

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of plant and equipment are recognised in the statement of total return as incurred.

Depreciation

Depreciation of plant and equipment is recognised in the statement of total return on a straight-line basis over their estimated useful lives of 2 to 5 years.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost on initial recognition, and subsequently at fair value with any changes therein recognised in the statement of total return. Fair value is determined in accordance with the Trust Deed, which requires investment properties to be valued by independent registered valuers in such manner and frequency required under Appendix 6 of the CIS Code ("Property Fund Appendix") issued by MAS.

Subsequent expenditure relating to investment properties that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

When an investment property is disposed of, the resulting gain or loss recognised in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

3.5 Intangible asset

Goodwill

Goodwill and bargain purchase may arise upon the acquisition of subsidiaries.

Goodwill represents the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in the statement of total return.

Goodwill arising on the acquisition of subsidiaries is presented in intangible asset. Goodwill is measured at cost less accumulated impairment losses, and tested for impairment.

3.6 Financial instruments

(i) *Non-derivative financial assets*

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated at fair value through the statement of total return) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following category: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables. Cash and cash equivalents comprise cash at bank and fixed deposits.

(ii) *Non-derivative financial liabilities*

The Group initially recognises debt securities issued on the date that they are originated. All other financial liabilities (including liabilities designated at fair value through the statement of total return) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise borrowings and trade and other payables.

(iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures arising from operating, financing and investing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. The Group does not adopt hedge accounting for its derivative financial instruments as at 30 June 2018.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of total return as incurred.

Subsequent to initial recognition, derivatives are measured at fair value. All changes in fair value is recognised immediately in the statement of total return. However, if derivatives qualify for hedge accounting, subsequent to initial recognition, changes in fair value therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect total return, the effective portion of changes in the fair value of the derivative is recognised and presented in the hedging reserve in unitholders' funds. The amount recognised in unitholders' funds is removed and included in the statement of total return in the same period as the hedged cash flows affect total return under the same line item in the statement of total return as the hedged item. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of total return.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in unitholders' funds remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognised in unitholders' funds is transferred to the carrying amount of the asset when it is recognised. In other cases, the amount recognised in unitholders' funds is transferred to the statement of total return in the same period that the hedged item affects total return.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the statement of total return. The hedged item is also stated at fair value in respect of the risk being hedged; the gain or loss attributable to the hedged risk is recognised in the statement of total return with an adjustment to the carrying amount of the hedged item.

3.7 Unitholders' funds

Unitholders' funds represent the residual interest in the Group's net assets upon termination and are classified as equity. Expenses incurred in the issuance and placement of units (if any) in the Group are deducted directly against unitholders' funds.

3.8 Impairment

Non-derivative financial assets

A financial asset not carried at fair value through the statement of total return is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a tenant, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a tenant or issuer will enter bankruptcy. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for the Manager's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the statement of total return and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the statement of total return.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (groups of CGUs) and then to reduce the carrying amount of the other assets in the CGU (groups of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.9 Employee benefits

Short-term employee benefit obligations, including contributions to defined contribution pension plans, if any, are measured on an undiscounted basis and are expensed as the related service is provided in the statement of total return.

A liability is recognised for the amount expected to be paid under short-term cash bonus where the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10 Revenue recognition

Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Dividend income

Dividend income is recognised in the statement of total return on the date that the Trust's right to receive payment is established.

3.11 Finance income and finance expenses

Finance income comprises interest income on funds invested and derivative financial instruments. Interest income is recognised as it accrues in the statement of total return, using the effective interest method.

Finance expenses comprises interest expense on borrowings and derivative financial instruments and amortisation of loan acquisition expenses. All borrowing costs are recognised in the statement of total return using the effective interest method.

3.12 Expenses

(i) Property operating expenses

Property operating expenses are recognised on an accrual basis. Included in property operating expenses are mainly property tax, maintenance and sinking fund contributions, leasing and upkeep expenses, marketing expenses, administrative expenses, as well as property management fees and leasing commission which are based on the applicable formula stipulated in Note 1(a).

(ii) Management fees

Management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

(iii) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses is the Trustee's fee which is described in Note 1(d).

3.13 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to a business combination, or items directly related to unitholders' funds, in which case it is recognised in unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

The Inland Revenue Authority of Singapore has issued a tax ruling dated 20 May 2005 ("Tax Ruling") on the taxation of the Trust for income earned and expenditure incurred after its listing on the SGX-ST. Subject to meeting the terms and conditions of the Tax Ruling, the Trustee will not be assessed to tax on the taxable income of the Trust. Instead, the Trustee and the Manager will deduct income tax at the prevailing corporate tax rate from the distributions made to unitholders that are made out of the taxable income of the Trust. However, where the beneficial owners are individuals or qualifying unitholders, the Trustee and the Manager will make the distributions to such unitholders without deducting any income tax. Also, where the beneficial owners are foreign non-individual unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for such distributions.

A qualifying unitholder is a unitholder who is:

- (i) a Singapore-incorporated company which is a tax resident in Singapore;
- (ii) a body of persons, other than a company or a partnership, registered or constituted in Singapore (for example, a town council, a statutory board, a registered charity, a registered co-operative society, a registered trade union, a management corporation, a club and a trade and industry association);
- (iii) a Singapore branch of a foreign company;
- (iv) an international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145); or
- (v) a real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment.

A foreign non-individual unitholder is one who is not a resident of Singapore for income tax purposes and

- (i) which does not have a permanent establishment in Singapore; or
- (ii) which carries on any operation in Singapore through a permanent establishment in Singapore where the funds used to acquire the units are not obtained from that operation in Singapore.

The Trust is exempt from Singapore income tax under Section 13(12) of the Income Tax Act on the following income:

- (i) dividends;
- (ii) interest on shareholder's loans; and
- (iii) foreign-sourced trust distribution

payable by its subsidiaries out of underlying rental income derived from the overseas investment properties. This exemption is granted subject to certain conditions, including the condition that the Trustee is a tax resident of Singapore.

The Trust's distribution policy is to distribute at least 90% of its annual taxable income. For any remaining amount of taxable income not distributed, tax will be assessed on, and collected from, the Trustee on such remaining amount (referred to as retained taxable income). In the event where a distribution is subsequently made out of such retained taxable income, the Trustee and the Manager will not have to make a further deduction of income tax from the distribution.

The above Tax Ruling does not apply to gains from sale of real properties, if considered to be trading gains derived from a trade or business carried on by the Trust. Tax on such gains or profits will be assessed, in accordance with Section 10(1)(a) of the Income Tax Act, Chapter 134 and collected from the Trustee. Where the gains are capital gains, it will not be assessed to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

3.14 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

4. Investment properties

	Group \$'000	Trust \$'000
At 1 July 2016	3,136,604	2,141,000
Additions and straight-line rental adjustments	12,860	2,507
Divestment	(4,137)	—
Change in fair value of investment properties	(16,321)	3,493
Translation differences	7,309	—
At 30 June 2017	3,136,315	2,147,000
Additions and straight-line rental adjustments	15,294	1,496
Divestment	(5,059)	—
Change in fair value of investment properties	(22,669)	(1,496)
Translation differences	(5,543)	—
At 30 June 2018	3,118,338	2,147,000

Investment properties are stated at fair value based on valuations performed by independent professional valuers having appropriate recognised professional qualifications and experience in the location and category of property being valued.

The Group has a framework with respect to the measurement of fair values of its investment properties, which is regularly reviewed by the Manager.

In determining the fair value, the valuers have used valuation techniques which involve certain estimates. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports are prepared in accordance with recognised appraisal and valuation standards. The estimates underlying the valuation techniques in the next financial year may differ from current estimates, which may result in valuations that may be materially different from the valuations as at balance sheet date.

The valuers have considered the capitalisation approach and/or discounted cash flow method in arriving at the open market value as at the balance sheet date. The capitalisation approach capitalises an income stream into a present value using single-year capitalisation rates. The income stream used is adjusted to market rentals currently being achieved within comparable investment properties and recent leasing transactions achieved within the investment property. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The discounted cash flow method requires the valuer to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements.

At 30 June 2018, investment properties with a carrying value of approximately \$829.9 million (2017: \$843.7 million) are mortgaged to secure credit facilities for the Group (Note 12).

Fair value hierarchy

The Group's investment properties are valued based on unobservable inputs and classified in Level 3 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 24.

The following table shows the key unobservable inputs used in the valuation models of the investment properties as at 30 June 2018:

Investment properties	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Commercial properties for leasing	<ul style="list-style-type: none"> • Capitalisation rates from 3.75% to 7.00% (2017: from 3.75% to 8.25%) • Discount rates from 3.60% to 8.25% (2017: from 3.80% to 8.50%) 	The estimated fair value would increase if capitalisation rates and discount rates decrease.

Key unobservable inputs correspond to:

- Capitalisation rates largely derived from comparable transactions.
- Discount rates, which are largely based on the risk-free rate of government bonds in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.

5. Plant and equipment

	Group \$'000	Trust \$'000
Cost:		
At 1 July 2016	3,168	790
Additions	53	—
Disposal/write-off	(1,230)	—
Translation differences	(3)	—
At 30 June 2017	1,988	790
Disposal/write-off	(124)	—
Translation differences	16	—
At 30 June 2018	1,880	790

	Group \$'000	Trust \$'000
Accumulated depreciation:		
At 1 July 2016	(2,722)	(649)
Depreciation charge	(361)	(141)
Disposal/write-off	1,150	—
Translation differences	4	—
At 30 June 2017	(1,929)	(790)
Depreciation charge	(12)	—
Disposal/write-off	118	—
Translation differences	(15)	—
At 30 June 2018	(1,838)	(790)
Carrying amount:		
At 1 July 2016	446	141
At 30 June 2017	59	—
At 30 June 2018	42	—

6. Interests in subsidiaries

	2018 \$'000	Trust 2017 \$'000
Equity investments at cost	484,538	491,391
Advances to subsidiaries	206,086	216,461
	690,624	707,852
Less: allowance for impairment loss	(100,400)	(99,000)
	590,224	608,852

Advances to subsidiaries are unsecured. The advances form part of the Trust's interests in subsidiaries as settlement of these amounts is neither planned nor likely to occur in the foreseeable future, and are stated at cost less impairment loss.

The Manager has reassessed for impairment by comparing the recoverable amount of the Trust's interests in subsidiaries against the carrying amount of the Trust's investment in subsidiaries. The recoverable amount was estimated based on the fair value of the subsidiaries' net assets as at reporting date, which is classified in Level 3 of the fair value hierarchy. As the recoverable amount was lower than the net carrying amount of the Trust's interest in these subsidiaries, an impairment loss of \$1.4 million (2017: \$9.0 million) was recognised for the year ended 30 June 2018, mainly in line with the drop in valuation of the China Property as at 30 June 2018.

The movement in the allowance for impairment loss in respect of interests in the Japan and China subsidiaries was as follows:

	Trust	
	2018 S'000	2017 S'000
At 1 July	(99,000)	(90,000)
Impairment loss recognised	(1,400)	(9,000)
At 30 June	(100,400)	(99,000)

Details of the subsidiaries are as follows:

Name of subsidiary	Country of incorporation	Effective interest	
		2018 %	2017 %
Starhill Global REIT Japan SPC One Pte Ltd ⁽¹⁾	Singapore	100	100
Starhill Global REIT Japan SPC Two Pte Ltd ⁽¹⁾	Singapore	100	100
Starhill Global REIT MTN Pte Ltd ⁽¹⁾	Singapore	100	100
SG REIT (M) Pte Ltd ⁽¹⁾	Singapore	100	100
SG REIT (WA) Pte Ltd ⁽¹⁾	Singapore	100	100
Starhill Global REIT One TMK ⁽²⁾	Japan	100	100
Starhill Global ML K.K. ⁽³⁾	Japan	100	100
Top Sure Investment Limited ⁽⁴⁾	Hong Kong	100	100
Chengdu Xin Hong Management Co., Ltd ⁽²⁾ (formerly known as Renhe Spring Department Store Co., Ltd)	China	100	100
SG REIT (WA) Trust ⁽²⁾	Australia	100	100
SG REIT (WA) Sub-Trust1 ⁽²⁾	Australia	100	100
SG REIT (SA) Sub-Trust2 ⁽²⁾	Australia	100	100
Ara Bintang Berhad ⁽²⁾	Malaysia	100	100

⁽¹⁾ Audited by KPMG LLP

⁽²⁾ Audited by other member firms of KPMG International

⁽³⁾ Not required to be audited by the laws of the country of incorporation

⁽⁴⁾ Audited by other auditors

7. Derivative financial instruments

Group	2018		2017	
	Contract notional amount \$'000	Fair value \$'000	Contract notional amount \$'000	Fair value \$'000
Non-current assets				
Interest rate swaps and caps	352,700	1,964	144,000	41
Current assets				
Interest rate swaps and caps	263,500	157	100,000	24
Foreign exchange forwards	4,400	87	8,500	61
	<u>267,900</u>	<u>244</u>	<u>108,500</u>	<u>85</u>
	<u>620,600</u>	<u>2,208</u>	<u>252,500</u>	<u>126</u>
Non-current liabilities				
Interest rate swaps	246,100	1,242	316,600	1,827
Current liabilities				
Interest rate swaps	113,500	157	278,200	2,006
Foreign exchange forwards	5,300	42	10,000	172
	<u>118,800</u>	<u>199</u>	<u>288,200</u>	<u>2,178</u>
	<u>364,900</u>	<u>1,441</u>	<u>604,800</u>	<u>4,005</u>
Trust				
Non-current assets				
Interest rate swaps and caps	352,700	1,964	77,400	41
Current assets				
Interest rate swaps and caps	200,000	157	100,000	24
Foreign exchange forwards	3,000	85	5,000	39
	<u>203,000</u>	<u>242</u>	<u>105,000</u>	<u>63</u>
	<u>555,700</u>	<u>2,206</u>	<u>182,400</u>	<u>104</u>
Non-current liabilities				
Interest rate swaps	100,000	453	250,000	1,522
Current liabilities				
Interest rate swaps	50,000	80	125,000	1,091
Foreign exchange forwards	1,600	5	7,400	135
	<u>51,600</u>	<u>85</u>	<u>132,400</u>	<u>1,226</u>
	<u>151,600</u>	<u>538</u>	<u>382,400</u>	<u>2,748</u>

The Group has entered into various derivative transactions under International Swaps and Derivatives Association Master Agreements (“ISDA Master Agreements”) with various bank counterparties. The derivative financial instruments presented above are not offset in the balance sheet as the right of set-off of recognised amounts is enforceable only following the occurrence of a termination event as set out in such ISDA Master Agreements. Upon the occurrence of a termination event resulting in the set-off of related derivatives in the balance sheet, the impact would be approximately \$0.3 million decrease (2017: \$0.1 million decrease) in both derivative assets and liabilities of the Group and Trust.

As at 30 June 2018 and 30 June 2017, the Group’s derivative financial assets and liabilities are not subject to an election for netting of payments under the enforceable master netting arrangements. The Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

The net fair value of the derivative financial instruments represents 0.04% (2017: 0.2%) of the Group’s unitholders’ funds as at 30 June 2018. The Group’s and the Trust’s contractual maturities analysis for derivative financial liabilities is disclosed in Note 12.

8. Trade and other receivables

	Group		Trust	
	2018	2017	2018	2017
	\$’000	\$’000	\$’000	\$’000
Current				
Trade receivables	1,629	3,670	208	494
Deposits	284	273	284	273
Other receivables	1,605	1,686	2,153	1,027
Loans and receivables	3,518	5,629	2,645	1,794
Prepayments	673	712	284	316
	<u>4,191</u>	<u>6,341</u>	<u>2,929</u>	<u>2,110</u>

Concentration of credit risk relating to trade receivables is limited due to the Group’s and the Trust’s varied mix of tenants and credit policy of obtaining security deposits from tenants for leasing the Group’s and the Trust’s investment properties, where applicable. As at 30 June 2018, the Group and the Trust have security deposits of approximately \$31.3 million (2017: \$31.4 million) and \$24.5 million (2017: \$24.8 million) respectively (Note 10).

There is no impairment loss arising from the Group’s deposits and other receivables balances, none of which are past due at the reporting date. Included in other receivables of the Trust are interest income receivable from its subsidiaries of approximately \$1.6 million (2017: \$0.5 million) as at 30 June 2018.

The maximum exposure to credit risk for the loans and receivables at the reporting date by geographic region was:

	Group		Trust	
	2018	2017	2018	2017
	S'000	S'000	S'000	S'000
Singapore	1,067	1,317	2,645	1,794
Australia	2,009	3,561	—	—
Malaysia	272	611	—	—
Others	170	140	—	—
	<u>3,518</u>	<u>5,629</u>	<u>2,645</u>	<u>1,794</u>

Impairment losses

The ageing of trade receivables at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2018	losses	2017	losses
	S'000	S'000	S'000	S'000
Group				
Not past due	650	(123)	844	—
Past due 0 – 30 days	237	(34)	297	—
Past due 31 – 120 days	408	(89)	2,368	(45)
More than 120 days	1,004	(424)	577	(371)
	<u>2,299</u>	<u>(670)</u>	<u>4,086</u>	<u>(416)</u>
Trust				
Not past due	331	(123)	389	—
Past due 0 – 30 days	34	(34)	103	—
Past due 31 – 120 days	37	(37)	33	(31)
More than 120 days	222	(222)	197	(197)
	<u>624</u>	<u>(416)</u>	<u>722</u>	<u>(228)</u>

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	Group		Trust	
	2018	2017	2018	2017
	S'000	S'000	S'000	S'000
At 1 July	(416)	(428)	(228)	(228)
Impairment loss recognised	(379)	(162)	(235)	—
Utilised	111	182	47	—
Translation differences	14	(8)	—	—
At 30 June	<u>(670)</u>	<u>(416)</u>	<u>(416)</u>	<u>(228)</u>

The Group's and the Trust's historical experience in the collection of trade receivables falls largely within the recorded allowances. Due to these factors and evaluations performed, the Manager believes that, apart from the above, no additional significant credit risk beyond amounts provided for collection losses is inherent in the Group's and the Trust's remaining trade receivables as these are partially covered by security deposits, bank guarantees and allowance for impairment.

9. Cash and cash equivalents

	Group		Trust	
	2018 S'000	2017 S'000	2018 S'000	2017 S'000
Cash at bank and in hand	46,701	57,776	20,420	30,493
Fixed deposits with financial institutions	20,029	18,827	—	—
	<u>66,730</u>	<u>76,603</u>	<u>20,420</u>	<u>30,493</u>

10. Trade and other payables

	Group		Trust	
	2018 S'000	2017 S'000	2018 S'000	2017 S'000
Non-current				
Deferred income	—	30	—	30
Security deposits ⁽¹⁾	22,460	24,333	20,549	18,973
	<u>22,460</u>	<u>24,363</u>	<u>20,549</u>	<u>19,003</u>
Current				
Trade payables	4,327	5,074	3,428	3,986
Accrued expenses	6,963	6,644	2,237	2,271
Amounts due to:				
- the Manager ⁽²⁾	2,757	2,684	2,757	2,684
- the Property Manager ⁽²⁾	708	819	708	819
- the Trustee ⁽²⁾	123	81	123	81
Interest payable	3,332	3,223	2,554	2,509
Deferred income	515	581	285	300
Security deposits ⁽¹⁾	8,870	7,019	3,924	5,805
Other payables	11,038	12,637	8,291	8,099
	<u>38,633</u>	<u>38,762</u>	<u>24,307</u>	<u>26,554</u>
	<u>61,093</u>	<u>63,125</u>	<u>44,856</u>	<u>45,557</u>

⁽¹⁾ Security deposits represent cash deposits received from tenants to secure leases of the Group's and the Trust's investment properties.

⁽²⁾ The amounts due to the Manager, Property Manager and Trustee are mainly trade in nature, unsecured and interest free.

The Group's and the Trust's exposure to liquidity and currency risks related to trade and other payables are disclosed in Notes 12 and 24.

11. Deferred tax liabilities

	Group	
	2018	2017
	\$'000	\$'000
Deferred tax liabilities ⁽¹⁾	6,336	6,748

⁽¹⁾ The deferred tax liability is mainly in respect of the China Property and has been estimated on the basis of an asset sale at the current book value.

Movement in deferred tax liabilities of the Group (prior to offsetting of balances) during the year was as follows:

	At 1 July \$'000	Recognised in statement of total return (Note 21) \$'000	Translation differences \$'000	At 30 June \$'000
Group				
2018				
Deferred tax liabilities				
Investment properties	6,748	(506)	94	6,336
2017				
Deferred tax liabilities				
Investment properties	9,737	(3,065)	76	6,748

12. Borrowings

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Non-current				
Secured borrowings	257,255	171,745	—	—
Unsecured borrowings	813,292	558,908	804,933	549,076
Unamortised loan acquisition expenses	(3,616)	(2,267)	(2,979)	(1,554)
	1,066,931	728,386	801,954	547,522
Current				
Secured borrowings	63,479	153,258	—	—
Unsecured borrowings	—	253,000	—	253,000
Unamortised loan acquisition expenses	(81)	(366)	—	(229)
	63,398	405,892	—	252,771
Total borrowings				
(net of borrowing costs)	1,130,329	1,134,278	801,954	800,293

The contractual terms of the Group's and the Trust's borrowings, which are measured at amortised cost are disclosed below. The Group's and the Trust's exposure to interest rate, currency and liquidity risks, is disclosed in Note 24.

Reconciliation of liabilities arising from financing activities

	Borrowings	Interest payable	Net derivative financial (assets)/ liabilities	Total
	\$'000	\$'000	\$'000	\$'000
Group				
Balance at 1 July 2017	1,134,278	3,223	3,879	1,141,380
Changes from financing cash flows				
Borrowing costs paid	(3,427)	(32,418)	(3,249)	(39,094)
Proceeds from borrowings	482,000	—	—	482,000
Repayment of borrowings	(480,791)	—	—	(480,791)
Total changes from financing cash flows	(2,218)	(32,418)	(3,249)	(37,885)
Other changes				
Effects of exchange rate differences	(4,368)	—	(25)	(4,393)
Change in fair value of derivative instruments	—	—	(4,467)	(4,467)
Amortisation of loan acquisition expenses	2,637	—	—	2,637
Finance expenses	—	32,527	3,095	35,622
Total other changes	(1,731)	32,527	(1,397)	29,399
Balance at 30 June 2018	1,130,329	3,332	(767)	1,132,894

Terms and debt repayment schedule

Terms and conditions of the outstanding borrowings were as follows:

	Currency	Nominal interest rate per annum %	Year of maturity	Face value \$'000	Carrying amount \$'000
2018					
Group					
JPY term loan facility ⁽¹⁾	JPY	0.85	2020	49,933	49,933
SGD term loan facilities ⁽¹⁾	SGD	1.72 – 2.59	2021 & 2022	460,000	460,000
SGD revolving credit facilities ⁽¹⁾⁽²⁾	SGD	1.34 – 2.21	2019 & 2022	–	–
Singapore MTNs ⁽³⁾	SGD	3.14 – 3.50	2021, 2023 & 2026	295,000	295,000
Japan bond ⁽⁴⁾	JPY	0.56 – 0.57	2021	8,359	8,359
Australia loans ⁽⁵⁾	A\$	2.94 – 3.83	2019 & 2021	209,581	209,581
Malaysia MTN ⁽⁶⁾	RM	4.48	2019	111,524	111,153
				<u>1,134,397</u>	<u>1,134,026</u>
Trust					
JPY term loan facility ⁽¹⁾	JPY	0.85	2020	49,933	49,933
SGD term loan facilities ⁽¹⁾	SGD	1.72 – 2.59	2021 & 2022	460,000	460,000
SGD revolving credit facilities ⁽¹⁾⁽²⁾	SGD	1.34 – 2.21	2019 & 2022	–	–
Intercompany loans ⁽³⁾	SGD	3.14 – 3.50	2021, 2023 & 2026	295,000	295,000
				<u>804,933</u>	<u>804,933</u>
2017					
Group					
JPY term loan facility ⁽¹⁾	JPY	0.82 – 0.86	2020	54,076	54,076
SGD term loan facilities ⁽¹⁾	SGD	1.27 – 2.39	2018	450,000	450,000
SGD revolving credit facilities ⁽¹⁾⁽²⁾	SGD	1.23 – 1.66	2018	3,000	3,000
Singapore MTNs ⁽³⁾	SGD	3.14 – 3.50	2021, 2023 & 2026	295,000	295,000
Japan bond ⁽⁴⁾	JPY	0.56 – 1.97	2021	9,832	9,832
Australia loans ⁽⁵⁾	A\$	2.99 – 3.76	2018 & 2019	219,846	219,846
Malaysia MTN ⁽⁶⁾	RM	4.48	2019	105,798	105,157
				<u>1,137,552</u>	<u>1,136,911</u>
Trust					
JPY term loan facility ⁽¹⁾	JPY	0.82 – 0.86	2020	54,076	54,076
SGD term loan facilities ⁽¹⁾	SGD	1.27 – 2.39	2018	450,000	450,000
SGD revolving credit facilities ⁽¹⁾⁽²⁾	SGD	1.23 – 1.66	2018	3,000	3,000
Intercompany loans ⁽³⁾	SGD	3.14 – 3.50	2021, 2023 & 2026	295,000	295,000
				<u>802,076</u>	<u>802,076</u>

- (1) The Group has in place the following unsecured loan facilities as at 30 June 2018, comprising:
- (i) four-year and five-year unsecured loan facilities with a club of seven banks at inception, comprising (a) term loan of \$200 million (maturing in September 2021), (b) term loan of \$260 million (maturing September 2022) and (c) \$240 million revolving credit facilities (maturing in September 2022) including a \$50 million uncommitted tranche at inception and subsequently fully converted to committed basis in July 2018. There is no amount outstanding under the above revolving credit facilities as at the reporting date.
 - (ii) five-year unsecured term loan facilities comprising balance of JPY4.05 billion (\$49.9 million) (2017: JPY4.4 billion (\$54.1 million)) (maturing in July 2020) with two banks. In July 2018, the Group has prepaid JPY350 million of the above loan using the net proceeds from the divestment of Nakameguro Place in May 2018.

The interest rate on the above unsecured loan facilities was largely hedged using a combination of interest rate swaps and caps as at 30 June 2018.

- (2) There is no amount outstanding (2017: \$3 million) from its other unsecured revolving credit facility as at 30 June 2018.
- (3) The Group has outstanding medium term notes ("MTN") of \$295 million (2017: \$295 million) as at 30 June 2018 issued by Starhill Global REIT MTN Pte Ltd under its \$2 billion multicurrency MTN programme and rated at "BBB+" by Standard & Poor's Rating Services, comprising:
- (i) \$100 million unsecured seven-year Singapore MTN (the "Series 002 Notes") (issued in February 2014 and maturing in February 2021) which bear a fixed rate interest of 3.50% per annum payable semi-annually in arrears.
 - (ii) \$125 million unsecured eight-year Singapore MTN (the "Series 003 Notes") (issued in May 2015 and maturing in May 2023) which bear a fixed rate interest of 3.40% per annum payable semi-annually in arrears.
 - (iii) \$70 million unsecured 10-year Singapore MTN (the "Series 004 Notes") (issued in October 2016 and maturing in October 2026) which bear a fixed rate interest of 3.14% per annum payable semi-annually in arrears.

The proceeds from the above issuances were extended as intercompany loans to the Trust at the same repayment terms.

- (4) At the reporting date, the Group has JPY678 million (\$8.4 million) (2017: JPY0.8 billion (\$9.8 million)) Japan bond outstanding and maturing in August 2021. Whilst no security has been pledged, the bondholders of the Japan bond have a statutory preferred right, under the Japan Asset Liquidation Law, to receive payment of all obligations under the Japan bond prior to other creditors out of the assets of the issuer (Starhill Global REIT One TMK).

- (5) The Group has outstanding term loans of A\$208 million (\$209.6 million) (2017: A\$208 million (\$219.8 million)) as at 30 June 2018, comprising:
- (i) A\$63 million (\$63.5 million) (2017: A\$63 million (\$66.6 million)) (maturing in June 2019) loan which was hedged via interest rate swap and is secured by a general security deed over all the assets of SG REIT (WA) Trust and a mortgage over David Jones Building. In July 2018, the Group has refinanced this A\$63 million term loan for five years with the same bank ahead of its maturity, extending the maturity to July 2023.
 - (ii) A\$145 million (\$146.1 million) (2017: A\$145 million (\$153.2 million)) (maturing in November 2021) loan which was hedged via interest rate swaps and is secured by a general security deed over all the assets of SG REIT (SA) Sub-Trust2 and a mortgage over Myer Centre Adelaide.
- (6) The Group has outstanding five-year fixed-rate senior medium term notes of a nominal value of RM330 million ("Second Senior MTN") issued at a discounted cash consideration of approximately RM325 million. The Second Senior MTN bear a fixed coupon rate of 4.48% per annum and have a carrying amount of approximately RM328.9 million (\$111.2 million) (2017: RM328.0 million (\$105.2 million)) as at 30 June 2018. The notes have an expected maturity in September 2019 and legal maturity in March 2021, and are secured, inter alia, by a fixed and floating charge over all the assets of Ara Bintang Berhad.

The contractual maturities by type of financial liabilities, including estimated interest payments and excluding the impact of netting agreements, were as follows:

Group	Note	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
				Within 1 year \$'000	Within 1 to 5 years \$'000	After 5 years \$'000
2018						
Non-derivative financial liabilities						
JPY term loan facility	12	49,933	(50,753)	(4,711)	(46,042)	—
SGD term loan facilities	12	460,000	(504,815)	(11,719)	(493,096)	—
Singapore MTNs	12	295,000	(345,469)	(9,948)	(257,819)	(77,702)
Japan bond	12	8,359	(8,516)	(48)	(8,468)	—
Australia loans	12	209,581	(228,000)	(68,835)	(159,165)	—
Malaysia MTN	12	111,153	(117,779)	(4,996)	(112,783)	—
Trade and other payables	10	61,093	(64,263)	(38,901)	(16,932)	(8,430)
		1,195,119	(1,319,595)	(139,158)	(1,094,305)	(86,132)

Group	Note	Carrying amount \$'000	Contractual cash flows \$'000	Cash flows		
				Within 1 year \$'000	Within 1 to 5 years \$'000	After 5 years \$'000
2018						
Derivative financial liabilities						
Interest rate swaps	7	1,399	—	—	—	—
- inflow		—	19,500	6,314	13,186	—
- outflow		—	(23,909)	(7,489)	(16,420)	—
Foreign exchange forwards	7	42	—	—	—	—
- inflow		—	5,270	5,270	—	—
- outflow		—	(5,334)	(5,334)	—	—
		1,441	(4,473)	(1,239)	(3,234)	—
		1,196,560	(1,324,068)	(140,397)	(1,097,539)	(86,132)
2017						
Non-derivative financial liabilities						
JPY term loan facility	12	54,076	(55,513)	(466)	(55,047)	—
SGD term loan facilities	12	450,000	(459,778)	(258,658)	(201,120)	—
SGD revolving credit facilities	12	3,000	(3,004)	(3,004)	—	—
Singapore MTNs	12	295,000	(355,417)	(9,948)	(136,319)	(209,150)
Japan bond	12	9,832	(10,068)	(55)	(10,013)	—
Australia loans	12	219,846	(229,042)	(160,120)	(68,922)	—
Malaysia MTN	12	105,157	(116,446)	(4,740)	(111,706)	—
Trade and other payables	10	63,125	(66,607)	(38,862)	(19,460)	(8,285)
		1,200,036	(1,295,875)	(475,853)	(602,587)	(217,435)
Derivative financial liabilities						
Interest rate swaps	7	3,833	—	—	—	—
- inflow		—	8,308	6,663	1,645	—
- outflow		—	(13,514)	(11,107)	(2,407)	—
Foreign exchange forwards	7	172	—	—	—	—
- inflow		—	9,621	9,621	—	—
- outflow		—	(9,836)	(9,836)	—	—
		4,005	(5,421)	(4,659)	(762)	—
		1,204,041	(1,301,296)	(480,512)	(603,349)	(217,435)

				Cash flows		
	Note	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	Within 1 to 5 years \$'000	After 5 years \$'000
Trust						
2018						
Non-derivative financial liabilities						
JPY term loan facility	12	49,933	(50,753)	(4,711)	(46,042)	—
SGD term loan facilities	12	460,000	(504,815)	(11,719)	(493,096)	—
Intercompany loans	12	295,000	(345,469)	(9,948)	(257,819)	(77,702)
Trade and other payables	10	44,856	(47,711)	(24,374)	(15,222)	(8,115)
		849,789	(948,748)	(50,752)	(812,179)	(85,817)
Derivative financial liabilities						
Interest rate swaps	7	533	—	—	—	—
- inflow		—	6,959	1,789	5,170	—
- outflow		—	(10,211)	(2,616)	(7,595)	—
Foreign exchange forwards	7	5	—	—	—	—
- inflow		—	1,609	1,609	—	—
- outflow		—	(1,619)	(1,619)	—	—
		538	(3,262)	(837)	(2,425)	—
		850,327	(952,010)	(51,589)	(814,604)	(85,817)
2017						
Non-derivative financial liabilities						
JPY term loan facility	12	54,076	(55,513)	(466)	(55,047)	—
SGD term loan facilities	12	450,000	(459,778)	(258,658)	(201,120)	—
SGD revolving credit facilities	12	3,000	(3,004)	(3,004)	—	—
Intercompany loans	12	295,000	(355,417)	(9,948)	(136,319)	(209,150)
Trade and other payables	10	45,557	(48,422)	(26,654)	(14,285)	(7,483)
		847,633	(922,134)	(298,730)	(406,771)	(216,633)
Derivative financial liabilities						
Interest rate swaps	7	2,613	—	—	—	—
- inflow		—	3,281	2,805	476	—
- outflow		—	(6,873)	(5,936)	(937)	—
Foreign exchange forwards	7	135	—	—	—	—
- inflow		—	7,105	7,105	—	—
- outflow		—	(7,271)	(7,271)	—	—
		2,748	(3,758)	(3,297)	(461)	—
		850,381	(925,892)	(302,027)	(407,232)	(216,633)

The maturity analyses show the undiscounted cash flows of the Group and the Trust's financial liabilities on the basis of their contractual maturity.

13. Unitholders' funds

	Group		Trust	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Net assets attributable to unitholders ⁽¹⁾	2,034,854	2,051,817	1,915,431	1,939,961
Foreign currency translation reserve ⁽²⁾	(44,558)	(42,471)	—	—
	<u>1,990,296</u>	<u>2,009,346</u>	<u>1,915,431</u>	<u>1,939,961</u>

⁽¹⁾ Included in the net assets attributable to unitholders is approximately \$2.8 million (2017: \$2.8 million) retained to satisfy certain legal reserve requirements in China.

⁽²⁾ The foreign currency translation reserve comprises (i) the foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Trust; (ii) the transfer of translation differences arising from hedge accounting; and (iii) the foreign exchange differences on monetary items which form part of the Group's net investment in foreign operations.

14. Units in issue

	Group and Trust	
	2018	2017
	No. of units	No. of units
	'000	'000
At 1 July and 30 June	<u>2,181,204</u>	<u>2,181,204</u>

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

- Attend all unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 unitholders or of the unitholders representing not less than 10% of the issued units) at any time convene a meeting of unitholders in accordance with the provisions of the Trust Deed;
- Receive income and other distributions attributable to the units held; and
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a unitholder does not have the right to require that any assets (or part thereof) of the Trust be transferred to him.

The restrictions of a unitholder include the following:

- A unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A unitholder has no right to request the Trust to redeem his units while the units are listed on SGX-ST.

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

15. Gross revenue

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Property rental income	204,088	208,595	125,225	128,310
Turnover rental income	2,154	2,882	1,942	1,732
Other income	2,572	4,887	2,569	4,438
	<u>208,814</u>	<u>216,364</u>	<u>129,736</u>	<u>134,480</u>

16. Property operating expenses

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Maintenance and sinking fund contributions	7,018	7,043	6,926	6,926
Property management fees	5,581	5,778	3,873	4,060
Property tax	20,255	20,713	12,306	12,840
Depreciation expense	12	361	—	141
Leasing and upkeep expenses	10,929	11,959	1,767	1,820
Staff costs ⁽¹⁾	109	769	—	—
Marketing expenses	1,093	1,182	927	901
Impairment loss recognised on trade receivables	379	162	235	—
Administrative expenses	1,251	1,509	715	830
	<u>46,627</u>	<u>49,476</u>	<u>26,749</u>	<u>27,518</u>

⁽¹⁾ Represents staff costs of the Group's wholly-owned subsidiary, Chengdu Xin Hong Management Co., Ltd.

17. Dividend income from subsidiaries

Represents dividend income from certain subsidiaries (Note 6).

18. Management fees and performance fees

Management fees include Base Fee payable to the Manager, asset management fees payable to the asset manager of the Japan Properties and fees payable to the servicer of the Malaysia Properties, which is a wholly-owned subsidiary of the Manager. Base Fee paid/payable to the Manager for the year ended 30 June 2018 amounted to approximately \$15,167,000 (2017: \$15,256,000). Approximately \$69,000 (2017: \$94,000) and \$858,000 (2017: \$842,000) were paid/payable to the asset manager of the Japan Properties and servicer of the Malaysia Properties for the year ended 30 June 2018 respectively.

The Manager has elected to receive 100% of its base management fees in cash for the years ended 30 June 2018 and 30 June 2017.

No performance fee was earned by the Manager for the years ended 30 June 2018 and 30 June 2017. The performance of the Trust Index was approximately 72% and 33% below the Benchmark Index as at 30 June 2018 and 30 June 2017 respectively.

19. Trust expenses

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Auditor's remuneration	424	462	230	230
Trustee's fees	485	487	485	487
Others ⁽¹⁾	2,884	2,593	1,814	2,041
	<u>3,793</u>	<u>3,542</u>	<u>2,529</u>	<u>2,758</u>

⁽¹⁾ Included in other trust expenses are (i) non-audit fees paid/payable to the auditors of the Group of approximately \$150,000 (2017: \$193,000); and (ii) fees paid/payable to the valuers of the Group's investment properties of approximately \$168,000 (2017: \$184,000) for the year ended 30 June 2018.

20. Finance expenses

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Interest on borrowings	32,527	32,222	20,421	20,176
Interest on derivatives (net)	3,095	4,476	1,948	3,368
Amortisation of borrowing costs	2,637	2,232	1,854	1,512
	<u>38,259</u>	<u>38,930</u>	<u>24,223</u>	<u>25,056</u>

21. Income tax

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Current tax				
Current year ⁽¹⁾	3,952	1,797	907	405
Deferred tax				
Reversal of temporary differences	(506)	(3,065)	—	—
	<u>3,446</u>	<u>(1,268)</u>	<u>907</u>	<u>405</u>
<i>Reconciliation of effective tax rate</i>				
Total return before tax and distribution	<u>87,690</u>	<u>98,986</u>	<u>77,584</u>	<u>81,583</u>
Income tax using Singapore tax rate of 17% (2017: 17%)	14,907	16,828	13,189	13,869
Net effect of different tax rates in other countries	821	(420)	—	—
Withholding tax	3,956	1,915	907	405
Income not subject to tax	(8,122)	(7,797)	(2,239)	(2,999)
Non-deductible items	5,559	2,736	2,725	3,660
Tax transparency	<u>(13,675)</u>	<u>(14,530)</u>	<u>(13,675)</u>	<u>(14,530)</u>
	<u>3,446</u>	<u>(1,268)</u>	<u>907</u>	<u>405</u>

⁽¹⁾ Included a reversal of prior period tax provision of approximately \$0.1 million for the year ended 30 June 2017.

22. Earnings per unit

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Earnings attributable to unitholders	<u>84,244</u>	<u>100,254</u>	<u>76,677</u>	<u>81,178</u>
Basic earnings per unit (cents) ⁽¹⁾	<u>3.86</u>	<u>4.60</u>	<u>3.52</u>	<u>3.72</u>
Earnings per unit on a fully diluted basis (cents) ⁽¹⁾	<u>3.86</u>	<u>4.60</u>	<u>3.52</u>	<u>3.72</u>

⁽¹⁾ In computing the basic and diluted earnings per unit, the earnings attributable to unitholders and the weighted average number of units in issue of 2,181,204,435 (2017: 2,181,204,435) as at 30 June 2018 are used and have been calculated on a time-weighted basis.

23. Operating segments

Segment information is presented in respect of the Group's portfolio of investment properties. The investment properties are managed separately because they require different operating and marketing strategies. This primary format is based on the Group's internal reporting structure for the purpose of allocating resources and assessing performance by the senior management of the Manager, which is the Group's Chief Operating Decision Maker ("CODM") on a regular basis. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

All of the Group's reportable segments are investment properties located in Singapore, Adelaide and Perth-Australia, Kuala Lumpur-Malaysia, and others (consisting of China Property in Chengdu and two (2017: three) properties in Tokyo, Japan). The segments are as follows:

- Wisma Atria Property
- Ngee Ann City Property
- Australia Properties
- Malaysia Properties
- Other Properties

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income, non-property expenses, finance expenses and income tax expense.

Performance is measured based on the net property income of each operating segment, which is the gross revenue less property operating expenses, as included in the internal management reports that are reviewed by the Group's CODM. Segment net property income is used to measure performance as such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. There are no transactions between reportable segments.

Segment assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly cash and cash equivalents, derivative financial instruments, borrowings, income tax payable and deferred tax liabilities. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Information regarding the Group's reportable segments is presented in the tables below.

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	Wisma Atria Property (Singapore)		Ngee Ann City Property (Singapore)		Australia Properties (Australia)		Malaysia Properties (Malaysia)		Other Properties (China/Japan)		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000	S'000
Group												
Revenue and expenses												
External revenue	65,845	68,671	63,891	65,809	46,382	49,130	27,867	27,340	4,829	5,414	208,814	216,364
Depreciation of plant and equipment	-	141	-	-	-	-	-	-	12	220	12	361
Reportable segment net property income	51,026	52,931	51,961	54,031	28,658	31,547	26,938	26,448	3,604	1,931	162,187	166,888
Other material non-cash items:												
Change in fair value of investment properties	(666)	(1,286)	(830)	4,779	(7,130)	1,392	(13,339)	(8,943)	(704)	(12,263)	(22,669)	(16,321)
Unallocated items:												
Finance income											900	1,089
Fair value adjustment on security deposits											(330)	(20)
Non-property expenses											(18,740)	(18,964)
Finance expenses											(38,259)	(38,930)
Change in fair value of derivative instruments											4,467	1,425
Foreign exchange gain											134	3,819
Total return for the year before tax											87,690	98,986
Income tax											(3,446)	1,268
Total return for the year											84,244	100,254

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Group	Wisma Atria Property (Singapore)		Ngee Ann City Property (Singapore)		Australia Properties (Australia)		Malaysia Properties (Malaysia)		Other Properties (China/Japan)		Total
	2018 S'000	2017 S'000	2018 S'000	2017 S'000	2018 S'000	2017 S'000	2018 S'000	2017 S'000	2018 S'000	2017 S'000	
Assets and liabilities											
Reportable segment assets	997,895	998,117	1,150,443	1,150,482	519,246	544,010	367,702	358,122	87,272	91,951	3,122,558
Unallocated assets											3,142,682
Total assets											<u>68,951</u> 3,191,509
Reportable segment liabilities	(18,154)	(19,895)	(19,248)	(18,002)	(6,116)	(7,784)	(5,376)	(4,439)	(4,744)	(5,382)	(53,638)
Unallocated liabilities											(1,147,575)
Total liabilities											<u>(1,201,213)</u> (1,154,596)
Other segmental information											
Capital expenditure	612	644	260	–	8,950	4,204	3,871	4,170	9	53	13,702
Non-current assets	997,000	997,000	1,150,000	1,150,000	516,898	540,101	367,385	357,469	87,097	91,804	3,118,380
											<u>3,136,374</u>

Geographical segments

The Group's operations and its identifiable assets are located in Singapore (consisting of Wisma Atria Property and Ngee Ann City Property), Adelaide and Perth-Australia (consisting of Myer Centre Adelaide, David Jones Building and Plaza Arcade), Kuala Lumpur-Malaysia (consisting of Starhill Gallery and Lot 10 Property), and others (consisting of the China Property in Chengdu and two (2017: three) properties in Tokyo, Japan). Accordingly, no geographical segmental analysis is separately presented.

Major tenants

The four largest tenants located at Ngee Ann City Property, Malaysia Properties (including some office leases at Singapore Properties), Myer Centre Adelaide and David Jones Building accounted for approximately 21.6%, 15.1%, 7.0% and 4.8% of the Group's gross rent as at 30 June 2018 respectively.

24. Capital and financial risk management

Capital management

The Group's objective when managing capital is to be prudent and optimise unitholders' return through a mix of available capital sources. The Group monitors capital on the basis of both the gearing ratio and interest service coverage ratio and maintains them within the approved limits. The Group assesses its capital management approach as a key part of the Group's overall strategy, and this is continuously reviewed by the Manager. The Group's gearing as at 30 June 2018 is 35.5% (2017: 35.3%) and the interest service coverage ratio for the year ended 30 June 2018 is 4.1 times (2017: 4.2 times).

The Trust has a corporate rating of BBB+ from Standard and Poor's as at 30 June 2018 and remained within the aggregate leverage limit of 45.0% stipulated by the Property Fund Appendix during the current year.

There were no changes in the Group's approach to capital management during the current year.

Financial risk management

Overview

The Group's returns are primarily from net operating income and capital appreciation of its assets. However, these returns are exposed to financial risks including credit, liquidity, interest rate and foreign currency risks. Where appropriate, the Manager may hedge against the volatility of interest costs, foreign currency net income and foreign currency investments.

The Group has a system of controls in place to create an acceptable balance between the cost of the financial risks occurring and the cost of managing these risks. The Manager continuously monitors the Group's financial risk management process to ensure that an appropriate balance between risk and control is achieved. Financial risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The financial risk management policies contain the parameters and processes for managing these risks, and define the roles and responsibilities of those who manage the process. The policies are described in greater detail below.

Credit risk

Credit risk is the potential financial loss resulting from the failure of a tenant or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Exposure to credit risk

The carrying amount of financial assets represents the Group's and the Trust's respective maximum exposure to credit risk, before taking into account any collateral held. The maximum exposure to credit risk by type of financial assets at the reporting date was:

		Group		Trust	
	Note	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Derivative financial instruments	7	2,208	126	2,206	104
Trade and other receivables	8	3,518	5,629	2,645	1,794
Cash and cash equivalents	9	66,730	76,603	20,420	30,493
		<u>72,456</u>	<u>82,358</u>	<u>25,271</u>	<u>32,391</u>

The Group has established credit procedures for its tenants, obtains security deposits and/or bank guarantees (where applicable), and monitors their balances on an ongoing basis. Where applicable, credit evaluations are performed by the Group before lease agreements are entered into with tenants.

The tenant profile of the Group is generally well-diversified, except for four (2017: four) largest tenants (Note 23), which accounted for approximately 48.5% (2017: 46.1%) of the Group's gross rent as at 30 June 2018.

Cash and fixed deposits are placed with financial institutions which are regulated and have sound credit ratings. Given these sound credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance its operations and to mitigate the effects of fluctuations in cash flows. The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations. As at 30 June 2018, the Group has undrawn and committed long-term revolving credit facilities of up to \$190 million (2017: \$200 million) and cash and cash equivalents of approximately \$66.7 million (2017: \$76.6 million).

In addition, the Group also monitors and observes the Property Fund Appendix issued by MAS concerning limits on total borrowings.

Foreign currency risk

The Group is exposed to foreign currency risk arising from its investments in Australia, Malaysia, China and Japan. The income generated from these investments and net assets are denominated in foreign currencies, mainly Australian Dollar ("A\$"), Ringgit Malaysia ("RM"), Chinese Renminbi ("RMB") and Japanese Yen ("JPY").

The Group's exposures to various foreign currencies (expressed in Singapore dollar equivalent), which relate primarily to its net foreign currency investments as at balance sheet date are as follows:

	A\$ \$'000	RM \$'000	RMB \$'000	JPY \$'000	Total \$'000
Group					
2018					
Net balance sheet exposure	323,478	259,215	29,646	13,347	625,686

2017					
Net balance sheet exposure	343,724	258,787	30,006	8,702	641,219

The Trust's exposures to various foreign currencies (expressed in Singapore dollar equivalent), which relate primarily to its financial instruments as at balance sheet date are as follows:

	A\$ \$'000	RM \$'000	RMB \$'000	JPY \$'000	Total \$'000
Trust					
2018					
Net balance sheet exposure	1,602	—	—	(41,719)	(40,117)

2017					
Net balance sheet exposure	14,613	—	—	(52,209)	(37,596)

Income hedging

Approximately 62% (2017: 62%) of the Group's revenue is derived in Singapore dollars for the year ended 30 June 2018. The Group has used a combination of local currency denominated loans and short-term foreign exchange forward contracts to partially hedge its overseas net income.

The Group continues to proactively monitor the exchange rates and may use more foreign exchange forward contracts or other suitable financial derivatives to hedge the impact of exchange rate fluctuations on the distributions to unitholders, where appropriate.

Capital hedging

In managing the currency risks associated with the capital values of the Group's overseas assets, borrowings are denominated in the same currency as the underlying assets to the extent feasible, to provide a natural currency hedge. As the investments in overseas assets are generally long-term in nature, the remaining net positions of the foreign exchange risk on such investments are not hedged.

Hedge of a net investment in Japan

As at 30 June 2018, the Group's investment in its Japan subsidiary is hedged by a JPY-denominated unsecured bank loan with a carrying amount of JPY4.05 billion (\$49.9 million) which mitigates the currency risk arising from the subsidiary's net assets. The loan is designated as a net investment hedge.

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase/(decrease) unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group S'000	Trust S'000
2018		
A\$	(32,348)	(160)
RM	(25,922)	—
RMB	(2,964)	—
JPY	(1,335)	4,172
Financial derivatives		
- A\$	466	466
- RM	507	—
2017		
A\$	(34,372)	(1,461)
RM	(25,879)	—
RMB	(3,001)	—
JPY	(870)	5,221
Financial derivatives		
- A\$	1,225	1,225
- RM	609	—

A 10% weakening of the Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

In order to protect the Group's earnings from the volatility in interest rates and provide stability to unitholders' returns, the Group may hedge a portion of its interest rate exposure within the short to medium term by using fixed rate debt and interest rate derivatives.

The Group has hedged approximately 96% (2017: 99%) of its debt as at 30 June 2018 using a combination of derivative financial instruments and fixed rate debt. The weighted average interest rate was approximately 3.13% (2017: 3.16%) per annum as at 30 June 2018.

As at 30 June 2018, the Group has largely hedged its exposure to changes in interest rates on its variable rate borrowings by entering into the following contracts:

- (i) Interest rate swaps, with a notional contract amount of \$625 million (2017: \$375 million) and A\$208 million (2017: A\$208 million), whereby it receives a variable rate equal to the Singapore swap offer rate and Australia bank bill swap bid rate on the notional amount and pays a fixed interest rate ranging from 1.23% to 2.41% (2017: 1.23% to 2.43%) per annum.
- (ii) Interest rate caps, with a notional contract amount of JPY6.3 billion and A\$63 million (2017: JPY6.3 billion, A\$63 million and \$100 million), whereby the benchmark interest rates are capped ranging from 1.0% to 5.5% (2017: 1.0% to 5.5%) per annum.

Sensitivity analysis

A change of 1% in interest rate at the reporting date would increase/(decrease) total return by the amounts shown below, arising mainly as a result of lower/higher interest expense on variable rate borrowings that are not hedged by interest rate swaps and caps, and changes in fair value of the interest rate derivatives. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Total return	
	1% increase	1% decrease
	\$'000	\$'000
Group		
2018		
Variable rate instruments	(890)	356
Financial derivatives	18,197	(17,655)
	<u>17,307</u>	<u>(17,299)</u>
2017		
Variable rate instruments	(1,234)	596
Financial derivatives	6,602	(5,744)
	<u>5,368</u>	<u>(5,148)</u>
Trust		
2018		
Variable rate instruments	(806)	350
Financial derivatives	13,149	(12,621)
	<u>12,343</u>	<u>(12,271)</u>
2017		
Variable rate instruments	(1,136)	590
Financial derivatives	4,347	(3,437)
	<u>3,211</u>	<u>(2,847)</u>

Measurement of fair values

Financial derivatives

The fair values of financial derivatives are estimated based on banks' quotes. These quotes are largely tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market rates for a similar instrument at the measurement date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. Other non-derivative financial liabilities include interest-bearing borrowings and trade and other payables.

Fair value hierarchy

The different levels of the fair value hierarchy have been defined as follows:

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

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are presented in the table below. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

Group	Note	Carrying amount			Fair value		
		Designated at fair value S'000	Loans and receivables S'000	Other financial liabilities S'000	Level 1 S'000	Level 2 S'000	Level 3 S'000
2018							
Financial assets measured at fair value							
Derivative financial instruments	7	2,208	—	—	—	2,208	—
Financial assets not measured at fair value							
Trade and other receivables	8	—	3,518	—	—	—	—
Cash and cash equivalents	9	—	66,730	—	—	—	—
		—	70,248	—	—	—	—
Financial liabilities measured at fair value							
Derivative financial instruments	7	(1,441)	—	—	—	(1,441)	—
Financial liabilities not measured at fair value							
Trade and other payables ⁽¹⁾	10	—	—	(29,248)	—	—	—
Security deposits	10	—	—	(31,330)	—	(31,693)	—
Variable rate borrowings (excluding medium term notes)	12	—	—	(724,620)	—	(724,620)	—
Medium term notes	12	—	—	(405,709)	—	(406,000)	—
		—	—	(1,190,907)	—	—	—

⁽¹⁾ Excluding security deposits and deferred income.

Group	Note	Carrying amount			Fair value		
		Designated at fair value S'000	Loans and receivables S'000	Other financial liabilities S'000	Level 1 S'000	Level 2 S'000	Level 3 S'000
2017							
Financial assets measured at fair value							
Derivative financial instruments	7	126	-	-	-	126	-
Financial assets not measured at fair value							
Trade and other receivables	8	-	5,629	-	-	-	-
Cash and cash equivalents	9	-	76,603	-	-	-	-
		-	82,232	-			
Financial liabilities measured at fair value							
Derivative financial instruments	7	(4,005)	-	-	-	(4,005)	-
Financial liabilities not measured at fair value							
Trade and other payables ⁽¹⁾	10	-	-	(31,162)	-	-	-
Security deposits	10	-	-	(31,352)	-	(31,575)	-
Variable rate borrowings (excluding medium term notes)	12	-	-	(734,700)	-	(734,700)	-
Medium term notes	12	-	-	(399,578)	-	(409,749)	-
		-	-	(1,196,792)			

⁽¹⁾ Excluding security deposits and deferred income.

⁽¹⁾ Excluding security deposits and deferred income.

	Note	Carrying amount			Fair value		
		Designated at fair value S'000	Loans and receivables S'000	Other financial liabilities S'000	Level 1 S'000	Level 2 S'000	Level 3 S'000
Trust							
2018							
Financial assets measured at fair value							
Derivative financial instruments	7	2,206	-	-	-	2,206	-
Financial assets not measured at fair value							
Trade and other receivables	8	-	2,645	-	-	-	-
Cash and cash equivalents	9	-	20,420	-	-	-	-
		-	23,065	-			
Financial liabilities measured at fair value							
Derivative financial instruments	7	(538)	-	-	-	(538)	-
Financial liabilities not measured at fair value							
Trade and other payables ⁽¹⁾	10	-	-	(20,098)	-	-	-
Security deposits	10	-	-	(24,473)	-	(24,645)	-
Variable rate borrowings (excluding medium term notes)	12	-	-	(507,335)	-	(507,335)	-
Medium term notes	12	-	-	(294,619)	-	(292,732)	-
		-	-	(846,525)			

⁽¹⁾ Excluding security deposits and deferred income.

	Note	Carrying amount			Fair value		
		Designated at fair value S'000	Loans and receivables S'000	Other financial liabilities S'000	Level 1 S'000	Level 2 S'000	Level 3 S'000
Trust							
2017							
Financial assets measured at fair value							
Derivative financial instruments	7	104	-	-	-	104	-
Financial assets not measured at fair value							
Trade and other receivables	8	-	1,794	-	-	-	-
Cash and cash equivalents	9	-	30,493	-	-	-	-
		-	32,287	-			
Financial liabilities measured at fair value							
Derivative financial instruments	7	(2,748)	-	-	-	(2,748)	-
Financial liabilities not measured at fair value							
Trade and other payables ⁽¹⁾	10	-	-	(20,449)	-	-	-
Security deposits	10	-	-	(24,778)	-	(24,858)	-
Variable rate borrowings (excluding medium term notes)	12	-	-	(505,768)	-	(505,768)	-
Medium term notes	12	-	-	(294,525)	-	(301,997)	-
		-	-	(845,520)			

⁽¹⁾ Excluding security deposits and deferred income.

25. Operating leases

The Group leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Within one year	185,833	187,821	121,215	122,705
Between one and five years	402,079	417,156	290,946	271,155
More than five years	266,794	343,997	87,719	133,981
	<u>854,706</u>	<u>948,974</u>	<u>499,880</u>	<u>527,841</u>

26. Capital commitments

Capital commitments (contracted but not provided) as at 30 June 2018 of approximately \$4.3 million relates mainly to capital expenditure, professional fees and asset redevelopment works in relation to the Group's investment properties (2017: \$12.5 million mainly for asset redevelopment works on Plaza Arcade and Lot 10 Property).

27. Related parties

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

Other than related party information shown elsewhere in the financial statements, the following were significant related party transactions carried out in the normal course of business:

	Group		Trust	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Property rental income from the Manager and Property Manager	1,017	1,058	1,017	1,058
Property rental income from related parties of the Manager	29,045	28,545	1,178	1,205
Leasing commission fees paid to the Property Manager	(663)	(863)	(663)	(863)
Property management fees paid to the Property Manager	(3,873)	(4,060)	(3,873)	(4,060)

	Group		Trust	
	2018	2017	2018	2017
	S'000	S'000	S'000	S'000
Management fees paid to the Manager	(15,167)	(15,256)	(15,167)	(15,256)
Divestment fee paid to the Manager	(32)	(25)	(32)	(25)
Trustee fees paid to the Trustee	(485)	(487)	(485)	(487)
Reimbursements paid to the Property Manager	(665)	(809)	(665)	(809)
Asset redevelopment fees paid to related party of the Manager ⁽¹⁾	(3,556)	(3,013)	—	—
Servicer fees paid to a wholly-owned subsidiary of the Manager	(858)	(842)	—	—

⁽¹⁾ Comprises fees paid/payable to related party of the Manager for acting as turnkey contractor to carry out the asset redevelopment works at Lot 10 Property.

28. Subsequent events

Subsequent to the year ended 30 June 2018:

- (a) In July 2018, the Group has prepaid JPY350 million loan using the net proceeds from the divestment of Nakameguro Place in May 2018.
- (b) In July 2018, the Group has refinanced its A\$63 million secured loan for five years with the same bank ahead of its maturity in June 2019.
- (c) The Manager declared a distribution of 1.09 cents per unit in respect of the period from 1 April 2018 to 30 June 2018, which was paid on 29 August 2018.

29. Financial ratios

	Group	
	2018	2017
	%	%
Ratio of expenses to weighted average net assets ⁽¹⁾	0.99	0.98
Portfolio turnover rate ⁽²⁾	0.32	0.25

⁽¹⁾ The ratio is computed in accordance with guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group and exclude property related expenses, finance expenses and the performance component of the Manager's fees.

⁽²⁾ The ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value.

30. New accounting standards, interpretations and amendments not yet adopted

A number of new standards, amendments to standards and interpretations that have been issued as of the balance sheet date but are not yet effective for the year ended 30 June 2018 have not been applied in preparing these financial statements.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers*, FRS 109 *Financial Instruments* and FRS 116 *Leases*. FRS 115 and FRS 109 which are effective for the Group on 1 July 2018, and FRS 116 on 1 July 2019.

Applicable to 2019 financial statements

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue - Barter Transactions Involving Advertising Services*.

The Group plans to adopt the standard for the year ending 30 June 2019, and does not expect the impact on the financial statements from the adoption of this standard to be significant.

FRS 109 *Financial Instruments*

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

FRS 109 replaces the current “incurred loss” model with a forward-looking expected credit loss (“ECL”) model in relation to impairment of financial assets measured at amortised cost or fair value through other comprehensive income, except for investments in equity instruments.

The Group plans to adopt the simplified approach under FRS 109 for the year ending 30 June 2019 by applying lifetime ECL measurement in relation to the impairment of its loans and receivables, and does not expect the impact on the financial statements from the adoption of this standard to be significant.

Applicable to 2020 financial statements

FRS 116 *Leases*

FRS 116 eliminates the lessee’s classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17 and related interpretations.

The Group is currently assessing the potential impact of adopting this standard and plans to adopt this for the year ending 30 June 2020.

APPENDIX IV
AUDITED FINANCIAL STATEMENTS OF STARHILL GLOBAL REIT AND
ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 30 JUNE 2019

The information in this Appendix IV has been extracted and reproduced from the audited financial statements of Starhill Global REIT and its Subsidiaries for the financial year ended 30 June 2019 and has not been specifically prepared for inclusion in this Information Memorandum.



**Starhill Global Real Estate Investment Trust
and its Subsidiaries
(Constituted in the Republic of Singapore pursuant to a trust
deed dated 8 August 2005 (as amended))**

**Financial Statements
Year ended 30 June 2019**

KPMG LLP (Registration No. T06LL1267L), an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A) and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Report of the Trustee

HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”) is under a duty to take into custody and hold the assets of Starhill Global Real Estate Investment Trust (the “Trust”) and its subsidiaries (the “Group”) in trust for the unitholders. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of YTL Starhill Global REIT Management Limited (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 8 August 2005, as supplemented by a first supplemental deed dated 20 April 2006, an amended and restated deed dated 8 August 2007, a second amended and restated deed dated 10 December 2007, a second supplemental deed dated 22 April 2010, a third supplemental deed dated 7 June 2010, a fourth supplemental deed dated 17 March 2014, a third amending and restating deed dated 4 August 2016 and a fifth supplemental deed dated 27 October 2017 (the “Trust Deed”) between the Manager and the Trustee in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the year ended 30 June 2019 covered by these financial statements, set out on pages FS1 to FS60 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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



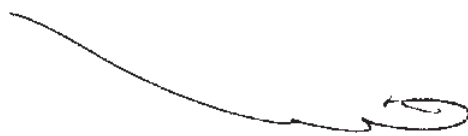
Authorised Signatory

Singapore
29 August 2019

Statement by the Manager

In the opinion of the directors of YTL Starhill Global REIT Management Limited (the “Manager”), the accompanying financial statements set out on pages FS1 to FS60, comprising the balance sheets, statements of total return, distribution statements and statements of movements in unitholders’ funds of the Group and of the Trust, the investment properties portfolio statement and cash flow statement of the Group and a summary of significant accounting policies and other explanatory information, are drawn up so as to give a true and fair view of the financial position of Starhill Global Real Estate Investment Trust (the “Trust”) and its subsidiaries (the “Group”) as at 30 June 2019, the total return, distributable income and movements in unitholders’ funds of the Group and the Trust, and the cash flows of the Group for the year ended 30 June 2019 in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 “Reporting Framework for Unit Trusts”* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet its financial obligations as and when they materialise.

For and on behalf of the Manager,
YTL Starhill Global REIT Management Limited



Ho Sing
Director

Singapore
29 August 2019



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Independent auditors' report

Unitholders of Starhill Global Real Estate Investment Trust
(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 8 August 2005
(as amended))

Report on the financial statements

Opinion

We have audited the financial statements of Starhill Global Real Estate Investment Trust (the "Trust") and its subsidiaries (collectively, the "Group"), which comprise the balance sheet and investment properties portfolio statement of the Group and the balance sheet of the Trust as at 30 June 2019, and the statements of total return, distribution statements, statements of movements in unitholders' funds of the Group and the Trust, and the cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages FS1 to FS60.

In our opinion, the accompanying consolidated financial statements of the Group and the financial statements of the Trust present fairly, in all material respects, the financial position and portfolio holdings of the Group and financial position of the Trust as at 30 June 2019, and the total return, distributable income and movements in unitholders' funds of the Group and the Trust, and the cash flows of the Group for the year ended on that date in accordance with the recommendations of *Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of investment properties (Refer to Note 4 to the financial statements)

Risk:

As at 30 June 2019, the Group's investment properties portfolio comprises 10 properties which amounted to \$3,065 million (2018: \$3,118 million) representing 98% (2018: 98%) of the Group's total assets.

The fair values of the investment properties were determined by external valuers using valuation techniques such as the capitalisation approach and/or discounted cash flow method.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the capitalisation and discount rates i.e. a small change in the assumptions may have a significant impact to the valuation.

Our response:

We assessed the Group's processes for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers. We also assessed the competency, capability and objectivity of these valuers.

We considered the valuation methodologies used against those applied by other valuers for similar property type. We held discussions with the valuers and challenged the key assumptions applied, including capitalisation and discount rates, by comparing them to market comparables, historical data and available industry data.

Our findings:

The Group has a process for appointing and instructing valuers, and in reviewing, challenging and accepting their valuations. The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out their work.

The valuation methodologies used are comparable to methods used in the prior year and those used for similar property types. The key assumptions applied are comparable to the historical trends and within the range of available market comparables.



Other information

YTL Starhill Global REIT Management Limited, the Manager of the Trust ("the Manager"), is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report. We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit 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 Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Eng Chin Chin.

KPMG LLP

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
29 August 2019

Balance sheets
As at 30 June 2019

		Group		Trust	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Investment properties	4	3,064,861	3,118,338	2,116,000	2,147,000
Plant and equipment	5	26	42	–	–
Interests in subsidiaries	6	–	–	576,915	590,224
Derivative financial instruments	7	–	1,964	–	1,964
		<u>3,064,887</u>	<u>3,120,344</u>	<u>2,692,915</u>	<u>2,739,188</u>
Current assets					
Derivative financial instruments	7	302	244	302	242
Trade and other receivables	8	3,846	4,191	4,871	2,929
Cash and cash equivalents	9	72,946	66,730	11,517	20,420
		<u>77,094</u>	<u>71,165</u>	<u>16,690</u>	<u>23,591</u>
Total assets		<u>3,141,981</u>	<u>3,191,509</u>	<u>2,709,605</u>	<u>2,762,779</u>
Non-current liabilities					
Trade and other payables	10	26,581	22,460	20,467	20,549
Derivative financial instruments	7	11,432	1,242	4,685	453
Deferred tax liabilities	11	6,168	6,336	–	–
Borrowings	12	1,004,271	1,066,931	799,037	801,954
		<u>1,048,452</u>	<u>1,096,969</u>	<u>824,189</u>	<u>822,956</u>
Current liabilities					
Trade and other payables	10	32,491	38,633	23,811	24,307
Derivative financial instruments	7	–	199	–	85
Income tax payable		3,180	2,014	–	–
Borrowings	12	127,837	63,398	20,000	–
		<u>163,508</u>	<u>104,244</u>	<u>43,811</u>	<u>24,392</u>
Total liabilities		<u>1,211,960</u>	<u>1,201,213</u>	<u>868,000</u>	<u>847,348</u>
Net assets		<u>1,930,021</u>	<u>1,990,296</u>	<u>1,841,605</u>	<u>1,915,431</u>
Represented by:					
Unitholders' funds	13	<u>1,930,021</u>	<u>1,990,296</u>	<u>1,841,605</u>	<u>1,915,431</u>
Units in issue ('000)	14	<u>2,181,204</u>	<u>2,181,204</u>	<u>2,181,204</u>	<u>2,181,204</u>
Net asset value per unit (\$)					
based on:					
- Units issued at the end of the year		<u>0.88</u>	<u>0.91</u>	<u>0.84</u>	<u>0.88</u>

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

Statements of total return
Year ended 30 June 2019

		Group		Trust	
	Note	2019	2018	2019	2018
		\$'000	\$'000	\$'000	\$'000
Gross revenue	15	206,190	208,814	127,148	129,736
Property operating expenses	16	(46,784)	(46,627)	(26,868)	(26,749)
Net property income		159,406	162,187	100,280	102,987
Interest income from fixed deposits and bank balances		956	900	106	151
Interest income from subsidiaries		—	—	5,677	6,022
Dividend income from subsidiaries	17	—	—	6,980	17,557
Management fees	18	(15,846)	(16,094)	(14,936)	(15,167)
Performance fees	18	—	—	—	—
Trust expenses	19	(4,684)	(4,123)	(3,469)	(2,540)
Finance expenses	20	(38,697)	(38,259)	(25,284)	(24,223)
		101,135	104,611	69,354	84,787
Change in fair value of derivative instruments		(11,932)	4,467	(6,032)	4,194
Foreign exchange gain/(loss)		178	134	(5,755)	(8,501)
Change in fair value of investment properties	4	(20,315)	(22,669)	(32,041)	(1,496)
Gain on divestment of investment property ⁽¹⁾		—	1,147	—	—
Impairment loss on investment in subsidiaries	6	—	—	(1,000)	(1,400)
Total return for the year before tax and distribution		69,066	87,690	24,526	77,584
Income tax	21	(3,479)	(3,446)	(852)	(907)
Total return for the year after tax, before distribution		65,587	84,244	23,674	76,677
Non-tax deductible items and other adjustments		35,732	18,892	77,645	26,459
Income available for distribution		101,319	103,136	101,319	103,136
Earnings per unit (cents)					
Basic	22	3.01	3.86	1.09	3.52
Diluted	22	3.01	3.86	1.09	3.52

Note:

- ⁽¹⁾ Represents the difference between the net proceeds (including directly attributable costs) from divestment and the carrying amount of Nakameguro Place in May 2018.

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

Distribution statements
Year ended 30 June 2019

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Income available for distribution at the beginning of the year	51,414	49,485	51,414	49,485
Total return after tax, before distribution	65,587	84,244	23,674	76,677
Net tax and other adjustments (Note A below)	35,732	18,892	77,645	26,459
Income available for distribution	152,733	152,621	152,733	152,621
Distributions during the year:				
Unitholders				
Distribution of 1.09 cents (2017: 1.18 cents) per unit for the period 1 April to 30 June 2018	(23,775)	(25,738)	(23,775)	(25,738)
Distribution of 1.15 cents (2017: 1.20 cents) per unit for the period 1 July to 30 September 2018	(25,084)	(26,174)	(25,084)	(26,174)
Distribution of 1.13 cents (2017: 1.17 cents) per unit for the period 1 October to 31 December 2018	(24,648)	(25,520)	(24,648)	(25,520)
Distribution of 1.10 cents (2018: 1.09 cents) per unit for the period 1 January to 31 March 2019	(23,993)	(23,775)	(23,993)	(23,775)
	(97,500)	(101,207)	(97,500)	(101,207)
Income available for distribution at the end of the year	55,233	51,414	55,233	51,414

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

Distribution statements (continued)
Year ended 30 June 2019

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Number of units at end of the year ('000)	2,181,204	2,181,204	2,181,204	2,181,204
Distribution per unit for the year (cents)	4.48	4.55	4.48	4.55
<i>Note A – Net tax and other adjustments</i>				
Non-tax deductible/(chargeable) items and other adjustments:				
- Finance costs	582	1,304	848	1,857
- Sinking fund contribution	1,678	1,808	1,678	1,808
- Change in fair value of derivative instruments	12,189	(4,467)	6,254	(4,194)
- Change in fair value of investment properties	20,315	22,669	32,041	1,496
- Deferred tax	108	(506)	–	–
- Impairment loss on investment in subsidiaries	–	–	1,000	1,400
- Foreign exchange loss/(gain)	72	(319)	5,915	8,336
- Other items	788	(1,597)	3,681	2,037
- Net overseas income not distributed to the Trust, net of amount received	–	–	26,228	13,719
Net tax and other adjustments	35,732	18,892	77,645	26,459

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

Statements of movements in unitholders' funds
Year ended 30 June 2019

	Group		Trust	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Unitholders' funds at the beginning of the year	1,990,296	2,009,346	1,915,431	1,939,961
Operations				
Change in unitholders' funds resulting from operations, before distributions	65,587	84,244	23,674	76,677
Increase in unitholders' funds resulting from operations	65,587	84,244	23,674	76,677
Foreign currency translation reserve				
Translation differences from financial statements of foreign entities	(24,594)	2,002	—	—
Transfer of translation differences from total return arising from hedge accounting ⁽¹⁾	(877)	(158)	—	—
Exchange differences on monetary items forming part of net investment in foreign operations	(2,891)	(3,931)	—	—
Net loss recognised directly in unitholders' funds	(28,362)	(2,087)	—	—
Unitholders' transactions				
Distributions to unitholders	(97,500)	(101,207)	(97,500)	(101,207)
Decrease in unitholders' funds resulting from unitholders' transactions	(97,500)	(101,207)	(97,500)	(101,207)
Unitholders' funds at the end of the year	1,930,021	1,990,296	1,841,605	1,915,431

Note:

- ⁽¹⁾ The Group designated its JPY loan as a net investment hedge for its Japan operations. Correspondingly, the foreign currency differences on the JPY loan was reclassified to the Group's foreign currency translation reserve, offsetting the translation differences arising from the Group's Japan operations.

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

**Investment properties portfolio statement
As at 30 June 2019**

Description of property	Tenure	Term of lease	Remaining term of lease	Location	Existing use	Occupancy rate ⁽¹⁾ 2019 %	At valuation 2019 \$'000	2018 \$'000	Percentage of total net assets 2019 %	2018 %
Group										
Wisma Atria Property	Leasehold	Leasehold estate of 99 years expiring on 31 March 2061	42 years	435 Orchard Road, Singapore 238877	Retail/Office	99.6/89.3	978,000 ⁽²⁾	997,000	50.7	50.1
Ngee Ann City Property	Leasehold	Leasehold estate of 69 years expiring on 31 March 2072	53 years	391/391B Orchard Road, Singapore 238874	Retail/Office	99.3/95.9	1,138,000 ⁽²⁾	1,150,000	59.0	57.8
Myer Centre Adelaide ⁽¹⁾	Freehold	—	—	14-38 Rundle Mall, Adelaide, Australia	Retail/Office	93.6/75.2	284,625 ⁽⁶⁾	296,234	14.7	14.9
David Jones Building ⁽¹⁾	Freehold	—	—	622-648 Hay Street Mall, Perth, Australia	Retail	98.9	158,441 ⁽⁷⁾	166,254	8.2	8.4
Plaza Arcade ⁽¹⁾	Freehold	—	—	650 Hay Street Mall and 185-191 Murray Street Mall, Perth, Australia	Retail	86.9	46,679 ⁽⁷⁾	54,410	2.4	2.7
Starhill Gallery ⁽²⁾	Freehold	—	—	181 Jalan Bukit Bintang, 55100 Kuala Lumpur, Malaysia	Retail/Office	100.0	217,455 ⁽⁸⁾	221,154	11.3	11.1
Lot 10 Property ⁽²⁾	Leasehold	Leasehold estate of 99 years expiring on 29 July 2076	57 years	50 Jalan Sultan Ismail, 50250 Kuala Lumpur, Malaysia	Retail/Office	100.0	153,363 ⁽⁸⁾	146,231	7.9	7.3
China Property ⁽³⁾	Leasehold	Leasehold estate expiring on 27 December 2035	16 years	19, 4 th Section, Remmian Road, Chengdu, Sichuan, China	Retail	100.0	28,358 ⁽⁹⁾	29,848	1.5	1.5
Ebisu Fort ⁽⁴⁾	Freehold	—	—	1-24-2 Ebisu-Minami, Shibuya-ku, Tokyo, Japan	Retail/Office	100.0	43,981 ⁽¹⁰⁾	41,919	2.3	2.1
Daikanyama ⁽⁴⁾	Freehold	—	—	1-31-12 Ebisu-Nishi, Shibuya-ku, Tokyo, Japan	Retail/Office	100.0	15,959 ⁽¹⁰⁾	15,288	0.8	0.8
Investment properties at valuation							3,064,861	3,118,338	158.8	156.7
Other assets and liabilities (net)							(1,134,840)	(1,128,042)	(58.8)	(56.7)
Net assets							1,930,021	1,990,296	100.0	100.0

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

Investment properties portfolio statement (continued)
As at 30 June 2019

Notes:

- (1) David Jones Building, Plaza Arcade and Myer Centre Adelaide (the “Australia Properties”) were acquired on 20 January 2010, 1 March 2013 and 18 May 2015 respectively.
- (2) Starhill Gallery and Lot 10 Property (the “Malaysia Properties”) were acquired on 28 June 2010.
- (3) China Property was acquired on 28 August 2007.
- (4) The Japan Properties comprise two properties as at 30 June 2019. Daikanyama and Ebisu Fort were acquired on 30 May 2007 and 26 September 2007 respectively.
- (5) The valuation of the Trust’s Wisma Atria Property and Ngee Ann City Property were based on the valuation performed by Savills Valuation And Professional Services (S) Pte Ltd as at 30 June 2019.
- (6) Based on the valuation performed by Valuation Services (SA) Pty Ltd trading as Knight Frank Valuations as at 30 June 2019 and translated at the exchange rate of A\$1.05 : \$1.00 (2018: A\$0.99 : \$1.00).
- (7) Based on the valuation performed by Savills Valuations Pty Ltd as at 30 June 2019 and translated at the exchange rate of A\$1.05 : \$1.00 (2018: A\$0.99 : \$1.00).
- (8) Based on the valuation performed by IVPS Property Consultant Sdn Bhd as at 30 June 2019 and translated at the exchange rate of RM3.06 : \$1.00 (2018: RM2.96 : \$1.00).
- (9) Based on the valuation performed by Cushman & Wakefield Limited as at 30 June 2019 and translated at the exchange rate of RMB5.08 : \$1.00 (2018: RMB4.86 : \$1.00).
- (10) Based on the valuation performed by CBRE K.K. as at 30 June 2019 and translated at the exchange rate of JPY79.58 : \$1.00 (2018: JPY81.11 : \$1.00).
- (11) Based on commenced leases as at 30 June 2019.

The Manager believes that the above independent valuers have appropriate professional qualifications and experience in the location and category of the Group’s investment properties being valued. Full valuations of the above properties were performed as at year-end.

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

Consolidated cash flow statement
Year ended 30 June 2019

	Group	
	2019	2018
	\$'000	\$'000
Cash flows from operating activities		
Total return for the year before tax and distribution	69,066	87,690
Adjustments for:		
Finance income	(956)	(900)
Depreciation	15	12
Finance expenses	38,697	38,259
Gain on divestment of investment property	—	(1,147)
Plant and equipment written off	—	6
Change in fair value of derivative instruments	11,932	(4,467)
Foreign exchange gain	(178)	(134)
Change in fair value of investment properties	20,315	22,669
Operating income before working capital changes	138,891	141,988
Trade and other receivables	(1,321)	568
Trade and other payables	(1,349)	(2,211)
Income tax paid	(2,256)	(4,433)
Net cash from operating activities	133,965	135,912
Cash flows from investing activities		
Net proceeds on divestment of investment property ⁽¹⁾	—	6,206
Capital expenditure on investment properties	(7,673)	(13,702)
Purchase of plant and equipment	(1)	—
Interest received on deposits	958	890
Net cash used in investing activities	(6,716)	(6,606)
Cash flows from financing activities		
Borrowing costs paid	(37,759)	(39,094)
Proceeds from borrowings	81,600	482,000
Repayment of borrowings	(65,879)	(480,791)
Distributions paid to unitholders	(97,500)	(101,207)
Net cash used in financing activities	(119,538)	(139,092)
Net increase/(decrease) in cash and cash equivalents	7,711	(9,786)
Cash and cash equivalents at the beginning of the year	66,730	76,603
Effects of exchange rate differences on cash	(1,495)	(87)
Cash and cash equivalents at the end of the year	72,946	66,730

Note:

- ⁽¹⁾ Net cash inflows on divestment of Nakameguro Place representing the sale proceeds, net of directly attributable costs paid in May 2018.

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 29 August 2019.

1. General

Starhill Global Real Estate Investment Trust (the “Trust”) is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 8 August 2005 and any amendments or modifications thereof between YTL Starhill Global REIT Management Limited (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”), governed by the laws of the Republic of Singapore (“Trust Deed”). On 8 August 2005, the Trust was declared an authorised unit trust scheme under the Trustees Act, Chapter 337.

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 20 September 2005 and was approved to be included under the Central Provident Fund (“CPF”) Investment Scheme on 14 June 2005.

For financial reporting purpose, Starhill Global Real Estate Investment Trust is regarded as a subsidiary of YTL Corporation Berhad. Accordingly, the ultimate holding company is Yeoh Tiong Lay and Sons Family Holdings Limited, which is incorporated in Jersey.

The principal activity of the Trust and its subsidiaries (the “Group”) is to invest primarily in prime real estate used mainly for retail and/or office purposes, with the objective of delivering regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit.

The Trust has entered into several significant service agreements in relation to the management of the Group and its operations. The fee structure of these services is as follows:

(a) Property management fees and leasing commission

YTL Starhill Global Property Management Pte. Ltd. (the “Property Manager”) is entitled to receive a fee of 3.0% per annum of gross revenue of the Wisma Atria Property and Ngee Ann City Property (“Singapore Properties”) (excluding GST) for the provision of property management, lease management as well as marketing and marketing co-ordination services. The Property Manager’s fee is to be paid on a monthly basis in arrears.

The Property Manager is also entitled to receive leasing commission at the rates set out below when it secures a tenant or a tenancy renewal:

- (i) one month’s base rental for securing a tenancy of three years or more;
- (ii) two thirds of one month’s base rental for securing a tenancy of two years or more but less than three years;

- (iii) one third of one month's base rental for securing a tenancy of one year or more but less than two years;
- (iv) one quarter of one month's base rental for securing a renewal of tenancy of three years or more;
- (v) one eighth of one month's base rental for securing a renewal of tenancy of two years or more but less than three years; and
- (vi) one twelfth of one month's base rental for securing a renewal of tenancy of one year or more but less than two years.

Property management fees also include fees payable mainly to third party property managers of the Australia Properties and Japan Properties.

(b) Management fees

Management fees include fees payable to the Manager, third party asset manager of the Japan Properties, as well as servicer of the Malaysia Properties.

Under the Trust Deed, the Manager is entitled to receive a base fee and a performance fee as follows:

Base fee

The Manager is entitled to receive a base fee of 0.5% per annum of the Value of Trust Property (excluding GST) ("Base Fee") or such higher percentage as may be fixed by an Extraordinary Resolution of a meeting of unitholders.

The Value of Trust Property means:

- (i) the value of all authorised investments of the Group other than real estate related assets;
- (ii) the value of real estate related assets of any entity held by the Group if such holding is less than 30.0% of the equity of such entity; and
- (iii) where the Group invests in 30.0% or more of a real estate related asset of any entity, including any class of equity, equity-linked securities and/or securities issued in real estate securitisation, the Group's proportionate interest in the value of the underlying real estate of the entity issuing the equity which comprises the real estate related asset.

The Manager may opt to receive the Base Fee in respect of its properties in cash or units or a combination of cash and units (as it may determine).

The portion of the Base Fee payable in cash shall be payable monthly in arrears and the portion of the Base Fee payable in the form of units shall be payable quarterly in arrears. If a trigger event occurs, resulting in the Manager being removed, the Manager is entitled to be paid the Base Fee up to the day on which the trigger event occurs.

Performance fee

The Manager is entitled to a performance fee ("Performance Fee") where the accumulated return (comprising capital gains and accumulated distributions and assuming all distributions are re-invested in the Trust) of the units (expressed as the "Trust Index") in any financial year exceeds the accumulated return (comprising capital gains and accumulated distributions and assuming re-investment of all distributions) of a benchmark index.

The Performance Fee is calculated in two tiers as follows:

- a Tier 1 Performance Fee equal to 5.0% of the amount by which the accumulated return of the Trust Index exceeds the accumulated return of the benchmark index, multiplied by the equity market capitalisation of the Trust; and
- a Tier 2 Performance Fee which is applicable only where the accumulated return of the Trust Index is in excess of 2.0% per annum above the accumulated return of the benchmark index. This tier of the fee is calculated at 15.0% of the amount by which the accumulated return of the Trust Index is in excess of 2.0% per annum above the accumulated return of the benchmark index, multiplied by the equity market capitalisation of the Trust.

For the purposes of the Tier 1 Performance Fee and the Tier 2 Performance Fee, the amount by which the accumulated return of the Trust Index exceeds the accumulated return of the benchmark index shall be referred to as outperformance.

The outperformance of the Trust Index is assessed on a cumulative basis and any prior underperformance will need to be recovered before the Manager is entitled to any Performance Fee.

The Performance Fee, whether payable in any combination of cash and units or solely in cash or units will be payable annually in arrears. If a trigger event occurs in any financial year, resulting in the Manager being removed, the Manager is entitled to payment of any Performance Fee (whether structured in cash or in the form of units) to which it might otherwise have been entitled for that financial year in cash, which shall be calculated, as if the end of the financial year was the date of occurrence of the trigger event, in accordance with Clause 15.1.4 of the Trust Deed. If a trigger event occurs at a time when any accrued Performance Fee has not been paid, resulting in the Manager being removed, the Manager is entitled to payment of such accrued Performance Fee in cash.

The management fees (Base Fee and Performance Fee, including any accrued Performance Fee which has been carried forward from previous financial years but excluding any acquisition fee or divestment fee) to be paid to the Manager in respect of a financial year, whether in cash or in units or a combination of cash and units, is capped at an amount equivalent to 0.8% per annum of the Value of the Trust Property as at the end of the financial year (referred to as the “annual fee cap”).

If the amount of such fees for a financial year exceeds the annual fee cap, the Base Fee of the financial year shall be paid to the Manager and only that portion of the Performance Fee equal to the balance of an amount up to the annual fee cap will be paid to the Manager. The remaining portion of the Performance Fee, which will not be paid, shall be accrued and carried forward for payment to the Manager in future financial years. If, at the end of a financial year, there is any accrued Performance Fee which has been accrued for a period of at least three years prior to the end of that financial year, such accrued Performance Fee shall be paid to the Manager if the accumulated return of the Trust Index in that three-year period exceeds the accumulated return of the benchmark index over the same period. The payment of such accrued Performance Fee shall not be subject to the annual fee cap.

(c) Acquisition and divestment fees

The Manager is entitled to receive an acquisition fee of 1.0% of the value of the real estate acquired. For any acquisition made by the Group in Singapore, any payment to third party agents or brokers in connection with the acquisition shall be borne by the Manager, and not additionally out of the Group. For any acquisition made by the Group outside Singapore, any payment to third party agents or brokers shall be borne by the Group, provided that the Manager shall charge an acquisition fee of 0.6% instead of 1.0%.

The Manager is entitled to receive a divestment fee of 0.5% of the value of the real estate divested. For any divestment made by the Group in Singapore, any payment to third party agents or brokers in connection with the divestment shall be borne by the Manager, and not additionally out of the Group. For any divestment made outside Singapore, any payment to third party agents or brokers shall be borne by the Group, provided that the Manager shall charge a divestment fee of 0.5% of the sale price. The Manager also receives acquisition fees and divestment fees in instances other than an acquisition and divestment of real estate.

(d) Trustee's fee

Under the Trust Deed, the Trustee's fee shall not exceed 0.1% per annum of the value of the deposited property (subject to a minimum of \$8,000 per month excluding out of pocket expenses and GST) or such higher percentage as may be fixed by an Extraordinary Resolution of a meeting of unitholders. The Trustee's fee is payable out of the deposited property of the Group on a monthly basis, in arrears. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

Based on the current agreement between the Manager and the Trustee, the Trustee's fee is less than 0.1% per annum of the value of the deposited property (subject to a minimum of \$8,000 per month excluding out of pocket expenses and GST).

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the *Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants ("ISCA"), the applicable requirements of the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the principles relating to recognition and measurement of the Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as set out in the accounting policies below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the functional currency of the Trust. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities that are not readily apparent from other sources.

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

Significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – Valuation of investment properties
- Note 6 – Impairment on interests in subsidiaries
- Notes 7 and 24 – Valuation of financial instruments

2.5 Adoption of new/revised FRS

The Group has adopted the following FRSs, amendments to and interpretations of FRS for the first time for the year beginning on 1 July 2018:

A. FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced FRS 18 *Revenue*, FRS 11 *Construction Contracts* and related interpretations. Under FRS 115, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control – at a point in time or over time – requires judgement.

The Group has adopted FRS 115 using the cumulative effect method to contracts that are not completed contracts at the date of initial application (i.e. 1 July 2018), with the effect of initially applying this standard recognised at the date of initial application, where appropriate. Accordingly, the information presented for 2018 has not been restated. For information about the Group's accounting policies relating to revenue recognition, see Note 3.10. There is no significant effect on the financial statements of the Group and the Trust upon the adoption of FRS 115.

B. FRS 109 *Financial Instruments*

FRS 109 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It also introduces a new expected credit loss ("ECL") model and a new general hedge accounting model.

FRS 109 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (“FVOCI”) and fair value through profit or loss (“FVTPL”). The classification of financial assets under FRS 109 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. FRS 109 eliminates the previous FRS 39 categories of held to maturity, loans and receivables and available-for-sale. FRS 109 largely retains the existing requirements in FRS 39 for the classification and measurement of financial liabilities. The Group elected not to adjust the comparative information as permitted under FRS 109 transitional provision. The adoption of FRS 109 has no significant effect on the financial statements of the Group and the Trust.

(i) **Classification and measurement of financial assets and financial liabilities**

For an explanation of how the Group classifies and measures financial instruments and accounts for related gains and losses under FRS 109, see Note 3.6.

The following tables explain the original measurement categories under the principles of FRS 39 and the new measurement categories under the principles of FRS 109 for each class of the Group’s and the Trust’s financial assets and financial liabilities as at 1 July 2018.

	Note	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39 \$’000	New carrying amount under FRS 109 \$’000
Group					
Financial assets					
Derivative financial instruments	7	Designated at FVTPL	Mandatorily at FVTPL	2,208	2,208
Trade and other receivables	8	Loans and receivables	Amortised cost	3,518	3,518
Cash and cash equivalents	9	Loans and receivables	Amortised cost	66,730	66,730
Total financial assets				<u>72,456</u>	<u>72,456</u>
Financial liabilities					
Trade and other payables	10	Other financial liabilities	Other financial liabilities	60,578	60,578
Derivative financial instruments	7	Designated at FVTPL	Mandatorily at FVTPL	1,441	1,441
Borrowings	12	Other financial liabilities	Other financial liabilities	1,130,329	1,130,329
Total financial liabilities				<u>1,192,348</u>	<u>1,192,348</u>

	Note	Original classification under FRS 39	New classification under FRS 109	Original carrying amount under FRS 39 S'000	New carrying amount under FRS 109 S'000
Trust					
Financial assets					
Derivative financial instruments	7	Designated at FVTPL	Mandatorily at FVTPL	2,206	2,206
Trade and other receivables	8	Loans and receivables	Amortised cost	2,645	2,645
Cash and cash equivalents	9	Loans and receivables	Amortised cost	20,420	20,420
Total financial assets				25,271	25,271
Financial liabilities					
Trade and other payables	10	Other financial liabilities	Other financial liabilities	44,571	44,571
Derivative financial instruments	7	Designated at FVTPL	Mandatorily at FVTPL	538	538
Borrowings	12	Other financial liabilities	Other financial liabilities	801,954	801,954
Total financial liabilities				847,063	847,063

(ii) **Impairment of financial assets**

FRS 109 replaces the 'incurred loss' model in FRS 39 with an ECL model. The Group applies the simplified approach and records lifetime ECL on all trade receivables (see Note 3.8). The change in the impairment loss amount was negligible.

3. Significant accounting policies

The accounting policies set out below have been applied consistently by the Group and the Trust to all periods in these financial statements and have been applied consistently by Group entities, except as explained in Note 2.5.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to or has rights to variable returns from its involvement with an entity and has the ability to affect those returns through its power over the entity.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss in the statement of total return.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss in the statement of total return.

Subsidiaries

Subsidiaries are entities controlled by the Group and include entities that are created to accomplish a narrow and well defined objective such as the execution of a specific transaction where the substance of the relationship is that the Group controls the entity. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Accounting for subsidiaries by the Trust

Interests in subsidiaries are stated in the Trust's balance sheet at cost less accumulated impairment losses.

3.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to the functional currency at the exchange rate at that date. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transactions. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year. Foreign currency differences arising on retranslation are recognised in profit or loss in the statement of total return except for the differences arising on the translation of a financial liability designated as a hedge of the net investment in foreign operation (see below).

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

Foreign currency differences are recognised in foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount is transferred to profit or loss in the statement of total return.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation. These are recognised in profit or loss in the Trust's statement of total return, and are reclassified to the foreign currency translation reserve in the consolidated financial statements.

Hedge of a net investment in foreign operation

The Group applies hedge accounting by designating a non-derivative financial liability as a hedge of a net investment in the foreign operation, with the corresponding foreign currency differences arising on the translation being reclassified to the Group's foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in profit or loss in the statement of total return. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to profit or loss in the statement of total return as part of the gain or loss on disposal.

3.3 Plant and equipment

Recognition and measurement

Plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and when the Group has an obligation to remove the asset or restore the site, an estimate of the cost of dismantling and removing the items and restoring the site on which they are located.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of the plant and equipment, and is recognised in profit or loss in the statement of total return.

Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The cost of the day-to-day servicing of plant and equipment are recognised in profit or loss in the statement of total return as incurred.

Depreciation

Depreciation of plant and equipment is recognised in profit or loss in the statement of total return on a straight-line basis over their estimated useful lives of 2 to 5 years.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

3.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost on initial recognition, and subsequently at fair value with any changes therein recognised in profit or loss in the statement of total return. Fair value is determined in accordance with the Trust Deed, which requires investment properties to be valued by independent registered valuers in such manner and frequency required under Appendix 6 of the CIS Code ("Property Fund Appendix") issued by MAS.

Subsequent expenditure relating to investment properties that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

When an investment property is disposed of, the resulting gain or loss recognised in profit or loss in the statement of total return is the difference between net disposal proceeds and the carrying amount of the property.

3.5 Intangible asset

Goodwill

Goodwill and bargain purchase may arise upon the acquisition of subsidiaries.

Goodwill represents the excess of the fair value of the consideration transferred over the Group's interest in the net fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss in the statement of total return.

Goodwill arising on the acquisition of subsidiaries (if any) is presented in intangible asset. Goodwill is measured at cost less accumulated impairment losses, and tested for impairment.

3.6 Financial instruments

(i) Initial recognition

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

(ii) Classification and measurement

Non-derivative financial assets – Policy applicable from 1 July 2018

The Group classifies its non-derivative financial assets into the following measurement categories: amortised costs.

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Financial assets at amortised cost

A financial asset at amortised cost, which is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, is initially measured at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Interest income from the financial asset is included in interest income using the effective interest method.

Non-derivative financial assets – Policy applicable before 1 July 2018

The Group classifies non-derivative financial assets into the following category: loans and receivables.

Loans and receivables

Loans and receivables were financial assets with fixed or determinable payments that were not quoted in an active market. Such assets are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables were measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprised trade and other receivables excluding prepayments, and cash and cash equivalents.

Non-derivative financial liabilities

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are initially measured at fair value less directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities comprise borrowings, and trade and other payables.

(iii) **Derecognition**

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss in the statement of total return.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(vi) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met. The Group does not adopt hedge accounting for its derivative financial instruments as at 30 June 2019.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss in the statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss in the statement of total return.

Certain derivatives and non-derivative financial instruments can be designated as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, documentation of the risk management objective and strategy for undertaking the hedge is required, including the economic relationship between the hedged item and the hedging instrument, and whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

3.7 Unitholders' funds

Unitholders' funds represent the residual interest in the Group's net assets upon termination and are classified as equity. Expenses incurred in the issuance and placement of units (if any) in the Group are deducted directly against unitholders' funds.

3.8 Impairment

(i) Non-derivative financial assets

Policy applicable from 1 July 2018

The Group recognises loss allowances for ECLs on financial assets measured at amortised costs.

Simplified approach

The Group applies the simplified approach to provide loss allowances for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months).

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when a tenant or a counterparty is unable to settle its financial and contractual obligations to the Group in full, as and when they fall due. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the tenant or counterparty;
- a breach of contract such as a default by the tenant or counterparty; or
- it is probable that the tenant or counterparty will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the balance sheet

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Policy applicable before 1 July 2018

A financial asset not carried at FVTPL was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event had occurred after the initial recognition of the asset, and that the loss event had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a tenant, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a tenant or issuer would enter bankruptcy.

Loans and receivables

The Group considered evidence of impairment for loans and receivables at both an individual asset and collective level. All individually significant assets were individually assessed for impairment. Those found not to be impaired were then collectively assessed for any impairment that had been incurred but not yet identified. Assets that were not individually significant were collectively assessed for impairment. Collective assessment was carried out by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss was calculated as the difference between the asset's carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses were recognised in profit or loss in the statement of total return and reflected in an allowance account. When the Group considered that there were no realistic prospects of recovery of the asset, the relevant amounts were written off. If the amount of impairment loss subsequently decreased and the decrease was related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss was reversed through profit or loss in the statement of total return.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss in the statement of total return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.9 Employee benefits

Short-term employee benefit obligations, including contributions to defined contribution pension plans, if any, are measured on an undiscounted basis and are expensed as the related service is provided in profit or loss in the statement of total return.

A liability is recognised for the amount expected to be paid under short-term cash bonus where the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3.10 Revenue recognition

Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Dividend income

Dividend income is recognised in profit or loss in the statement of total return on the date that the Trust's right to receive payment is established.

3.11 Finance income and finance expenses

Finance income comprises mainly interest income on funds invested. Interest income is recognised in profit or loss in the statement of total return, using the effective interest method.

Finance expenses comprises mainly interest expense on borrowings and amortisation of loan acquisition expenses. All borrowing costs are recognised in profit or loss in the statement of total return using the effective interest method.

3.12 Expenses

Property operating expenses

Property operating expenses are recognised on an accrual basis. Property operating expenses comprise mainly property tax, maintenance and sinking fund contributions, leasing and upkeep expenses, marketing expenses, administrative expenses, impairment loss on trade receivables as well as property management fees and leasing commission which are based on the applicable formula stipulated in Note 1(a).

Management fees

Management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(b).

Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses is the Trustee's fee which is described in Note 1(d).

3.13 Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss in the statement of total return except to the extent that it relates to a business combination, or items directly related to unitholders' funds, in which case it is recognised in unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.