1,786,851,123	51.74
Dato' Seri Robert Tan Chung Meng	7,289,081	0.21	1,818,563,225	52.66
Pauline Tan Suat Ming	1,080,898	0.03	1,818,563,225	52.66
Tony Tan @ Choon Keat	1,000,000	0.03	1,818,563,225	52.66
Tan Chin Nam Sendirian Berhad	14,282,888	0.41	1,815,784,758	52.58
Tan Kim Yeow Sendirian Berhad	2,879,665	0.08	1,815,683,560	52.58
Wah Seong (M) Trading Co. Sdn. Bhd.	26,079,992	0.76	1,789,278,223	51.81
Kumpulan Wang Persaraan (Diperbadankan)	208,736,220	6.04	Nil	Nil

## UNITHOLDINGS OF DIRECTORS AND CEO

Name	Direct No. of Issued Units	% of Issued Units	Deemed* No. of Issued Units	% of Issued Units
Dato' Seri Robert Tan Chung Meng	7,289,081	0.21	1,818,563,225	52.66
Tan Boon Lee	1,989,725	0.06	Nil	Nil
Tan Lei Cheng	1,853,742	0.05	345,722	0.01
Daniel Yong Chen-I	622,132	0.02	Nil	Nil
Elizabeth Tan Hui Ning	850,000	0.02	Nil	Nil
Tan Yee Seng	307,200	0.01	Nil	Nil
Antony Patrick Barragry	631,300	0.02	Nil	Nil

\* Deemed interests held by other corporations by virtue of Section 6A(4) of the Companies Act 1965

# Statistics of Unitholders

as at 12 February 2015

(continued)

## TOP 30 UNITHOLDERS

No.	Name of Unitholder	No. of Units	% of Issued Units
1	IGB Corporation Berhad	1,733,617,754	50.20
2	Kumpulan Wang Persaraan (Diperbadankan)	208,736,220	6.04
3	HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV for Newton Asian Income Fund	140,000,000	4.05
4	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	131,963,313	3.82
5	Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Regular Savings Fund (N14011940100)	68,778,228	1.99
6	Cartaban Nominees (Tempatan) Sdn Bhd Exempt AN for Eastspring Investments Berhad	58,376,292	1.69
7	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 1)	57,000,800	1.65
8	IGB REIT Management Sdn Bhd	53,233,369	1.54
9	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for AIA Bhd.	46,263,931	1.34
10	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong and Shanghai Banking Corporation Limited (PB-HKDIV-ACCL)	34,463,328	1.00
11	Amanahraya Trustees Berhad Public Smallcap Fund	33,134,616	0.96
12	Amanahraya Trustees Berhad Public Dividend Select Fund	29,173,332	0.84
13	Amanahraya Trustees Berhad Public Savings Fund	29,102,276	0.84
14	Pertubuhan Keselamatan Sosial	26,372,750	0.76
15	Wah Seong (Malaya) Trading Co. Sdn Bhd	26,079,992	0.76
16	HSBC Nominees (Asing) Sdn Bhd Exempt AN for JP Morgan Chase Bank, National Association (U.S.A)	18,383,500	0.53
17	CIMB Commerce Trustee Berhad Public Focus Select Fund	17,736,285	0.51
18	HSBC Nominees (Asing) Sdn Bhd BNYM SA/NV for Newton Emerging Income Fund	17,000,000	0.49
19	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	14,312,290	0.41
20	Tan Chin Nam Sendirian Berhad	14,282,888	0.41
21	Amanahraya Trustees Berhad Public Equity Fund	14,038,668	0.41
22	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	13,496,236	0.39
23	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (LSF)	13,017,000	0.38
24	HSBC Nominees (Asing) Sdn Bhd HSBC-FS I for Best Investment Corporation (Wasatch Advisor)	12,628,298	0.37
25	M & A Nominee (Asing) Sdn Bhd Montego Assets Limited	11,699,116	0.34
26	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Hongkong and Shanghai Banking Corporation Berhad (HBAP-SGDIV-ACCL)	11,649,015	0.34
27	Amanahraya Trustees Berhad Public Sector Select Fund	9,345,100	0.27
28	Amanahraya Trustees Berhad Public Far-East Property & Resorts Fund	9,222,400	0.27
29	Tokio Marine Life Insurance Malaysia Bhd As beneficial owner (PF)	9,131,200	0.26
30	Amanah Trustees Berhad Public Growth Fund	9,097,824	0.26
<b>Total</b>		<b>2,871,336,021</b>	<b>83.12</b>

# Manager Report

The Manager of IGB Real Estate Investment Trust ("IGB REIT"), IGB REIT Management Sdn Bhd ("Manager"), is pleased to submit their report and audited financial statements to unitholders of IGB REIT for the financial year ended 31 December 2014.

## PRINCIPAL ACTIVITY AND INVESTMENT OBJECTIVES

IGB REIT is a Malaysia-domiciled real estate investment trust ("REIT") established on 25 July 2012 pursuant to the deed of trust dated 18 July 2012 ("Deed") between the Manager and AmTrustee Berhad ("Trustee") and listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012. The Deed is regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings. IGB REIT will continue its operations until such time as determined by the Manager and the Trustee as provided under the provisions of Clause 26 of the Deed. The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets. Real estate used primarily for retail purposes would include retail properties and mixed used development with a retail component.

The primary objective of IGB REIT is to provide unitholders with regular and stable distributions, sustainable long term unit price, distributable income and capital growth, while maintaining an appropriate capital structure.

## Investment strategies

The Manager intends to increase the income and consequently the value of the assets, through the following strategies:

- Active asset management strategy
  - ensured continued high shopper traffic at malls;
  - continual improvement of rental rate while maintaining high occupancy rates;
  - deliver quality services to tenants and maintain strong tenant relationship;
  - aimed at improving operational efficiency and reducing operating cost without compromising on quality of services to tenants and shoppers; and
  - increasing net lettable area via asset enhancement initiatives.
- Acquisition growth strategy
  - explore acquisition opportunities if such opportunities fit within the investment criteria and investment objectives of IGB REIT; and
  - focus on acquisitions that are immediately yield accretive, but will also consider those that are not immediately yield accretive that will still add value to unitholders over the long term.
- Capital and risk management strategy
  - adopt and maintain an appropriate gearing level and active interest rate management strategy;
  - diversify sources of debt funding to the extent appropriate;
  - maintain a reasonable level of debt service capability;
  - secure favourable terms of funding;
  - managing its financial obligations; and
  - managing the exposure arising from adverse market interest rates, such as through fixed rate borrowings to optimise the cost of capital.

## REVIEW FOR FINANCIAL YEAR ENDED 31 DECEMBER 2014

IGB REIT has achieved its investment objective for the financial year and there is no change in the strategies as disclosed in IGB REIT initial public offering prospectus.

There are no significant changes in the state of affairs of the fund during the financial year ended 31 December 2014 and up to the date of this report other than those disclosed in the financial statements.

The audited profit after tax ("PAT") for financial year ended ("FYE") 31 December 2014 is RM317.62 million. Excluding fair value gains on investment properties, the adjusted audited PAT for FYE 31 December 2014 is approximately RM232.62 million.

## MALAYSIA RETAIL INDUSTRY REVIEW AND OUTLOOK

The Malaysian economy moderated to record a growth pace of 5.6% in the third quarter of 2014 (2Q2014: 6.5%) due to slower growth in domestic demand and lower net exports contribution. The Malaysian Consumer Sentiments Index ("CSI") which was neutral in 2Q2014 at 110.1 points fell below the 100-point threshold to record at 98.0 points in 3Q2014 on growing economic concern with consumers expecting their financial prospects to remain flat.

# Manager Report

(continued)

## MALAYSIA RETAIL INDUSTRY REVIEW AND OUTLOOK (continued)

Retail sales grew by 5.3% in 2Q2014, higher than the growth rate recorded in previous quarter (1Q2014: 4.9%), but lower than the Malaysia Retailer Association estimate of 7.9%. For the first six months of this year, retail sales increased by 5.1%. Ahead of the upcoming implementation of the goods and services tax ("GST") in April 2015 and with year-end school holidays and festive seasons, sales are expected to pick up to record at 6.3% and 6.5% in 3Q2014 and 4Q2014, respectively. The full year growth rate is estimated at 6.0%.

Three shopping malls, with a combined NLA of about 2.5 million sq ft, opened during the review period. This brings the cumulative supply of retail space in the Klang Valley to circa 49.1 million sq ft. Occupancy rates of prime and established shopping centres in the Klang Valley continued to hold firm (> 90%) and these include Suria KLCC, Pavilion Kuala Lumpur, Mid Valley Megamall, The Gardens Mall, Sunway Pyramid, 1 Utama Shopping Centre, Empire Shopping Gallery, Subang Parade and The Mines, among others.

The recent hike in the Overnight Policy Rate ("OPR") from 3.0% to 3.25%, removal of fuel subsidy, 3.2% uptick in the consumer price index ("CPI") for January to November, coupled with the impending implementation of GST by April 2015, will exert pressures on the purchasing power of consumers. With consumers turning more cautious in their spending, retailers of big ticket items and upper-middle goods and services are expected to embrace a challenging year ahead amid growing competition from the rapid store expansions and entry of popular international brands. The lower retail sales growth rate registered in the second quarter of the year has led to a revision on the full year growth rate from 6.3% to 6.0%. The short term outlook for the local retail industry remains challenging due to rising cost of living.

*(Source: extracted from Real Estate Highlights, 2nd half 2014, Knight Frank)*

The 2015 Budget, which was tabled in Parliament on 10 October 2014, allocates RM273.9 billion, which is 3.5% higher than the allocation for 2014, for development expenditure (RM50.5 billion) and operating expenditure (RM223.4 billion). The Government revenue collection in 2015 is estimated at RM235.2 billion which is an increase of RM10.2 billion from 2014. Revenue from implementation of GST is expected to be RM23.2 billion in 2015. The Government is committed to reduce the fiscal deficit to 3.5% of Gross Domestic Product ("GDP") (from 3.9% last year).

Whilst continuing to focus on its fiscal transformation agenda, the Government has taken further steps to relieve the burden on the Rakyat in view of the implementation of GST on 1 April 2015. As such, the proposed list of zero rated or exempted items has been widened to further control the post-GST cost on basic necessities.

The Government has also restated its commitment to reduce income tax by 1% for companies (effective year of assessment 2016), and by 1% to 3% for individuals (effective year of assessment 2015). This is in line with making Malaysia more competitive in the region and the trend of gradually shifting from income tax to consumption tax.

The increasing BR1M payout could be done after taking into consideration the increased revenue collection from GST. BR1M will be increased from RM650 to RM950. The assistance is for households with a monthly income of RM3,000 and below. It will be disbursed in three instalments of RM300 each to be paid in January and May with the balance of RM350 from September 2015. For household with a monthly income between RM3,000 and RM4,000, BR1M will be increased from RM450 to RM750. This assistance will be disbursed in three instalments, RM200 to be paid in January and May while the balance of RM350 from September 2015. For single individuals aged 21 and above and with a monthly income not exceeding RM2,000, BR1M will be increased from RM300 to RM350 a year. This assistance will be disbursed early 2015.

*(Source: Budget 2015 Highlights)*

Prime Minister Datuk Seri Najib Razak ("PM") announced a number of measures to ensure Malaysia growth, development and deficit ambitions remain on track in response to changes in the global economic landscape. The PM said that the government remained confident that the country's GDP would grow by between 4.5% to 5.5% in 2015. However, the PM said that the falling oil price necessitated a review of fiscal assumptions underpinning the 2015 Budget, with the revised forecast predicting a revenue shortfall of RM13.8bil. Without any fiscal measures, this would lead to a deficit increase to 3.9% of GDP. Meanwhile, in light of falling oil prices, volatile capital flows and a worsening global economic outlook, the PM also announced that Malaysia fiscal deficit target would be revised to 3.2% of GDP in 2015. The development expenditure of RM48.5 billion provided in the 2015 Budget would be maintained, but operating expenditure is expected to be reduced by RM5.5bil, the PM said.

*(Source: The Star Online, 20 January 2015)*

## MATERIAL LITIGATION

The Manager is not aware of any material litigation since the date of statement of financial position as at 31 December 2014 up to the date of this report.

## CIRCUMSTANCES THAT MATERIALLY AFFECT THE INTERESTS OF UNITHOLDERS

There are no circumstances which materially affect the interests of the unitholders.



# Financial Review

## SUMMARY OF FINANCIAL RESULTS

	FY 2014 RM'000	FY 2013 RM'000	FP 2012* RM'000
Gross Revenue	<b>461,768</b>	430,726	115,285
Net Property Income	<b>312,641</b>	285,727	76,174
Distributable Income	<b>268,795</b>	241,110	62,333
Distribution per Unit ("DPU") (sen)	<b>7.79</b>	7.04	1.83
Annualised DPU (sen)	<b>7.79</b>	7.04	6.50

## GROSS REVENUE

	FY 2014 RM'000	FY 2013 RM'000	FP 2012* RM'000
Mid Valley Megamall	<b>318,993</b>	300,013	79,834
The Gardens Mall	<b>142,775</b>	130,713	35,451
<b>Total</b>	<b>461,768</b>	430,726	115,285

## NET PROPERTY INCOME

	FY 2014 RM'000	FY 2013 RM'000	FP 2012* RM'000
Mid Valley Megamall	<b>224,154</b>	211,918	57,449
The Gardens Mall	<b>88,487</b>	73,809	18,725
<b>Total</b>	<b>312,641</b>	285,727	76,174

## PERFORMANCE BENCHMARK

	FY 2014 RM'000	FY 2013 RM'000	FP 2012* RM'000
Management expenses ratio (%)	<b>0.87</b>	0.83	0.23
Distribution yield (annualised) (%)	<b>5.95</b>	5.92	4.89
NAV per unit (RM)	<b>1.0627</b>	1.0473	1.0247

Notes:-

\* From 20 September 2012 to 31 December 2012

FY Financial year ended 31 December

FP Financial period ended 31 December



**FINANCIAL STATEMENTS**  
31 December 2014

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# Manager's Report

The Manager of IGB REIT, IGB REIT Management Sdn Bhd ("Manager"), is pleased to submit their report and audited financial statements to unitholders of IGB REIT for the financial year ended 31 December 2014.

## PRINCIPAL ACTIVITY

IGB REIT is a Malaysia-domiciled real estate investment trust ("REIT") established on 25 July 2012 pursuant to the deed of trust dated 18 July 2012 ("Deed") between the Manager and AmTrustee Berhad ("Trustee") and listed on Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 21 September 2012. The Deed is regulated by the Securities Commission Act 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts ("REIT Guidelines"), the Listing Requirements of Bursa Securities, the Rules of Bursa Malaysia Depository ("Depository") and taxation laws and rulings. IGB REIT will continue its operations until such time as determined by the Manager and the Trustee as provided under the provisions of Clause 26 of the Deed. The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets. Real estate used primarily for retail purposes would include retail properties and mixed used development with a retail component.

## DISTRIBUTION OF INCOME

IGB REIT had declared distributions in the financial year as follows:-

- 3.89 sen per unit (@ 3.81 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2014 to 30 June 2014, which was paid on 29 August 2014; and
- 3.90 sen per unit (@ 3.82 sen taxable and 0.08 sen non-taxable) for the period from 1 July 2014 to 31 December 2014, which is payable on 27 February 2015.

## RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

## DIRECTORS

The Directors who have served on the Board of the Manager, since the date of the last Report of IGB REIT are as follows:-

Tan Sri Dato' Dr Lin See Yan  
Dato' Seri Robert Tan Chung Meng  
Tan Boon Lee  
Halim bin Haji Din  
Le Ching Tai @ Lee Chen Chong  
Tan Lei Cheng  
Daniel Yong Chen-I  
Elizabeth Tan Hui Ning  
Tan Yee Seng

## DIRECTORS' BENEFITS

Since the end of the financial year, no arrangement subsisted to which the Manager is a party, with the object or objects of enabling the Directors of the Manager to acquire benefits by means of the acquisition of units in or debentures of IGB REIT or any other body corporate, other than as disclosed in Directors' interest.

For the financial year ended 31 December 2014, no Director has received or become entitled to receive a benefit (other than certain directors receive remuneration as a result of their employment with related corporations).

# Manager's Report

(continued)

## DIRECTORS' INTEREST

The following Directors of the Manager who held office at the end of the financial year had, according to the register of unitholdings in IGB REIT, interests in the units of IGB REIT as follows:-

	Number of units of RM1.00 each			
	Balance at 01.01.2014	Addition	Disposal /Transferred	Balance at 31.12.2014
Dato' Seri Robert Tan Chung Meng				
Direct	7,289,081	-	-	7,289,081
Indirect	1,809,980,089	44,708,089	(42,030,667)	1,812,657,511
Tan Lei Cheng				
Direct	1,853,742	-	-	1,853,742
Indirect	345,722	-	-	345,722
Tan Boon Lee				
Direct	1,989,725	-	-	1,989,725
Daniel Yong Chen-I				
Direct	627,132	-	(5,000)	622,132
Tan Yee Seng				
Direct	707,200	-	(400,000)	307,200
Elizabeth Tan Hui Ning				
Direct	850,000	-	-	850,000

Other than as disclosed above, the other Directors who held office at the end of the financial year did not have interests in the units of IGB REIT.

## OTHER INFORMATION ON THE FINANCIAL STATEMENTS

Before the financial statements of IGB REIT were made out, the Manager took reasonable steps:-

- to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of IGB REIT had been written down to an amount which they might be expected so to realise.

At the date of this report, the Manager is not aware of any circumstances:-

- which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of IGB REIT inadequate to any substantial extent;
- which would render the values attributed to current assets in the financial statements of IGB REIT misleading; or
- which have arisen which render adherence to the existing method of valuation of assets or liabilities of IGB REIT misleading or inappropriate.

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

# Manager's Report

(continued)

## OTHER INFORMATION ON THE FINANCIAL STATEMENTS (continued)

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

- (a) any charge on the assets of IGB REIT which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of IGB REIT which has arisen since the end of the financial year.

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

In the opinion of the Manager:-

- (a) the results of IGB REIT's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of IGB REIT for the financial year in which this report is made.

## IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors of the Manager regard IGB Corporation Berhad and Goldis Berhad, both incorporated in Malaysia and listed on the Main Market of Bursa Securities, as the immediate and ultimate holding company respectively.

## AUDITOR

The auditor, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of IGB REIT Management Sdn Bhd in accordance with a resolution dated 25 February 2015.

**DATO' SERI ROBERT TAN CHUNG MENG**  
MANAGING DIRECTOR

**HALIM BIN HAJI DIN**  
DIRECTOR

## Statement by the Manager

In the opinion of the Directors of the Manager, the financial statements set out on pages 43 to 76 are drawn up in accordance with the provisions of the Deed, the REIT Guidelines, applicable securities laws and Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of IGB REIT as at 31 December 2014 and of its financial performance and cash flows for the year ended 31 December 2014.

For and on behalf of the Manager,

**IGB REIT MANAGEMENT SDN BHD**

Signed in accordance with a resolution of the Directors of the Manager dated 25 February 2015:

**DATO' SERI ROBERT TAN CHUNG MENG**  
MANAGING DIRECTOR

**HALIM BIN HAJI DIN**  
DIRECTOR

Kuala Lumpur

## Statutory Declaration

I, Chai Lai Sim, the Chief Financial Officer of the Manager primarily responsible for the financial management of IGB REIT, do solemnly and sincerely declare that the financial statements set out in pages 43 to 76, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**CHAI LAI SIM**

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 25 February 2015.

Before me:

Commissioner for Oaths

# Trustee's Report

## to the Unitholders of IGB REIT (Established in Malaysia)

We have acted as Trustee of IGB REIT for the financial year ended 31 December 2014. In our opinion and to the best of our knowledge, the Manager has managed IGB REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed, the REIT Guidelines, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of IGB REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm the income distributions declared during the financial year ended 31 December 2014 are in line with and are reflective of the objectives of IGB REIT. Income distributions have been declared for the financial year ended 31 December 2014 as follows:

- 3.89 sen per unit (@ 3.81 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2014 to 30 June 2014, which was paid on 29 August 2014; and
- 3.90 sen per unit (@ 3.82 sen taxable and 0.08 sen non-taxable) for the period from 1 July 2014 to 31 December 2014, which is payable on 27 February 2015.

For and on behalf of the Trustee,  
**AmTRUSTEE BERHAD**

**TAN KOK CHEENG**  
CHIEF EXECUTIVE OFFICER

Kuala Lumpur,  
Date: 25 February 2015



# Independent Auditors' Report

## to the Unitholders of IGB REIT (Established in Malaysia)

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of IGB REIT, on pages 43 to 75, which comprise the statement of financial position as at 31 December 2014, and the statements of comprehensive income, changes in net asset value and cash flows for the year ended 31 December 2014, and a summary of significant accounting policies and other explanatory information, as set out in notes 1 to 26.

#### Directors of the Manager's responsibility for the financial statements

The Directors of the Manager are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' responsibility

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

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

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

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of IGB REIT as of 31 December 2014 and of its financial performance and cash flows for the year ended 31 December 2014 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

### OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 27 on page 76 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors of the Manager are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad dated 20 December 2011 ("Bursa Directive"). In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

### OTHER MATTER

This report is made solely to the unitholders of IGB REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### **PRICEWATERHOUSECOOPERS**

(No. AF:1146)  
Chartered Accountants

#### **NG YEE LING**

(No. 3032/01/17 (J))  
Chartered Accountant

Kuala Lumpur  
Date: 25 February 2015

# Statement of Financial Position

as at 31 December 2014

	Note	2014 RM'000	2013 RM'000
<b>Non-current assets</b>			
Plant and equipment	5	11,872	11,202
Investment properties	6	4,890,000	4,805,000
<b>Total non-current assets</b>		<b>4,901,872</b>	<b>4,816,202</b>
<b>Current assets</b>			
Trade and other receivables	7	23,010	26,139
Cash and bank balances	8	231,898	217,148
<b>Total current assets</b>		<b>254,908</b>	<b>243,287</b>
<b>Total assets</b>		<b>5,156,780</b>	<b>5,059,489</b>
<b>Financed by</b>			
<b>Unitholders' fund</b>			
Unitholders' capital	9	4,302,842	4,272,546
Accumulated losses		(639,384)	(688,206)
<b>Total unitholders' fund</b>		<b>3,663,458</b>	<b>3,584,340</b>
<b>Non-current liabilities</b>			
Borrowings	10	1,196,267	1,194,909
Payables and accruals	11	54,590	48,469
<b>Total non-current liabilities</b>		<b>1,250,857</b>	<b>1,243,378</b>
<b>Current liabilities</b>			
Borrowings	10	27,319	27,606
Payables and accruals	11	215,146	204,165
<b>Total current liabilities</b>		<b>242,465</b>	<b>231,771</b>
<b>Total liabilities</b>		<b>1,493,322</b>	<b>1,475,149</b>
<b>Total unitholders' fund and liabilities</b>		<b>5,156,780</b>	<b>5,059,489</b>
<b>Net asset value ("NAV")</b>			
- before income distribution		3,932,253	3,825,450
- after income distribution		<b>3,663,458</b>	<b>3,584,340</b>
<b>Number of units in circulation ('000 units)</b>		<b>3,447,328</b>	<b>3,422,620</b>
<b>NAV per unit (RM)</b>			
- before income distribution		1.1407	1.1177
- after income distribution		<b>1.0627</b>	<b>1.0473</b>

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

# Statement of Comprehensive Income

for the Financial Year Ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
Gross rental income		354,637	329,885
Other income	12	107,131	100,841
<b>Gross revenue</b>		<b>461,768</b>	<b>430,726</b>
Utilities expenses		(54,993)	(47,498)
Maintenance expenses		(19,025)	(20,310)
Quit rent and assessment		(13,096)	(10,560)
Reimbursement costs	13	(44,921)	(52,269)
Other operating expenses		(17,092)	(14,362)
<b>Property operating expenses</b>		<b>(149,127)</b>	<b>(144,999)</b>
<b>Net property income</b>		<b>312,641</b>	<b>285,727</b>
Changes in fair value on investment properties		85,000	105,000
Interest income		6,380	5,700
<b>Net investment income</b>		<b>404,021</b>	<b>396,427</b>
Manager's management fees	14	(30,736)	(28,847)
Trustees' fees		(280)	(280)
Other trust expenses		(694)	(506)
Borrowing costs	15	(54,694)	(54,849)
<b>Profit before taxation</b>		<b>317,617</b>	<b>311,945</b>
Taxation	16	-	-
<b>Profit after taxation</b>		<b>317,617</b>	<b>311,945</b>
Other comprehensive income, net of tax		-	-
<b>Total comprehensive income attributable to unitholders</b>		<b>317,617</b>	<b>311,945</b>
<b>Profit after taxation is made up as follows:</b>			
Realised		232,617	206,945
Unrealised		85,000	105,000
		<b>317,617</b>	<b>311,945</b>
<b>Basic earnings per unit (sen)</b>	17	<b>9.23</b>	9.13
<b>Diluted earnings per unit (sen)</b>	17	<b>9.23</b>	9.13
Total comprehensive income		317,617	311,945
Less: Distribution adjustments	18	(48,822)	(70,835)
Distributable income		<b>268,795</b>	<b>241,110</b>
<b>Distribution per unit (sen)</b>	18	<b>7.79</b>	7.04

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

# Statement of Changes in Net Asset Value

for the Financial Year Ended 31 December 2014

	Note	Unitholders' capital RM'000	Accumulated losses RM'000	Total funds RM'000
<b>As at 1 January 2014</b>		<b>4,272,546</b>	<b>(688,206)</b>	<b>3,584,340</b>
Total comprehensive income for the year attributable to unitholders		-	317,617	317,617
Distribution to unitholders	18	-	(268,795)	(268,795)
Net total comprehensive income for the year attributable to unitholders		-	48,822	48,822
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fees paid in Units		30,296	-	30,296
Increase in net assets resulting from unitholders' transactions		30,296	-	30,296
<b>As at 31 December 2014</b>	9	<b>4,302,842</b>	<b>(639,384)</b>	<b>3,663,458</b>
<b>As at 1 January 2013</b>		4,243,085	(759,041)	3,484,044
Total comprehensive income for the year attributable to unitholders		-	311,945	311,945
Distribution to unitholders	18	-	(241,110)	(241,110)
Net total comprehensive income for the year attributable to unitholders		-	70,835	70,835
<b>Unitholders' transactions</b>				
Issue of new Units				
- Manager's management fees paid in Units		29,461	-	29,461
Increase in net assets resulting from unitholders' transactions		29,461	-	29,461
<b>As at 31 December 2013</b>	9	<b>4,272,546</b>	<b>(688,206)</b>	<b>3,584,340</b>

\* IGB REIT adopted predecessor accounting as its accounting policy to account for business combinations under common control on 21 September 2012. In accordance with this policy, the difference between the fair value of the Units issued as consideration and the aggregate carrying amounts of the assets and liabilities acquired as of the date of the business combination is included in equity as accumulated losses.

# Statement of Cash Flows

for the Financial Year Ended 31 December 2014

	Note	2014 RM'000	2013 RM'000
<b>Cash flows from operating activities</b>			
Profit before taxation		317,617	311,945
<i>Adjustments for:</i>			
Changes in fair value on investment properties		(85,000)	(105,000)
Manager's management fee payable in Units		30,736	28,847
Amortisation of fit-out incentives		1,983	2,000
Borrowing costs		54,694	54,849
Interest income		(6,380)	(5,700)
Allowance for impairment of trade receivables		565	929
Depreciation of plant and equipment		2,101	1,791
Plant and equipment written-off		5	22
Loss/(Gain) on disposal of plant and equipment		34	(10)
Operating income before changes in working capital		316,355	289,673
Net change in trade and other receivables		152	13,409
Net change in payables and accruals		6,073	4,558
<b>Net cash generated from operating activities</b>		<b>322,580</b>	<b>307,640</b>
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment		(2,811)	(749)
Proceeds from disposal of plant and equipment		1	10
Interest received		6,250	5,340
<b>Net cash generated from investing activities</b>		<b>3,440</b>	<b>4,601</b>
<b>Cash flows from financing activities</b>			
Interest paid		(53,623)	(53,322)
Income distribution paid to unitholders		(257,647)	(179,523)
Cash held under trustee		(661)	(995)
<b>Net cash used in financing activities</b>		<b>(311,931)</b>	<b>(233,840)</b>
<b>Net increase in cash and cash equivalents</b>		<b>14,089</b>	<b>78,401</b>
Cash and cash equivalents at beginning of year		189,712	111,311
<b>Cash and cash equivalents at end of year</b>	8	<b>203,801</b>	<b>189,712</b>

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

# Notes to the Financial Statements

## 1 GENERAL

### (A) Background

IGB REIT is a Malaysia-domiciled real estate investment trust established on 25 July 2012 pursuant to the Deed between the Manager and the Trustee and listed on Main Market of Bursa Securities on 21 September 2012. The Deed is regulated by the Securities Commission Act 1993, the REIT Guidelines, the Listing Requirements of Bursa Securities, the Rules of the Depository and taxation laws and rulings. IGB REIT will continue its operations until such time as determined by the Manager and the Trustee as provided under the provisions of Clause 26 of the Deed. The addresses of the Manager's registered office and principal place of business are as follows:-

**Registered office**

Level 32, The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

**Principal place of business**

Mid Valley Megamall and The Gardens Mall  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur

The principal investment policy of IGB REIT is to invest, directly and indirectly, in a diversified portfolio of income producing real estate used primarily for retail purposes in Malaysia and overseas as well as real estate related assets.

Real estate used primarily for retail purposes would include retail properties and mixed used development with a retail component.

The Manager's key objective is to provide unitholders with regular and stable distributions, sustainable long term Unit price and distributable income and capital growth, while maintaining appropriate capital structure.

The immediate and ultimate holding companies are IGB Corporation Berhad and Goldis Berhad respectively, both incorporated in Malaysia and listed on the Main Market of Bursa Securities.

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution by the Directors of the Manager on 25 February 2015.

### (B) Fee Structure

IGB REIT has entered into service agreements in relation to the management of IGB REIT and its property operations. The fee structures are as follows:-

#### (a) Property management fees

The property manager, Chartwell ITAC International Sdn Bhd, is entitled to property management fee of RM20,000 per month (excluding service tax). In addition, the property manager is also entitled to full disbursement of costs and expenses properly incurred in the operation, maintenance, management and marketing of the properties held by IGB REIT ("Permitted Expenses") as well as fees and reimbursements for Permitted Expenses payable to its service providers.

#### (b) Manager's management fees

Pursuant to the Deed, the Manager is entitled to receive the following fees from IGB REIT:-

- i) a base fee ("Base Fee") of up to 1.0% per annum of the total asset value of IGB REIT (excluding cash and bank balances which are held in non-interest bearing accounts).
- ii) a performance fee ("Performance Fee") of up to 5.0% per annum of net property income in the relevant financial period/year.
- iii) 1.0% of the transaction value (being total purchase consideration) of any real estate and real estate-related assets directly and indirectly acquired from time to time by the Trustee or one or more special purpose vehicle ("SPV") on behalf of IGB REIT pro-rated, if applicable, to the proportion of IGB REIT's interest.

In the case of acquisition of SPVs or holding entities which holds real estate, 1.0% of the underlying value (as determined by an independent valuer appointed by the Trustee) of any Real Estate (which are directly or indirectly held through one or more SPVs of IGB REIT) pro-rated, if applicable, to the proportion of IGB REIT's interest.

# Notes to the Financial Statements

(continued)

## 1 GENERAL (continued)

### (B) Fee Structure (continued)

#### (b) Manager's management fees (continued)

- iii) Any payment to third party agents or brokers in connection with the acquisition of any real estate and real estate-related assets for IGB REIT shall not be paid by the Manager out of the acquisition fee received or to be received by the Manager (but shall be borne by IGB REIT).

For the avoidance of doubt, no acquisition fee is payable with respect to acquisition of the subject properties in connection with the listing of IGB REIT but acquisition fee is payable with respect to all other transactions (which includes related party and non-related party transactions), including acquisitions from the sponsor.

- iv) 0.5% of the transaction value (being total sale consideration) of any real estate and real estate-related assets directly or indirectly sold or divested from time to time by the Trustee or one or more SPVs on behalf of IGB REIT pro-rated, if applicable, to the proportion of IGB REIT's interest.

In the case of divestment of SPVs or holding entities which holds real estate, 0.5% of the underlying value (as determined by an independent valuer appointed by the Trustee) of any real estate (which are directly or indirectly held through one or more SPVs of IGB REIT) pro-rated, if applicable, to the proportion of IGB REIT's interest.

Any payment to third party agents or brokers in connection with the sale or divestment of any real estate and real estate-related assets for IGB REIT shall not be paid by the Manager out of the divestment fee received or to be received by the Manager (but shall be borne by IGB REIT).

For the avoidance of doubt, the Divestment Fee is payable with respect to all transaction (which includes related party and non-related party transaction), including divestments to the sponsor, as well as for compulsory acquisitions.

The payment of the Manager's management fee in the form of new Units will be in accordance with the following formula:-

$$\text{New Units to be issued as payment of the Manager's management fee} = \frac{\text{Manager's management fee payable in Units}}{\text{Market Price}}$$

For this purpose, "Market Price" means the volume weighted average market price of the Units for the last 5 market days preceding the following events:

- (i) in respect of the Base Fee and Performance Fee, the announcement of the relevant quarterly financial reports; or  
(ii) in respect of the acquisition fee and divestment fee, the completion of the relevant acquisition/divestment,

(each a "Trigger Event").

With reference to any book closing date, where the Trigger Event is before but the issuance of the new Units relating to such Trigger Event is after the said book closing date, the Market Price will be further adjusted for the entitlement relating to such book closing date.

The Manager will make an immediate announcement to Bursa Securities disclosing the number of new Units to be issued and the issue price of the new Units when new Units are issued as payment for management fee. Payment of the management fees in Units shall also be subject to IGB REIT complying with the public spread requirements stated in the Listing Requirements of Bursa Securities and there being no adverse implications under Malaysian Code on Take-Overs and Mergers 2010.

#### (c) Trustee's fees

In accordance to the Deed, an annual trustee fee of up to 0.03% per annum of NAV of IGB REIT is to be paid to Trustee.



# Notes to the Financial Statements

(continued)

## 2 BASIS OF PREPARATION

### (a) Statement of compliance

The financial statements of IGB REIT have been prepared in accordance with the provisions of the Deed, Malaysian Financial Reporting Standard ("MFRS") and International Financial Reporting Standards.

The financial statements have been prepared under the historical cost convention except as disclosed in the summary of significant accounting policies.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting 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 reported period. It also requires Directors of the Manager to exercise their judgment in the process of applying IGB REIT's accounting policies. Although these estimates and judgment are based on the Directors of the Manager's best knowledge of current events and actions, actual results could differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4.

### (b) Standards, amendments to published standards and interpretations that are applicable and are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable and are effective for IGB REIT's financial year beginning on 1 January 2014 are as follows:-

- Amendments to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'; and
- Amendment to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets'.

The adoption of the above accounting standards, amendments and improvements to published standards and interpretations did not result in a significant change to the accounting policies and did not have a material impact on the financial statements.

### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to IGB REIT but not yet effective

IGB REIT will apply the new standards, amendments to standards and interpretations to existing standards in the following period:-

#### (i) Financial year beginning on/after 1 January 2016

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

#### (ii) Financial year beginning on/after 1 January 2017

- MFRS 15 'Revenue from contracts with customers' (effective from 1 Jan 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

# Notes to the Financial Statements

(continued)

## 2 BASIS OF PREPARATION (continued)

### (c) Standards, amendments to published standards and interpretations to existing standards that are applicable to IGB REIT but not yet effective (continued)

#### (iii) Financial year beginning on/after 1 January 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch.

There is an expected credit losses model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit losses model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

IGB REIT is in the process of assessing the impact of the amendments to MFRS 116 and MFRS 138, MFRS 15 and MFRS 9 on the financial statements and expects this process to be completed prior to the effective dates of these standards.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to the period presented in these financial statements by IGB REIT.

### (a) Business combination under common control

IGB REIT applies predecessor accounting to account for business combinations under common control i.e. combination involving entities or businesses under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the holding company. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (at the date of the transaction) of the acquired business is recorded as an adjustment to retained earnings. No additional goodwill is recognised. Acquisition-related costs are expensed as incurred. The acquired business' results and the related balance sheet items are recognised prospectively from the date on which the business combination between entities under common control occurred.

### (b) Investment properties

Investment properties are held for long term rental yields or for capital appreciation or both, and are not substantially occupied by IGB REIT. Investment properties are measured initially at cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset. After initial recognition, investment properties are carried at fair value.

Fair value is based on valuation using an income approach, where cash flows projections are capitalised using a capitalisation rate, which takes into account the unexpired period, yield and sinking fund, where applicable. Change in fair values is recognised in profit or loss for the period in which it arises.

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (b) Investment properties (continued)

The fair value of the investment property reflects the market conditions at the reporting date. It reflects, among others, rental income from current leases and reasonable and supportable assumptions that represent what knowledgeable, willing parties would assume about rental income from future leases in the light of current conditions. It also reflects, on a similar basis, any cash outflows that could be expected in respect of the property. Some of those outflows are reflected in liability whereas others relate to outflows that are not recognised in the financial statements until a later date.

Valuations are performed as of the financial position date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to IGB REIT and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are derecognised when they have been disposed. Where IGB REIT disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded within net gain from fair value adjustment on investment property.

### (c) Plant and equipment

Plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items and where applicable borrowing costs (Note 3(j)).

Cost of plant and equipment includes purchase price and any direct attributable costs. Cost includes the cost of replacing part of an existing plant and equipment at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of the plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to IGB REIT and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Plant and equipment are depreciated on a straight line basis to write-off the cost of the assets to their expected residual values over their estimated useful lives, summarised as follows:-

Motor vehicles	20%
Furniture and fittings	12.5%
Equipment	12.5%
Information technology equipment	33 1/3%
Plant and machinery	10%

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each reporting date. The assessment of expected residual values and estimated useful lives of assets is carried out on an annual basis.

At each reporting date, IGB REIT assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. Please refer to accounting policy on impairment of non-financial assets (Note 3(f)).

Gains and losses on disposals are determined by comparing net disposal proceeds with carrying amount and are included in net property income in the statement of comprehensive income.

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Financial assets

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

Financial assets are recognised in the statement of financial position when, and only when, IGB REIT becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expensed in statement of comprehensive income.

IGB REIT classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. IGB REIT determines the classification of its financial assets at initial recognition.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for amounts not expected to be realised within twelve (12) months after the end of the reporting period which shall be classified as non-current assets. IGB REIT's loans and receivables comprise 'trade and other receivables' and 'cash and bank balances' in the statement of financial position (Notes 7 and 8).

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Loans and receivables are derecognised if IGB REIT's contractual rights to the cash flows from the financial assets expire or if IGB REIT transfers the financial asset to another party without retaining control or transfer substantially all the risks and rewards of the asset.

Gains and losses upon derecognition, impairment losses, and the amortisation of loans and receivables are recognised in statement of comprehensive income.

### (e) Impairment of financial assets

IGB REIT assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired.

#### Assets carried at amortised cost

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset ("Loss Event") and that Loss Event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that IGB REIT uses to determine that there is objective evidence of an impairment loss include, amongst others, the following:-

- Significant financial difficulty of the obligor;
- A breach of contract, such as a default or delinquency in payments;
- IGB REIT, for economic or legal reasons relating to the obligor's financial difficulty, granting to the obligor a concession that IGB REIT would not otherwise consider;
- It becomes probable that the obligor will enter bankruptcy or other financial distress;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - (i) adverse changes in the payment status of obligors in the portfolio; or
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in statement of comprehensive income during the period in which it is incurred.

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Impairment of financial assets (continued)

The carrying amount of the financial assets is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

In a subsequent period, if the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in statement of comprehensive income during the period in which such reversal is evidenced.

### (f) Impairment of non-financial assets

Plant and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

The impairment loss is charged to the statement of comprehensive income during the period in which they are incurred and any subsequent increase in recoverable amount is recognised in the statement of comprehensive income during the period in which they are incurred.

### (g) Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents consist of cash in hand, deposits held at call with licensed financial institutions, other short term and highly liquid investments with original maturities of three (3) months or less. Bank overdrafts, if any, are included in within borrowings in current liabilities in the statement of financial position.

### (h) Payables and accruals

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers or vendors. Trade payables are classified as current liabilities if payment is due within one (1) year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, deposits received from tenants and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

### (i) Unitholders' capital

Unitholders' contributions are classified as equity when there is no obligation to transfer cash or other assets, nor they are redeemable at the unitholders' option. Any consideration received or distributions paid is added or deducted directly from equity. Incremental external costs directly attributable to the issue of new Units are shown in equity as a deduction, net of tax, from the proceeds.

### (j) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of borrowings. Borrowings are classified as current liabilities unless IGB REIT has an unconditional right to defer settlement of the liability for at least twelve (12) months after the reporting date.

Borrowings costs directly attributable to the acquisition, construction or production of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

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

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (k) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of IGB REIT's activities. Revenue is shown net of rebates and discounts.

Revenue includes base rent, turnover or percentage rent, service and promotional charges from tenants.

Base rent from operating leases is recognised on a straight-line basis over the lease term. Turnover or percentage rent is recognised based on sales reported by tenants. When IGB REIT provides incentives to its tenants, the cost of incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income. Other rent related and car park income are recognised in the accounting period in which the services being rendered.

Interest income is recognised using the effective interest method.

### (l) Manager's management fees

Manager's management fees are recognised in statement of comprehensive income in the period in which they are incurred. If, the payment of the Manager's management fees is in the form of new Units, such payment is determined by reference to the fair value of the Units.

### (m) Income tax

Tax is recognised in statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. Provisions are established where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

The carrying value of IGB REIT's investment properties is assumed to be realised through continuous use.

### (n) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on the straight line basis during the lease period in which they are incurred.

Properties leased out under operating leases are included as investment properties.

### (o) Functional and presentation currency

Items included in the financial statements of IGB REIT are measured using the currency of the primary economic environment in which IGB REIT operates ("functional and presentation currency"). The financial statements are presented in Ringgit Malaysia, which is IGB REIT's functional and presentation currency.

### (p) Earnings per unit

IGB REIT's earnings per Unit ("EPU") are presented on basic and diluted format.

Basic EPU is calculated by dividing the profit or loss attributable to unitholders of IGB REIT by the weighted average number of Units outstanding during the period.

Diluted EPU is determined by adjusting the profit or loss attributable to unitholders against the weighted average number of Units outstanding adjusted for the effects of all dilutive potential Units.

# Notes to the Financial Statements

(continued)

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

### (q) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Chief Executive Officer, together with the Joint Chief Operation Officers, that makes strategic decisions.

### (r) Net asset value

NAV is the value of IGB REIT's assets less the value of IGB REIT's liabilities.

### (s) Distribution of income

Distribution of income should only be made from realised gains or realised income in accordance with Section 15.10 of the REIT Guidelines.

Distribution of income should be made after the Manager has taken into consideration the total returns for the period, income for the period, cash flow for distribution, stability and sustainability of income and the investment objective and distribution policy of IGB REIT.

Distribution adjustments are disclosed in Note 18.

### (t) Realised and unrealised profit or loss

A charge or a credit to the profit or loss is deemed as realised when it is resulted from the consumption of resource of all types and form, regardless of whether it is consumed in the ordinary course of business or otherwise. A resource may be consumed through sale or use.

Where a credit or a charge to the profit or loss upon initial recognition or subsequent measurement of an asset or a liability is not attributed to consumption of resource, such credit or charge should be deemed as unrealised until the consumption of resource could be demonstrated. Unrealised profit or loss comprises mainly the changes in fair value on investment properties.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors of the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

IGB REIT makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the IGB REIT's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

### Principal assumptions for estimation of fair value of investment properties

The principal assumptions underlying estimation of fair value of investment properties are those related to term rental, reversionary rental, other income, outgoings, capitalisation rate and asset enhancement initiatives as well as allowance for void.

Investment properties are stated at fair value based on valuations performed by independent professional valuer who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued, Henry Butcher Malaysia Sdn Bhd ("Henry Butcher").

The valuations are compared with actual market yield data, actual transactions and those reported by the market, when available. Assumptions used are mainly based on market conditions existing at each reporting date.

Sensitivity analysis on fair value of investment properties as valued by Henry Butcher is disclosed in Note 6 to the financial statements.



# Notes to the Financial Statements

(continued)

## 5 PLANT AND EQUIPMENT

	Motor vehicles RM'000	Furniture and fittings RM'000	Equipment RM'000	Information technology equipment RM'000	Plant and machinery RM'000	Capital work-in- progress RM'000	Total RM'000
<b>Cost</b>							
As at 1 January 2014	354	2,708	9,747	560	28	-	13,397
Additions	262	45	143	885	-	1,476	2,811
Disposals	-	(44)	-	-	-	-	(44)
Write-offs	-	(1)	(4)	(1)	-	-	(6)
As at 31 December 2014	616	2,708	9,886	1,444	28	1,476	16,158
<b>Accumulated depreciation</b>							
As at 1 January 2014	89	414	1,509	180	3	-	2,195
Depreciation charge for the financial year	95	340	1,228	435	3	-	2,101
Disposals	-	(9)	-	-	-	-	(9)
Write-offs	-	*-	(1)	*-	-	-	(1)
As at 31 December 2014	184	745	2,736	615	6	-	4,286
<b>Carrying amounts</b>							
As at 31 December 2014	432	1,963	7,150	829	22	1,476	11,872

	Motor vehicles RM'000	Furniture and fittings RM'000	Equipment RM'000	Information technology equipment RM'000	Plant and machinery RM'000	Total RM'000
<b>Cost</b>						
As at 1 January 2013	354	2,615	9,594	101	8	12,672
Additions	-	106	164	459	20	749
Disposals	*-	-	-	-	-	*-
Write-offs	-	(13)	(11)	-	-	(24)
As at 31 December 2013	354	2,708	9,747	560	28	13,397
<b>Accumulated depreciation</b>						
As at 1 January 2013	18	81	299	8	-	406
Depreciation charge for the financial year	71	334	1,211	172	3	1,791
Disposals	*-	-	-	-	-	*-
Write-offs	-	(1)	(1)	-	-	(2)
As at 31 December 2013	89	414	1,509	180	3	2,195
<b>Carrying amounts</b>						
As at 31 December 2013	265	2,294	8,238	380	25	11,202

\* Amount below RM1,000.

# Notes to the Financial Statements

(continued)

## 6 INVESTMENT PROPERTIES

	2014 RM'000	2013 RM'000
As at 1 January	4,805,000	4,700,000
Net fair value gain recognised in statement of comprehensive income	85,000	105,000
As at 31 December	4,890,000	4,805,000

On 20 September 2012, IGB REIT acquired the investment properties of which the consideration was settled in cash for RM1,200 million and issuance of 3,400 million units in IGB REIT. The purchase considerations are as follows:-

Investment Properties	Purchase Consideration		
	Units RM'million	Cash RM'million	Total RM'million
Mid Valley Megamall	3,413	710	4,123
The Gardens Mall	837	490	1,327
Total	4,250	1,200	5,450

The title deeds to the investment properties' land are currently being held in trust by related companies.

One of the investment properties is charged as a security for bank borrowings as disclosed in Note 10.

Investment properties are stated at fair value based on valuations performed by independent professional valuer, Henry Butcher, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued. Desktop valuations are performed by Henry Butcher once every quarter and a full valuation will be conducted at every year end. The valuation updates will be reviewed by the management and approved during the meetings of the Audit Committee and Board of Directors of the Manager every quarter.

Based on the valuation reports dated 8 January 2015 issued by Henry Butcher, the fair value of the Mid Valley Megamall and The Gardens Mall as at 31 December 2014 was RM3.610 billion (2013: RM3.560 billion) and RM1.280 billion (2013: RM1.245 billion) respectively. The investment properties are leasehold properties with lease expiry year in 2103.

Fair value is determined primarily based on income approach using Level 3 inputs (defined as unobservable inputs for asset or liability) in the fair value hierarchy of MFRS 13 'Fair Value Measurement'. Under the income approach, the fair value of the investment properties is derived from an estimate of the market rental which the investment properties can reasonably be let for. Rental evidence may be obtained from actual passing rents commanded by the investment properties if they are tenanted. Outgoings, such as quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives as well as management expenses, are then deducted from the annual rental income. Thereafter, the net annual rental income is capitalised at an appropriate current market yield to arrive at its fair value. Changes in fair value are recognised in the statement of comprehensive income during the period in which they are reviewed.

The Level 3 inputs or unobservable inputs include:-

Term rental	- the expected rental that the investment properties are expected to achieve and is derived from the current passing rental, including revision upon renewal of tenancies during the year;
Reversionary rental	- the expected rental that the investment properties are expected to achieve upon expiry of term rental;
Other income	- including percentage rent, car park income, advertising income and others;
Outgoings	- including quit rent and assessment, utilities costs, reimbursable manpower costs, repair and maintenance, insurance premium, asset enhancement initiatives as well as management expenses;
Capitalisation rate	- based on actual location, size and condition of the investment properties and taking into account market data at the valuation date;
Allowance for void	- refers to allowance provided for vacancy periods.

# Notes to the Financial Statements

(continued)

## 6 INVESTMENT PROPERTIES (continued)

The fair value measurements using Level 3 inputs as at 31.12.2014 are as follows:-

Valuation technique	Fair value RM'000	Parameters					Sensitivity analysis on fair value measurements*	
		Capitalisation rate %	Reversion rate %	Allowance for void %	Car park income %	Other income %	Impact of lower rate RM'000	Impact of higher rate RM'000
Mid Valley Megamall								
Income approach	3,610,000	5.50-6.50	5.75-6.75	3.00	6.75	6.75-8.75	483,400	(343,700)
The Gardens Mall								
Income approach	1,280,000	5.50-6.50	5.75-6.75	3.00	6.75	6.75-8.75	157,000	(104,000)
	<u>4,890,000</u>						<u>640,400</u>	<u>(447,700)</u>

\* Changes to capitalisation and reversion rates used in the income approach method on existing unexpired contractual terms by 100 basis points.

The fair value measurements using Level 3 inputs as at 31.12.2013 are as follows:-

Valuation technique	Fair value RM'000	Parameters					Sensitivity analysis on fair value measurements*	
		Capitalisation rate %	Reversion rate %	Allowance for void %	Car park income %	Other income %	Impact of lower rate RM'000	Impact of higher rate RM'000
Mid Valley Megamall								
Income approach	3,560,000	5.00-6.00	5.25-6.25	3.00	6.25	6.25-8.25	501,000	(359,000)
The Gardens Mall								
Income approach	1,245,000	5.00-6.00	5.25-6.25	3.00	6.25	6.25-8.25	166,000	(123,000)
	<u>4,805,000</u>						<u>667,000</u>	<u>(482,000)</u>

\* Changes to capitalisation and reversion rates used in the income approach method on existing unexpired contractual terms by 100 basis points.

# Notes to the Financial Statements

(continued)

## 6 INVESTMENT PROPERTIES (continued)

The investment properties are as follows:-

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2014	Fair value as at 31.12.2014	Initial acquisition cost on 20.09.2012	Percentage of fair value to NAV*2 as at 31.12.2014
					%	RM'000	RM'000	%
Mid Valley Megamall	20.09.2012	31.12.2014	Kuala Lumpur	Leasehold*1	99	3,610,000	3,440,000	98.5
The Gardens Mall	20.09.2012	31.12.2014	Kuala Lumpur	Leasehold*1	98	1,280,000	1,160,000	34.9
						<u>4,890,000</u>	<u>4,600,000</u>	

	Date of acquisition	Date of valuation	Location	Tenure	Occupancy rates as at 31.12.2013	Fair value as at 31.12.2013	Initial acquisition cost on 20.09.2012	Percentage of fair value to NAV*2 as at 31.12.2013
					%	RM'000	RM'000	%
Mid Valley Megamall	20.09.2012	31.12.2013	Kuala Lumpur	Leasehold*1	99	3,560,000	3,440,000	99.3
The Gardens Mall	20.09.2012	31.12.2013	Kuala Lumpur	Leasehold*1	99	1,245,000	1,160,000	34.7
						<u>4,805,000</u>	<u>4,600,000</u>	

Notes:-

\*1 The lease has a period of 99 years expiring on 6 June 2103.

\*2 Based on NAV after income distribution.

# Notes to the Financial Statements

(continued)

## 7 TRADE AND OTHER RECEIVABLES

	2014 RM'000	2013 RM'000
Trade receivables	3,131	4,168
Less: Allowance for impairment of trade receivables	(1,664)	(1,099)
Trade receivables – net	1,467	3,069
Accrued billings	9,242	7,885
	10,709	10,954
Other receivables	733	517
Deposits	6,440	6,244
Amount owing by immediate holding company	37	24
Amounts owing by related companies	1,342	1,468
	8,552	8,253
Prepayments	3,749	6,932
	12,301	15,185
Total trade and other receivables	23,010	26,139

The carrying amounts of trade and other receivables as at 31 December 2014 and 31 December 2013 approximated their fair values.

The credit terms of trade receivables were seven (7) days (2013: seven (7) days).

The amount owing by immediate holding company is unsecured, interest free (2013: interest free) and repayable on demand.

The amounts owing by related companies are unsecured, interest free (2013: interest free) and repayable on demand.

As at 31 December 2014, trade receivables of RM1,467,000 (2013: RM3,069,000) were past due but not impaired. Such trade receivables are due from tenants in Mid Valley Megamall and The Gardens Mall who have paid security deposits for the tenancy and with no known recent history of default. In addition, the historical experience in collection of trade receivables falls within the recorded allowance.

The ageing analysis of these trade receivables is as follows:-

	2014 RM'000	2013 RM'000
1 to 7 days	546	805
8 to 30 days	546	1,386
31 to 60 days	375	878
	1,467	3,069
Individually impaired	1,664	1,099
Less: Allowance for impairment of trade receivables	(1,664)	(1,099)
	1,467	3,069

# Notes to the Financial Statements

(continued)

## 7 TRADE AND OTHER RECEIVABLES (continued)

Movement of allowance for impairment of trade receivables is as follows:-

	2014 RM'000	2013 RM'000
As at 1 January	1,099	170
Impairment charge for the financial year	565	929
As at 31 December	1,664	1,099

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivables mentioned above.

## 8 CASH AND CASH EQUIVALENTS

	2014 RM'000	2013 RM'000
Cash in hand	266	255
Bank balances	16,063	18,724
Deposits placed with licensed banks	215,569	198,169
Cash and bank balances	231,898	217,148
Less: Restricted cash	(28,097)	(27,436)
Cash and cash equivalents	203,801	189,712

Bank balances are deposits held at call with banks and earns no interest.

The weighted average effective interest rate of deposits with licensed banks that was effective at the reporting date was 3.42% per annum (2013: 3.08% per annum).

Deposits with licensed banks have an average maturity of 76 days (2013: 37 days).

Included in the deposits placed with licensed banks is an amount of RM28.1 million (2013: RM27.4 million) which is maintained in a Debt Service Reserve Account with the facility agent to cover a minimum of six months interest for syndicated financing facilities granted to IGB REIT (Note 10).

# Notes to the Financial Statements

(continued)

## 9 UNITHOLDERS' CAPITAL

	2014		2013	
	Number of units		Number of units	
	'000		'000	
<b>Approved fund size:</b>				
As at 1 January/31 December	<u>3,550,000</u>		<u>3,550,000</u>	
	Number of units	Value	Number of units	Value
	'000	RM'000	'000	RM'000
<b>Issued and fully paid up:</b>				
At 1 January	3,422,620	4,272,546	3,400,000	4,243,085
Creation of units				
Issue of new Units, at fair value	24,708	30,296	22,620	29,461
As at 31 December	<u>3,447,328</u>	<u>4,302,842</u>	<u>3,422,620</u>	<u>4,272,546</u>

## 10 BORROWINGS

	2014	2013
	RM'000	RM'000
<b>Current (secured) :</b>		
Syndicated financing facilities	<u>27,319</u>	<u>27,606</u>
<b>Non-current (secured) :</b>		
Syndicated financing facilities	1,200,000	1,200,000
Less: Unamortised transaction costs	(3,733)	(5,091)
	<u>1,196,267</u>	<u>1,194,909</u>

The Trustee, on behalf of IGB REIT, as borrower, has obtained the syndicated financing facilities ("SFF") comprising the following:-

- (a) A fixed rate term loan facility ("FRTL") of up to RM1,200 million; and
- (b) A standby revolving credit facility ("SBRC") of up to RM20 million.



# Notes to the Financial Statements

(continued)

## 10 BORROWINGS (continued)

The maturity profile of the SFF is as follows:-

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total Carrying Amount RM'000
<b>As at 31 December 2014</b>					
<b>FRTL</b>	<b>14,610</b>	-	<b>1,196,267</b>	-	<b>1,210,877</b>
<b>SBRC</b>	<b>12,709</b>	-	-	-	<b>12,709</b>
	<b>27,319</b>	-	<b>1,196,267</b>	-	<b>1,223,586</b>
<b>As at 31 December 2013</b>					
<b>FRTL</b>	14,900	-	-	1,194,909	1,209,809
<b>SBRC</b>	12,706	-	-	-	12,706
	27,606	-	-	1,194,909	1,222,515

The weighted average effective interest rates as at the reporting date were as follows:-

	2014 % per annum	2013 % per annum
FRTL	4.40%	4.40%
SBRC	4.80%	4.15%

Proceeds drawn from the FRTL were utilised by IGB REIT to part finance the acquisitions of Mid Valley Megamall and The Gardens Mall together with related assets ("Acquisitions") and the proceeds drawn from the SBRC were utilised by IGB REIT to part finance the Acquisitions and to finance its capital expenditure requirements.

The FRTL has a tenure of five (5) years from the date of first drawdown with an option to extend the same for a further two (2) years exercisable by the Trustee. For the first five (5) years, the FRTL bears a fixed interest rate of 4.4% per annum. In the event the FRTL is extended, the interest rates for the sixth and the seventh years shall be stepped up to 5.0% per annum.

The SBRC has a tenure of seven (7) years from the date of fulfillment of all conditions precedent. The SBRC bears a floating interest rate of the aggregate effective costs of funds and a margin of 0.7% per annum.

The SFF are secured against, among others, the following:-

- (i) a first party assignment by the Trustee of its rights, title, interests and benefits in Mid Valley Megamall and under the sale and purchase agreement in relation to Mid Valley Megamall pursuant to the Acquisition and all other documents evidencing the Trustee's interest in Mid Valley Megamall. In the event the subdivision of master title is completed and a separate strata title is issued for Mid Valley Megamall ("Megamall Strata Title"), a first party first legal charge shall be created by the Trustee on the Megamall Strata Title for the benefit of the SFF lenders;
- (ii) an undertaking from the Trustee and the Manager:
  - (a) to deposit all cash flows generated from Mid Valley Megamall into the revenue account; and
  - (b) that it shall not declare or make any dividends or distributions out of the cashflow derived from Mid Valley Megamall to the Unitholders if an event of default has occurred under the terms of the SFF, and is continuing and has not been waived;

# Notes to the Financial Statements

(continued)

## 10 BORROWINGS (continued)

- (iii) a first party legal assignment and charge by the Trustee over all rights, interests, title and benefits relating to the following designated accounts:
- (a) the revenue account into which the Trustee shall credit, among others, all income and insurance proceeds derived from or in relation to Mid Valley Megamall;
  - (b) the operating account which is to capture funds transferred from the revenue account for the purpose of managing the operating expenditure of Mid Valley Megamall; and
  - (c) the debt service reserve account which is to capture funds transferred from the revenue account for purposes of meeting the debt service requirement;
- (iv) a first party legal assignment by the Trustee of all the proceeds under the tenancy/lease agreements in relation to Mid Valley Megamall; and
- (v) a first party legal assignment over all of the Trustee's rights, interests, titles and benefits and all the insurance policies in relation to Mid Valley Megamall and the security agent (acting for and on behalf of the SFF lenders) being named as the loss payee and beneficiary of the insurance policies.

## 11 PAYABLES AND ACCRUALS

	Note	2014 RM'000	2013 RM'000
<b>Non-current</b>			
Tenants' deposits	a	54,590	48,469
		<u>54,590</u>	<u>48,469</u>
<b>Current</b>			
Trade payables	b	5,396	7,228
Tenants' deposits	a	31,254	29,009
		<u>36,650</u>	<u>36,237</u>
Other payables and accrued expenses		29,591	26,215
Prepaid rental		5,224	4,702
Amounts due to related companies	c	8,755	13,091
Distribution payable to unitholders		134,926	123,920
		<u>178,496</u>	<u>167,928</u>
Total current payables and accruals		<u>215,146</u>	<u>204,165</u>
Total payables and accruals		<u>269,736</u>	<u>252,634</u>

- (a) Tenants' deposits are in respect of refundable deposits received from tenants for tenancy related agreements. Tenancy tenures are generally for a period of one (1) to three (3) years.
- (b) Credit terms for trade payables range from 30 days to 90 days (2013: 30 days to 90 days).
- (c) Amounts due to related companies are interest-free (2013: interest free) and repayable on demand.

# Notes to the Financial Statements

(continued)

## 12 OTHER INCOME

	2014 RM'000	2013 RM'000
Car park income	44,021	43,605
Advertising and promotional income	5,817	5,855
Utilities recoverable	25,650	22,862
Kiosk rent and other leasing income	22,200	18,100
Others	9,443	10,419
	<b>107,131</b>	<b>100,841</b>

## 13 REIMBURSEMENT COSTS

Included in reimbursement costs are the following expenses:

	2014 RM'000	2013 RM'000
Manpower costs	24,756	29,730
Marketing expenses	8,614	8,645
Administration expenses	5,500	7,588
Management expenses	3,876	4,234
Insurance premium	2,175	2,072
	<b>44,921</b>	<b>52,269</b>

## 14 MANAGER'S MANAGEMENT FEES

	2014 RM'000	2013 RM'000
Base fee	15,111	14,675
Performance fee	15,625	14,172
	<b>30,736</b>	<b>28,847</b>

For the financial year ended 31 December 2014, 100% of the total Manager's management fees would be payable in Units (2013: 100%).

## 15 BORROWING COSTS

	2014 RM'000	2013 RM'000
Interest expense	53,336	53,322
Amortisation of transaction costs	1,358	1,527
	<b>54,694</b>	<b>54,849</b>

# Notes to the Financial Statements

(continued)

## 16 TAXATION

	2014 RM'000	2013 RM'000
<b>Reconciliation of tax expense</b>		
Profit before taxation	<b>317,617</b>	311,945
Income tax using Malaysian tax rate of 25%	<b>79,404</b>	77,986
Non-deductible expenses	<b>4,308</b>	3,204
Effect of income exempted from tax	<b>(83,712)</b>	(81,190)
	<b>-</b>	-

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 ("Act"), income of IGB REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the investors in the basis period of IGB REIT for that year of assessment within two (2) months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two (2) months after the close of IGB REIT financial year which forms the basis period for a year of assessment, IGB REIT will be subject to income tax at the prevailing rate on its total income. Income which has been taxed at the IGB REIT level will have tax credits attached when subsequently distributed to unitholders.

As IGB REIT declared 100% (2013: 100%) of its distributable income to unitholders for the financial year ended 31 December 2014, no provision for income taxation has been made for the current year and prior year.

## 17 EARNINGS PER UNIT ("EPU") – BASIC AND DILUTED

The calculation of EPU is based on total comprehensive income attributable to unitholders for the year of RM317,617,000 (2013: RM311,945,000) divided by the weighted average number of Units during the same year of 3,441,576,000 (2013: 3,417,638,000).

	2014 RM'000	2013 RM'000
<b>Total comprehensive income</b>		
- Realised	<b>232,617</b>	206,945
- Unrealised	<b>85,000</b>	105,000
- Total	<b>317,617</b>	311,945
<b>Weighted average number of units ('000)</b>		
Weighted average number of Units in issue	<b>3,435,670</b>	3,411,505
Adjustment for Manager's management fees payable in Units *	<b>5,906</b>	6,133
Weighted average number of Units for diluted EPU	<b>3,441,576</b>	3,417,638
<b>Basic/Diluted EPU (sen)</b>		
- Realised	<b>6.76</b>	6.06
- Unrealised	<b>2.47</b>	3.07
- Total	<b>9.23</b>	9.13

# Notes to the Financial Statements

(continued)

## 17 EARNINGS PER UNIT ("EPU") – BASIC AND DILUTED (continued)

Note \*:-

	2014		2013	
	Number of units '000	Value RM'000	Number of units '000	Value RM'000
Manager's management fees payable in Units				
- from 1 October 2014 to 31 December 2014 at RM1.30 per unit	5,906	7,678	-	-
- from 1 October 2013 to 31 December 2013 at RM1.18 per unit	-	-	6,133	7,237
	<b>5,906</b>	<b>7,678</b>	<b>6,133</b>	<b>7,237</b>

## 18 DISTRIBUTION TO UNITHOLDERS

Distribution to unitholders is from the following sources:

	Note	2014 RM'000	2013 RM'000
Total comprehensive income		<b>317,617</b>	311,945
Less: Distribution adjustments	A	<b>(48,822)</b>	(70,835)
Distributable income		<b>268,795</b>	241,110
Distribution per unit (sen)			
- for the period from 1 January 2014 to 30 June 2014		<b>3.89</b>	-
- for the period from 1 July 2014 to 31 December 2014		<b>3.90</b>	-
- for the period from 1 January 2013 to 30 June 2013		-	3.43
- for the period from 1 July 2013 to 31 December 2013		-	3.61
		<b>7.79</b>	7.04
<u>Income distribution</u>			
Distributable income		<b>268,795</b>	241,110
Income distribution of 3.89 sen per unit (@ 3.81 sen taxable and 0.08 sen non-taxable) for the period from 1 January 2014 to 30 June 2014		<b>(133,869)</b>	-
Proposed for income distribution of 3.90 sen per unit (@ 3.82 sen taxable and 0.08 sen non-taxable) for the period from 1 July 2014 to 31 December 2014		<b>(134,926)</b>	-
Income distribution of 3.43 sen per unit (@ 3.37 sen taxable and 0.06 sen non-taxable) for the period from 1 January 2013 to 30 June 2013		-	(117,190)
Income distribution of 3.61 sen per unit (@ 3.52 sen taxable and 0.09 sen non-taxable) for the period from 1 July 2013 to 31 December 2013		-	(123,920)
Balance undistributed		-	-
<u>Note A</u>			
Distribution adjustments comprise:			
Changes in fair value on investment properties		<b>(85,000)</b>	(105,000)
Manager's management fee payable in Units	14	<b>30,736</b>	28,847
Amortisation of fit-out incentives		<b>1,983</b>	2,000
Amortisation of capitalised borrowing costs		<b>1,358</b>	1,527
Depreciation of plant and equipment		<b>2,101</b>	1,791
		<b>(48,822)</b>	(70,835)

# Notes to the Financial Statements

(continued)

## 18 DISTRIBUTION TO UNITHOLDERS (continued)

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

	Withholding Tax rate	
	2014	2013
Resident corporate	N/A <sup>^</sup>	N/A <sup>^</sup>
Resident non-corporate	10%	10%
Non-resident individual	10%	10%
Non-resident corporate	25%	25%
Non-resident institutional	10%	10%

<sup>^</sup> to tax at prevailing rate

## 19 PORTFOLIO TURNOVER RATIO

	2014	2013
Portfolio Turnover Ratio ("PTR") (times)	-	-

The calculation of PTR is based on the average value of total acquisitions and disposals of investments in IGB REIT for the financial year to the average NAV during the financial year.

PTR is nil for IGB REIT as there were no acquisitions and disposals of investments in IGB REIT for the financial year ended 31 December 2014.

Since the basis of calculating PTR can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of IGB REIT's PTR against other REITs.

## 20 MANAGEMENT EXPENSE RATIO

	2014	2013
Management expense ratio ("MER") (%)	0.87	0.83

The calculation of the MER is based on the total fund operating fees of IGB REIT incurred for the financial year ended 31 December 2014, including the Manager's management fees, trustees' fees and other trust expenses, to the NAV (after income distribution) as at 31 December 2014.

Since the basis of calculating MER can vary among REITs, there is no consistent or coherent basis for providing an accurate comparison of IGB REIT's MER against other REITs.

## 21 SEGMENT REPORTING

The segmental financial information by business or geographical segments is not presented as there is only one (1) business activity within investment properties portfolio of IGB REIT, which comprised of Mid Valley Megamall and The Gardens Mall and its entire business is conducted in Kuala Lumpur.

The Manager assesses the financial performance of the operating segments based on, including but not limited to, net property income ("NPI"). The NPI enables financial performance benchmarking as such basis eliminates the effect of financing and accounting decisions which may not be made at operating level.

# Notes to the Financial Statements

(continued)

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

	Note	2014 RM'000	2013 RM '000
<u>Loans and receivables at amortised cost</u>			
Assets as per statement of financial position:			
- Trade and other receivables excluding prepayments	7	19,261	19,207
- Cash and bank balances excluding cash in hand	8	231,632	216,893
Total financial assets		<b>250,893</b>	236,100
<u>Other financial liabilities at amortised cost</u>			
Liabilities as per statement of financial position:			
- Borrowings	10	1,223,586	1,222,515
- Payables and accruals	11	269,736	252,634
Total financial liabilities		<b>1,493,322</b>	1,475,149

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### 23.1 Financial risk factors

IGB REIT's activities expose it to a variety of financial risks: market risk (including cash flow interest rate risk), credit risk, liquidity and cash flow risk. IGB REIT's overall financial risk management objective is to ensure that it creates value for its unitholders. IGB REIT focuses on the unpredictability of financial markets and seeks to mitigate potential adverse effects on the financial performance of IGB REIT. Financial risk management is carried out through risk reviews, internal control systems and insurance programmes. The Manager regularly reviews the risk profile and ensure adherence to the IGB REIT's financial risk management policies.

#### (a) Market risk

##### Cash flow interest rate risk

The interest rate risk arises from FRTL and SBRC.

IGB REIT's income and cash flows are substantially independent of changes in market interest rates. This is due to a significant portion of the SFF is made up of FRTL which locks in the interest rate against any fluctuation. Hence, IGB REIT has no significant exposure to cash flow interest rate risk.

Sensitivity analysis for interest rate fluctuation is unrepresentative as IGB REIT does not use variable rates in managing its interest rate risk.

#### (b) Credit risk

Credit risk arises from credit exposures to outstanding receivables from the tenants, as well as cash, cash equivalents and deposits with banks and financial institutions.

Credit risks arising from outstanding receivables from the tenants are mitigated and monitored by strict selection of tenants and/or business associates with high creditworthiness. Trade receivables are monitored on an on-going basis via the Manager's standard operating and reporting procedures. Other than anchor tenants, namely Aeon BIG, Aeon, Metrojaya, Isetan, Robinsons and GSC Signature, which contribute 14.5% (2013: 12.4%) of the rental income, investment properties of IGB REIT do not have any significant exposure to any individual tenant or counterparty nor any major concentration of credit risk in relation to any financial instruments. Credit risk with respect to trade receivables is limited due to the nature of business which is predominately rental related and cash-based. The historical experience in collection of trade receivables falls within the recorded allowances. Furthermore, the tenants have placed security deposits which act as collateral. In view of the above, no additional credit risk beyond amounts allowed for collection losses is inherent in IGB REIT's trade receivables.

The deposits are placed with licensed financial institutions with high credit ratings assigned by credit rating agencies. Hence, the risk of material loss in the event of non-performance by a financial counterparty is considered to be unlikely.



# Notes to the Financial Statements

(continued)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.1 Financial risk factors (continued)

#### (c) Liquidity and cash flow risk

The rolling forecasts of liquidity requirements is monitored to ensure there is sufficient cash to meet operational needs while maintaining sufficient headroom on the committed borrowing facilities (Note 10).

Cash, cash equivalents and bank facilities which are deemed adequate is maintained and monitored to finance the operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the REIT Guidelines concerning limits on total borrowings of the investment trust.

Cash and bank balances as at 31 December 2014 of RM231.90 million (2013: RM217.15 million) are expected to generate cash inflows for managing liquidity risk.

The table below analyses the non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed are the contractual undiscounted cash flows.

	<1 year RM'000	1 to 2 years RM'000	2 to 3 years RM'000	>3 years RM'000	Total RM'000
<b>At 31 December 2014</b>					
<b>Borrowings</b>	<b>80,722</b>	<b>53,403</b>	<b>1,236,319</b>	<b>-</b>	<b>1,370,444</b>
<b>Payables and accruals</b>	<b>215,146</b>	<b>29,810</b>	<b>19,099</b>	<b>5,681</b>	<b>269,736</b>
<b>At 31 December 2013</b>					
Borrowings	80,927	53,321	53,321	1,234,900	1,422,469
Payables and accruals	204,165	24,927	18,798	4,744	252,634

### 23.2 Capital risk management

Capital is the unitholders' capital, retained earnings and borrowings.

The overall capital management objectives are to safeguard the ability to continue as a going concern in order to provide returns for unitholders and other stakeholders as well as to maintain a more efficient capital structure.

The Manager's on-going capital management strategy involves maintaining an appropriate gearing level and adopting an active interest rate management strategy to manage the risks associated with refinancing and changes in interest rates. The Manager intends to implement this strategy by (i) diversifying sources of debt funding to the extent appropriate, (ii) maintaining a reasonable level of debt service capability, (iii) securing favourable terms of funding, (iv) managing its financial obligations and (v) where appropriate, managing the exposures arising from adverse market interest rates, such as through fixed rate borrowings, to optimise the cost of capital.

The total borrowings to total assets ratio is as follows:-

	2014 RM'000	2013 RM'000
Total borrowings	1,223,586	1,222,515
Total assets	5,156,780	5,059,489
Borrowings to total assets ratio (%)	23.73	24.16

The total borrowings should not exceed 50% of the total assets at the time the borrowings are incurred in accordance with Paragraph 8.37 of the REIT Guidelines. IGB REIT complied with the limit requirement during the financial year.

# Notes to the Financial Statements

(continued)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.2 Capital risk management (continued)

The Deed provides that the Manager shall, with the approval of the Trustee, for each distribution period, distribute all (or such other percentage as determined by the Manager at its absolute discretion) of IGB REIT's distributable income. It is the intention of the Manager to distribute at least 90.0% of IGB REIT's distributable income on a half-yearly basis (or such other interval as determined by the Manager at its absolute discretion).

For the financial year ended 31 December 2014, IGB REIT distributes 100% of its distributable income. Based on the prospectus in respect of the initial public offer of IGB REIT dated 26 August 2012, the Manager will distribute 100% of IGB REIT's distributable income for the period from date of establishment to 31 December 2014.

The actual proportion of distributable income distributed to unitholders beyond 31 December 2014, which shall be at the absolute discretion of the Manager, may be greater than 90.0% of IGB REIT's distributable income to the extent that the Manager believes it is appropriate, having regard to IGB REIT's funding requirements, total return for the period, cash flow for distribution as well as sustainability and stability of the income. Distribution, when made, will be in Ringgit Malaysia.

### 23.3 Fair value

The assets and liabilities measured at fair value and classified by level of the fair value measurement hierarchy are as follows:-

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

	Level 3	
	2014	2013
	RM'000	RM'000
Recurring fair value measurements:		
Investment properties	4,890,000	4,805,000

Level 3 fair values of the investment properties have been derived from the income approach method based on valuations performed by independent professional valuer, Henry Butcher, who holds a recognised relevant professional qualification and has recent experience in the locations and categories of the investment properties valued. The valuation techniques, significant parameters and movement in fair values are as disclosed in Note 6 of these financial statements.

#### Assets and liabilities not carried at fair value

Save as disclosed below, the carrying amounts of financial assets and liabilities as at reporting date approximated their fair values.

IGB REIT's borrowings are not measured at fair value as at reporting date. The fair value of such borrowings is disclosed within the fair value hierarchy as follows:-

	Level 3			
	2014		2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	RM'000	RM'000	RM'000	RM'000
Borrowings	1,223,586	1,149,817	1,222,515	1,174,819

# Notes to the Financial Statements

(continued)

## 23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### 23.3 Fair value (continued)

The fair values of assets and liabilities in the statement of financial position are based on the following bases and assumptions:

(a) Trade receivables, other receivables and payables and accruals

Trade receivables, other receivables and payables and accruals are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(b) Cash and bank balances

Cash and bank balances with maturities less than one (1) year, the carrying amount is a reasonable estimate of fair value.

(c) Borrowings

The fair value of the borrowings is estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

## 24 OPERATING LEASES

### Leases as lessor

IGB REIT leases out the investment properties (Note 6) under operating leases. The future minimum lease receivables under non-cancellable lease are as follows:-

	2014 RM'000	2013 RM'000
Less than one (1) year	328,508	305,917
Between one (1) and five (5) years	657,015	611,834
	<b>985,523</b>	<b>917,751</b>

## 25 CAPITAL COMMITMENTS

The capital expenditure which has not been provided for in the financial statements is as follows:-

	2014 RM'000	2013 RM'000
Plant and equipment		
Authorised by Directors but not contracted	<b>3,683</b>	<b>4,919</b>

(continued)

The significant related party transactions are carried out in the normal course of business on terms and conditions negotiated between the contracting parties.

Related party	Relationship
IGB Corporation Berhad	Immediate holding company and sponsor of IGB REIT
Ensignia Construction Sdn Bhd	A fellow subsidiary
IGB Properties Sdn Bhd	A fellow subsidiary
IGB REIT Management Sdn Bhd	A fellow subsidiary
Mid Valley City Sdn Bhd	A fellow subsidiary
Mid Valley City Developments Sdn Bhd	A fellow subsidiary
Mid Valley City Energy Sdn Bhd	A fellow subsidiary
Mid Valley City Enterprise Sdn Bhd	A fellow subsidiary
Mid Valley City Gardens Sdn Bhd	A fellow subsidiary
Mid Valley City Hotels Sdn Bhd	A fellow subsidiary
Mid Valley City North Tower Sdn Bhd	A fellow subsidiary
Mid Valley City South Tower Sdn Bhd	A fellow subsidiary
MVC Centrepoint North Sdn Bhd	A fellow subsidiary
MVC Centrepoint South Sdn Bhd	A fellow subsidiary
MVC CyberManager Sdn Bhd	A fellow subsidiary
MVEC Exhibition and Event Services Sdn Bhd	A fellow subsidiary
Tanah Permata Sdn Bhd	A fellow subsidiary
Technoltic Engineering Sdn Bhd	A fellow associate
Wah Seong (Malaya) Trading Co. Sdn Bhd	Substantial shareholder of IGB Corporation Berhad
Strass Media Sdn Bhd	A subsidiary of Wah Seong (Malaya) Trading Co. Sdn Bhd, which is a substantial shareholder of IGB Corporation Berhad
JVP Venture Sdn Bhd	Close family member of director and key management personnel of IGB REIT

2014	2013
RM'000	RM'000

**Significant related party transactions for the financial year:**

### ***Sales of services***

- 1) Rental of car park

- IGB Corporation Berhad	153	146
- MVC Centrepoint North Sdn Bhd	1,094	975
- Mid Valley City Hotels Sdn Bhd	70	87
- Tanah Permata Sdn Bhd	176	183
	<b>1,493</b>	1,391

# Notes to the Financial Statements

(continued)

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	2014 RM'000	2013 RM'000
<b>Significant related party transactions for the financial year:</b>		
2) Utilities charges		
- IGB Properties Sdn Bhd	806	785
- Mid Valley City Enterprise Sdn Bhd	1,697	1,458
- MVC Centrepont South Sdn Bhd	1,072	998
- MVC Centrepont North Sdn Bhd	921	927
- Mid Valley City Hotels Sdn Bhd	3,424	3,004
- Tanah Permata Sdn Bhd	1,495	1,459
- Mid Valley City South Tower Sdn Bhd	2,150	1,971
- Mid Valley City North Tower Sdn Bhd	2,191	2,049
- Mid Valley City Energy Sdn Bhd	295	137
- Mid Valley City Developments Sdn Bhd	105	-
	<b>14,156</b>	<b>12,788</b>
3) Rental of premises		
- MVEC Exhibition and Event Services Sdn Bhd	4,728	3,988
- MVC CyberManager Sdn Bhd	66	-
- JVP Venture Sdn Bhd	199	-
	<b>4,993</b>	<b>3,988</b>
4) Rental of light box		
- Strass Media Sdn Bhd	1,879	2,104
	<b>1,879</b>	<b>2,104</b>
<b><u>Purchases of services</u></b>		
1) Repair and maintenance		
- Technoltic Engineering Sdn Bhd	1,816	1,329
- Ensignia Construction Sdn Bhd	3,522	2,076
- Wah Seong (Malaya) Trading Co. Sdn Bhd	56	-
	<b>5,394</b>	<b>3,405</b>
2) Electricity charges		
- Mid Valley City Energy Sdn Bhd	44,928	28,552
	<b>44,928</b>	<b>28,552</b>
3) Manager's management fee		
- IGB REIT Management Sdn Bhd	30,736	28,847
	<b>30,736</b>	<b>28,847</b>

# Notes to the Financial Statements

(continued)

## 26 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

	2014 RM'000	2013 RM'000
<b>Significant related party balances as at reporting date:</b>		
<b><u>Deposits placed with</u></b>		
Mid Valley City Energy Sdn Bhd	<b>6,310</b>	6,239
<b><u>Amount owing to</u></b>		
IGB REIT Management Sdn Bhd (Manager's management fee)	<b>7,677</b>	7,237
Ensignia Construction Sdn Bhd	-	2,076
Mid Valley City Sdn Bhd	-	2,010
Mid Valley City Gardens Sdn Bhd	-	1,475

# Notes to the Financial Statements

(continued)

## 27 DETERMINATION OF REALISED AND UNREALISED PROFITS OR LOSSES IN THE CONTEXT OF DISCLOSURE PURSUANT TO LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

The analysis of the accumulated losses of IGB REIT as at 31 December 2014, into realised and unrealised portions, pursuant to Paragraphs 2.06 and 2.23 of Main Market Listing Requirements of Bursa Securities, are as follows:-

	2014 RM'000	2013 RM'000
Total accumulated losses		
- realised	(929,384)	(893,206)
- unrealised	290,000	205,000
	<b>(639,384)</b>	<b>(688,206)</b>

The disclosure of realised and unrealised accumulated losses is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Listing Requirements of Bursa Securities*, issued by the Malaysian Institute of Accountants.









## PROXY FORM

<b>CDS Account No.</b>
<b>**CDS Account No. of Authorised Nominee</b>
<b>Number of Units Held</b>

\*I/We (name as per Identification/Certificate of Incorporation) \_\_\_\_\_

Identification/Company No. \_\_\_\_\_

of (address) \_\_\_\_\_

being a unitholder of IGB REIT, hereby appoint:

### FIRST PROXY

Full Name		Proportion of Unitholdings Represented	
		No. of Units	%
Identification No.			
Address			

\*and/or

### SECOND PROXY

Full Name		Proportion of Unitholdings Represented	
		No. of Units	%
Identification No.			
Address			

or, both of whom failing, \*the Chairman of the 3rd AGM, as \*my/our proxy at the 3rd AGM of IGB REIT to be held at Bintang Ballroom, Level 5, Cititel Mid Valley, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur, Malaysia on Tuesday, 28 April 2015, at 2.30 p.m. and at any adjournment thereof.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

\_\_\_\_\_  
Signature of Unitholder/Common Seal

\* Delete as appropriate

\*\* Applicable to units through a nominee account

Notes:

- A unitholder is entitled to appoint one or two proxies and they need not be unitholders.
- A unitholder, who is an authorised nominee, may appoint up to two proxies in respect of each Securities Account held; whereas, an exempt authorised nominee may appoint multiple proxies in respect of each Securities Account held.
- A member who appoints a proxy must execute the Proxy Form, and if two proxies are appointed, the number of units to be represented by each proxy must be clearly indicated.
- A corporate member who appoints a proxy must execute the Proxy Form under seal or the hand of its officer or attorney duly authorised.
- Only unitholders registered in the Record of Depositors as at 20 April 2015 shall be eligible to attend, speak and vote at the 3rd AGM or appoint a proxy to attend and vote on his behalf.
- The executed Proxy Form must be deposited at the Manager's registered office, not later than 2.30 p.m. on 26 April 2015, being 48 hours before the time set for the 3rd AGM.
- The IGB REIT Annual Report and Proxy Form can be accessed at [www.igbreit.com](http://www.igbreit.com)

Fold this flap for sealing

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PROXY FORM

AFFIX  
RM0.60  
STAMP

The Company Secretary  
**IGB REIT Management Sdn Bhd** (908168-A)  
(Manager of IGB Real Estate Investment Trust)  
Level 32, The Gardens South Tower  
Mid Valley City  
Lingkaran Syed Putra  
59200 Kuala Lumpur  
Malaysia

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