JOURNEY

TO THE NEXT

LEVEL

FORTIFIED • SHARPENED • EQUIPPED

ParkwayLife REIT

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OUR MISSION

To deliver regular and stable distributions
and achieve long-term growth for our unitholders

OUR VISION

To become the leading healthcare REIT and
the 'Partner of Choice' for healthcare expansion

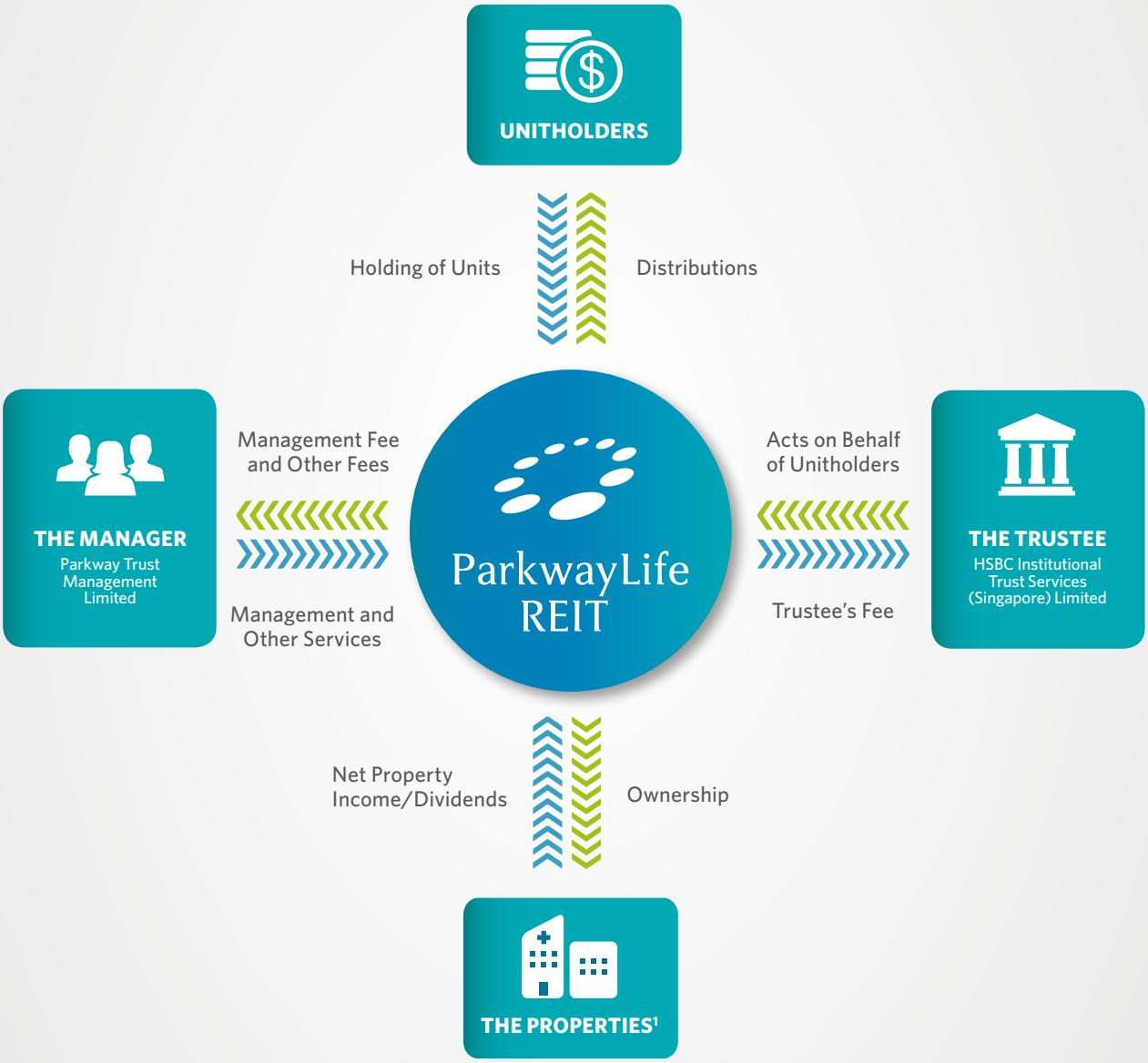
CORPORATE PROFILE

Parkway Life Real Estate Investment Trust ("PLife REIT") is one of Asia's largest listed healthcare REITs.

It invests in income-producing real estate and real estate-related assets that are used primarily for healthcare and healthcare-related purposes.

Currently in three key markets, PLife REIT owns a well-diversified portfolio of 44 properties valued at approximately S$1.5 billion in total, as at 31 December 2013. In Singapore, it owns the largest portfolio of strategically-located private hospitals: Mount Elizabeth Hospital, Gleneagles Hospital and Parkway East Hospital. In Japan, it owns 40 quality assets well-situated in various prefectures. The portfolio comprises mainly nursing homes and one pharmaceutical product distributing and manufacturing facility. In Malaysia, it owns strata-titled units/lots at the Gleneagles Intan Medical Centre, Kuala Lumpur.

TRUST STRUCTURE



[1] Refers to the properties acquired by the Trust, whether directly or indirectly held through the ownership of special purpose vehicles. In Japan, the ownership of the properties is held through the *Tokumei Kumiai* ("TK") structure. Under the TK structure, the Trustee will, through its wholly-owned subsidiary incorporated under Singapore laws, enter into TK agreement (or silent partnership agreement) as TK investor ("TK investor") with a company incorporated under Japanese laws known as TK operator ("TK operator"). The TK operator is a company similar to a limited liability company in Singapore whereby the TK investor is only liable to the extent of its contribution to the TK operator. Under the TK agreement, the TK investor shall inject funds to the TK operator and the TK operator will acquire and own the property. Further details of the TK structure are set out in the relevant past announcements.

FORTIFIED BY OUR SOLID FOUNDATION

We have grounded ourselves with a robust framework of solid fundamentals and successful strategies. Our well-managed portfolio of quality assets and financial performance speak of our core strength as a company, as we continue to deliver results and rewards for our unitholders. Fortified by our foundation, we are on firm footing as we embark on greater opportunities and journey to the next level of growth.

DISTRIBUTABLE INCOME

+4.2%

RECORD DPU (SINGAPORE CENTS)

10.75

FORTIFIED

IN FY2013

QUALITY ACQUISITIONS

7 JAPAN

NURSING HOMES

VALUE-ADDING AEIS

1ST AEI

IN MALAYSIA AND 2 MORE IN JAPAN

SUSTAINABLE DISTRIBUTIONS AND NET ASSET VALUE

- NO NEAR-TERM REFINANCING RISK
- RESILIENT TO INTEREST RATES AND FOREIGN EXCHANGE FLUCTUATIONS

MESSAGE TO UNITHOLDERS

Dear Unitholders,

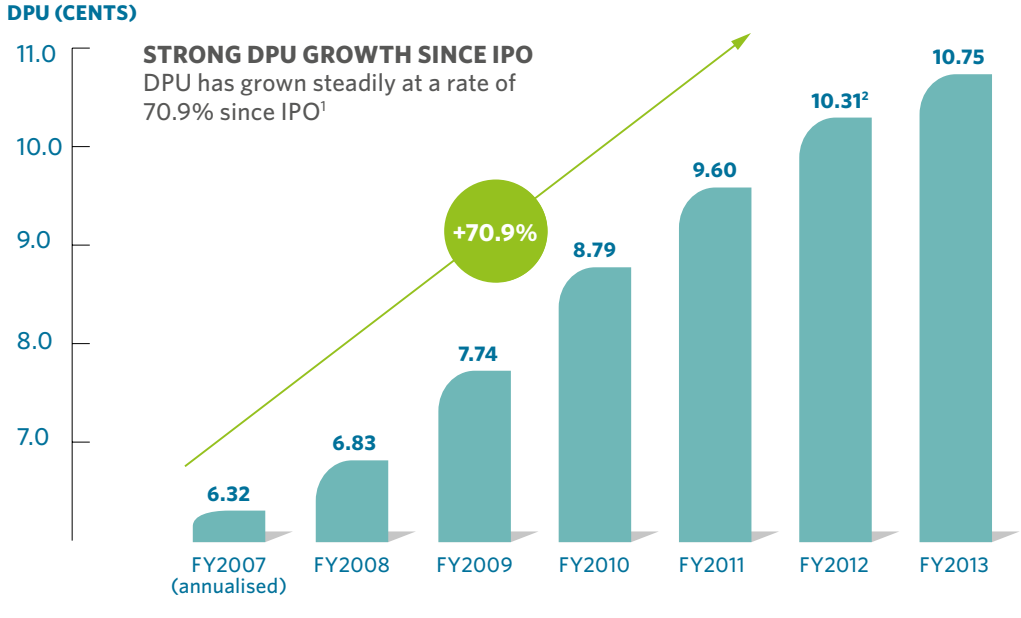
2013 marked yet another year of achievement and growth for Parkway Life Real Estate Investment Trust ("PLife REIT" or "the Group") in the face of macroeconomic headwinds.

SOUND PERFORMANCE

A combination of successful growth strategies and solid fundamentals helped PLife REIT rise above volatile economic conditions to deliver sound results. Despite the depreciation in yen, which resulted in our gross revenue and net property income for the financial year ending 31 December 2013 ("FY2013") remaining largely flat at S$93.7 million and S$87.6 million respectively, our distributable income ("DI") rose 4.2% year-on-year to S$65.1 million. In addition, we achieved a new record of 10.75 Singapore cents for our Distribution Per Unit ("DPU") to unitholders.

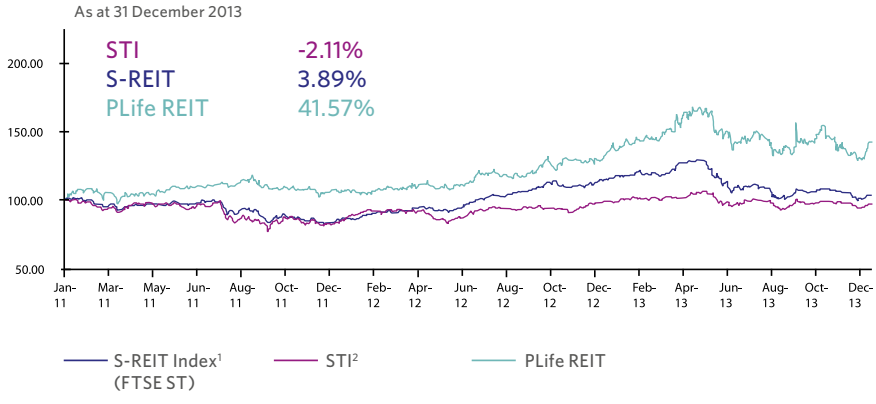
SUCCESSFUL GROWTH STRATEGIES

Through disciplined execution of our key strategies "Targeted Investment", "Proactive Asset Management" and "Dynamic Capital and Financial Management", PLife REIT has grown into one of Asia's largest listed healthcare REITs with a diverse portfolio of 44 quality properties valued at S$1.5 billion, as at 31 December 2013. Six years into our listing on the Singapore Exchange, PLife REIT has registered an Assets Under Management (AUM) growth of 90.5% and DPU growth of 70.9%, and consistently out-performed the STI and S-REIT indices.



Note:
1. YTD 4Q 2013 accumulated DPU payout since IPO is 56.29cents (inclusive of 3Q 2007 pro-rated payout)
2. Since FY 2012, S$3.0 million per annum of amount avaliable for distribution has been retained for capital expenditure

PERFORMANCE REVIEW OF PLIFE-TRADING



Note:
1. FTSE ST: Real Estate Investment Trust Index;
2. STI: Straits Times Index
Source: Bloomberg

As a result of our successful growth strategies, the year saw PLife REIT strengthening its Japan foothold with the acquisition of seven quality nursing homes as it further capitalised on the rapidly growing eldercare market. With Japan's economy benefiting from Abenomics, coupled with the Japanese government's support for the establishment of dedicated healthcare and healthcare-related REITs, the healthcare segment in Japan had garnered increased investors' attention, leading to yield compression in the market. Leveraging on our early-mover advantage, PLife REIT continues to be in a good position to penetrate the eldercare market. Our "Targeted Investment" strategy of prioritising and clustering our acquisitions in existing markets has also enabled us to generate greater operating synergies and value from our enlarged Japan portfolio.

Proactive Asset Management continues to underpin the organic growth of PLife REIT. Besides implementing our 7th and 8th Asset Enhancement Initiative ("AEI") for our Japan portfolio during the year, we also carried out our first AEI outside of Japan. Rolling out an AEI in Malaysia within a year of making our maiden entry into the market demonstrated PLife REIT's dedication to create value from its properties.

For our Malaysia property, we have secured favourable rental rates at more than 50% above the previous level for the expiring leases during the year. Positive rental reversions and AEI resulted in our Net Property Income (NPI) yield for the Malaysia property improving significantly to approximately 6.6%.

Dynamic Capital and Financial Management supports PLife REIT's sound performance. With the U.S. Federal Reserve's decision to scale down its bond purchase stimulus programme, higher borrowing costs and thinning spreads of S-REIT yields against 10-year Singapore dollar bonds is expected to affect the S-REIT market. With our interest rates exposure largely hedged, PLife REIT will remain resilient in the face of rising interest rate environment. To sustain PLife REIT's growth plans and strengthen our financial position, we have pre-emptively termed out our loan facilities maturing in FY2014 to ensure a well spread-out debt maturity profile. The prudent measures adopted have ensured that PLife REIT minimises near-term refinancing risks, with our weighted average debt to maturity lengthened from 2.87 years to 3.16 years, as at 31 December 2013.

SOLID FUNDAMENTALS

As PLife REIT continues on its growth path, we endeavour to preserve our solid fundamentals – Quality Portfolio, Diversified Reach, Robust Financial Position and Strong Balance Sheet – to uphold our ability to deliver sustained returns for our unitholders.

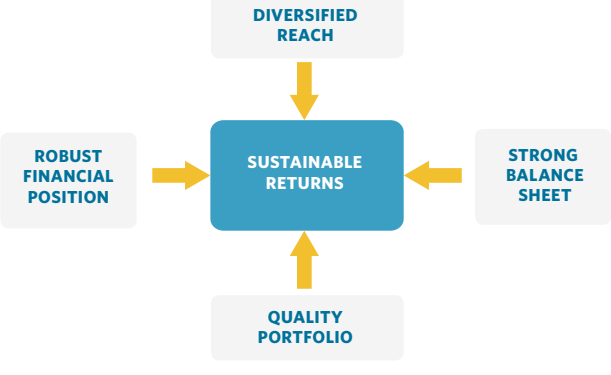
During the year, as we further fortify our presence in Japan, we remain cognisant of the inherent portfolio risks. Conscious efforts were made to sieve out credible operators and to ensure that we diversify into other prefectures, like Ehime, Niigata and Mie, for newly injected properties to mitigate the possible risk of concentration within Japan. In addition, our Japan portfolio has been insured against fire, earthquake and tsunami, and are generally low-rise and in compliance with strict seismic safety standards, hence largely mitigating potential catastrophic risks.

By matching our assets and liabilities that are denominated in Japanese Yen, we have been able to preserve our valued resiliency and stable net asset value since our first acquisition in Japan in 2008. To complement our natural hedge strategy, we have further extended our Japanese Yen-denominated net income hedge for the next 3 to 4 years. Hence, despite the weakening of the Japanese Yen, PLife REIT remained well-cushioned against currency volatility and even realised a foreign exchange gain of S$1.7 million in FY2013, as we continue to ride on the capital appreciation of our enlarged Japan portfolio.

MESSAGE TO UNITHOLDERS

As at 31 December 2013, PLife REIT enlarged and diversified portfolio places it in a good position to benefit from the resilient growth of the healthcare industry in the Asia Pacific region. Currently, the portfolio is fully tenanted and largely secured with long-term master leases with a weighted average lease term to expiry (by gross revenue) of approximately 10.56 years. Favourable lease structures underscore the strength of our portfolio whereby 98.1% of our leases have built-in rent revision provision with 90.6% enjoying downside revenue protection. 67.0% of the total portfolio is pegged to CPI-linked revision formulae, ensuring steady future rental growth whilst protecting revenue stability amid uncertain market conditions.

Secured with a strong balance sheet and robust financial position, PLife REIT remains well-positioned to grow. As at 31 December 2013, our all-in-cost of debt is low at 1.47% with gearing at healthy level of 33.0%.



LOOKING AHEAD

While the global economy is expected to register improvement, some downside risks remains. At PLife REIT, even as we explore new avenues for growth, we consciously calibrate our moves to ensure that we stay relevant in the fast changing business and global landscape.

In such times of uncertainties, the solid fundamentals which we have conscientiously seeded over the years underscore PLife REIT's ability to deliver sustained returns to our Unitholders.

Given the positive long-term growth prospects of the healthcare sector in Asia Pacific, PLife REIT remains vigilant for compelling yield accretive opportunities. Our entrenched position in the Japan eldercare market will continue to sustain our market share, despite the challenge of increased competition. To further propel PLife REIT's growth, we seek to expand our footprint gradually to other parts of Asia Pacific, including the high growth emerging markets. While scaling to the next level of growth, we continue to be guided by our disciplined and prudent execution of strategies to ensure that PLife REIT maintains an optimal portfolio composition that will enhance value for our unitholders.

APPRECIATION

We wish to extend our heartfelt appreciation to our Board members for their invaluable advice and contributions. We would also like to record our appreciation for our non-executive director, Dr. Lim Cheok Peng, who retired from the Board with effect from 31 December 2013. We are also pleased to welcome Dr. Lim Suet Wun onto the Board with effect from 26 February 2014. We are confident that his expertise and experience will contribute positively to PLife REIT and PTML.

We would also like to take this opportunity to thank our dedicated staffs for their commitment and efforts in delivering the sustained success of PLife REIT.

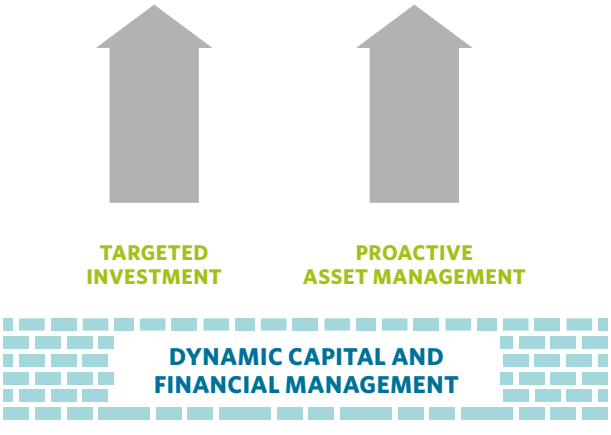
Lastly, our sincere gratitude to our unitholders and business partners for their continued confidence and support.

Lim Kok Hoong
Chairman

Yong Yean Chau
Chief Executive Officer and Executive Director

CORPORATE DEVELOPMENT

Despite macroeconomic headwinds, PLife REIT maintained its stable growth trajectory which is anchored soundly on a solid and defensive foundation that is built over the years. This is also testament that its three-pronged growth approach of "Targeted Investment", "Proactive Asset Management" and "Dynamic Capital and Financial Management" has proven to work well for the Group.



GROWING PORTFOLIO

With the healthcare market continuing to exhibit long-term growth prospects, PLife REIT remains on the look-out for compelling yield-accretive acquisition opportunities in the region. Leveraging on its first-mover advantage in Japan as competition intensifies, PLife REIT made further in-roads into the Japanese nursing home market with its acquisition of a total of seven properties in 2013; two in July 2013 and five in September 2013, respectively.

In July 2013, PLife REIT acquired two nursing home properties, Palmary Inn Shin-Kobe at Kobe City, Hyogo Prefecture ("Shin-Kobe Property") and Heart Life Toyonaka at Toyonaka City, Osaka Prefecture ("Toyonaka Property"). The properties were acquired from the Kenedix Group with whom PLife REIT has a long-standing working relationship. At a combined purchase price of approximately S$23.1 million, the acquisition generated an attractive net property yield of 7.1%.

Strategically located and well-maintained, the two properties currently enjoy stable occupancy rates. The Toyonaka Property is operated by K.K. Nihon Kaigo Iryo Center, a new operator within PLife REIT's portfolio, thereby further diversifying its tenant base. The Shin-Kobe Property will be operated by K.K. Asset, which is currently operating two of PLife REIT's nursing homes in Hyogo Prefecture. With both properties secured with long-term master lease arrangement with committed occupancy till 2027, PLife REIT's portfolio resiliency is further enhanced.

In September 2013, PLife REIT strengthened its Japanese presence with the acquisition of five additional nursing home properties, namely:

1. Sawayaka Seaside Toba
   -Located at Toba City, Mie Prefecture
2. Sawayaka Niihama-kan
   - Located at Niihama City, Ehime Prefecture
3. Sawayaka Mekari Niban-kan
   - Located at Kitakyushu City, Fukuoka Prefecture
4. Sawayaka Kiyota-kan
   -Located at Kitakyushu City, Fukuoka Prefecture
5. Sawayaka Minato-kan
   -Located at Niigata City, Niigata Prefecture

At a combined purchase price of approximately S$59.2 million, the acquisition generated an attractive net property yield of 7.0%. The acquisition has further improved the resiliency of PLife REIT's portfolio as each of these properties is on a fresh long-term lease arrangement of 20 years with K.K. Sawayaka Club, Kyushu's largest private nursing home operator and another credible partner of PLife REIT. In addition, with conscious efforts to diversify into other locations in the prefectures of Niigata, Mie and Ehime, it serves to mitigate possible concentration risk in Japan.

With the valued addition of seven properties in 2013, PLife REIT now has 40 properties as it continues to ride on the growing healthcare market in Japan.

GROWING ORGANICALLY

With a total asset under management of 44 properties spread across Singapore, Japan and Malaysia, PLife REIT continues to engage in proactive asset management to drive the performance of its portfolio. To ensure sustained returns to its unitholders, fostering good Landlord-Lessee relationships remains a key focus as the bulk of PLife REIT's properties are tied to master-lease arrangement. Leveraging on its strong relationship with our lessees, PLife REIT embarked on three more collaborative Asset Enhancement Initiatives ("AEI") in 2013, two AEIs at its Japan nursing home portfolio (Iyashi no Takatsuki Kan and Sawayaka Obatake Nibankan) and one at its Malaysia property (Gleneagles Intan Medical Centre). All three AEIs were completed in January 2014.

With the two AEIs at the Japan nursing home in 2013, PLife REIT has to-date completed a total of eight AEIs for its Japan portfolio.

CORPORATE DEVELOPMENT

The seventh Japan AEI was carried out at the Iyashi no Takatsuki Kan property and involved the construction of a new annex building at the existing backyard. With a capital outlay for this AEI of approximately S$0.1 million, the AEI yielded attractive returns. With effect from 1 February 2014, gross rent for the property will increase by 1.2% for the unexpired lease term of approximately 11.7 years.

The other Japan AEI carried out in 2013 was for its Sawayaka Obatake Nibankan property. To better serve the needs of the elderly in the vicinity, a Day Service Facility was created at level 2 of the property. This is PLife REIT's second AEI for the property and third successful AEI with its largest nursing home operator, K.K. Sawayaka Club, which manages 15 out of its 39 nursing homes. With a capital outlay of approximately S$0.2 million, the returns from this AEI is attractive with a 6.4% increase in gross rent for unexpired lease term of approximately 16.4 years, with effect from 1 February 2014.

In 2013, PLife REIT rolled out its maiden AEI in Malaysia within the first year of entering into the market. PLife REIT's Malaysia property, Gleneagles Intan Medical Centre in Kuala Lumpur, comprises some strata-titled lots or units that are largely leased to a credible hospital operator, Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. ("GKL"). This AEI involved the conversion of part of the space situated on level eight, which was used as an auditorium by GKL, into spaces to support the hospital operations, which consist of new medical treatment rooms, consulting rooms, and other ancillary supporting functions like reception areas and staff room. At a capital outlay of approximately S$0.34 million, the returns from this maiden Malaysia AEI is attractive. With a fresh new 3+3 years tenancy with GKL for the Level 8 space, the gross rent will increase by 54%, with effect from 1 February 2014. With the Level 8 space representing 62.7% of the net lettable area of the Malaysia portfolio, the tenancy expiry profile of this portfolio is also greatly enhanced.

Gleneagles Intan Medical Centre

In line with our strategy to proactively manage our property to extract greater value, we had secured favourable rental rates at more than 50% higher than previous level for the expiring leases during the year. The Malaysia Portfolio is currently 100% occupied, and with the positive contributions from the attractive rental reversions and returns on AEI, the NPI yield of our Malaysia portfolio has improved significantly to approximately 6.6%.

Iyashi no Takatsuki Kan

Sawayaka Obatake Nibankan

GROWING WITH PRUDENT FINANCIAL MANAGEMENT

In 2013, PLife REIT continued to pro-actively lengthen its debt maturity. By 3Q 2013, PLife REIT has successfully refinanced and termed out all the existing loan facilities due in 2014, minimising any near-term refinancing risks. These facilities amounting approximately to S$146.3 million (which constituted 27% of its total loan portfolio) were extended by new loan tenures ranging 4 to 6 years, to ensure a good spread out in PLife REIT's debt maturity profile, so as to avoid a "bunching" effect of significant amount of loan expiring in a single year.

As at 31 December 2013, PLife REIT continues to enjoy a low average all-in-cost of debt of 1.47% with a lengthened weighted average debt maturity of 3.16 years.

PLife REIT continues to adopt a natural hedge strategy for the acquisition of its Japan properties, through the deployment of debt in Japanese Yen ("JPY"), to ensure that it remains insulated against potential foreign exchange and interest rate risks. Similar to its earlier financing structures for acquisitions, the seven properties acquired in 2013 are JPY debt financed. In the year, PLife REIT raised a maiden 6-year tenure bank loan at an attractive rate to fund its 2nd Japan acquisition, which was completed in September 2013. Such extended long dated loan facility authenticated the bank's confidence in PLife REIT's defensive portfolio and effective financial risk management.

To complement its natural hedge strategy, PLife REIT had in 2013 continued its prudent approach to fully hedge its net foreign income and largely hedged its interest rates exposure for the next few years. Hence, despite the weakening in Japanese Yen, PLife REIT remained unscathed as it registered a foreign exchange gain of S$1.7 million in 2013. Concomitantly, PLife REIT had also successfully extended the existing interest rate hedge for 4 to 5 years to match the extended maturity of the underlying re-financed loans.

With PLife REIT's gearing level healthy at 33%, its ample debt headroom and strong balance sheet continue to ensure that PLife REIT remains nimble to harness the growth opportunities in the region.

MARKET REVIEW & OUTLOOK

STAYING RESILIENT AMIDST UNCERTAINTY AND RISING INTEREST RATES

Towards the end of 2013, as the United States economy began to show signs of recovery, the U.S. Federal Reserve decided to scale back its monthly bond-buying programme, prompting market jitters that this will slow down the global economic recovery. More specifically, investors are concerned that tapering will increase borrowing costs for REITs, making their yields less attractive in an environment of rising interest rates. On the other hand, market experts opined that interest rates increases will affect all asset classes, not just REITs, and serious investors will pay more attention to underlying fundamentals, such as the track record of sponsors, the property managers and whether the REITs will give better growth[1]. In addition, investors tend to look for defensive plays as part of their portfolio diversification in volatile market conditions[2]. As a stable, defensive play with solid fundamentals, PLife REIT is in the position to take advantage of this sea-change in investors' sentiments.

RIDING ON JAPAN'S ECONOMIC RECOVERY AND THE DEMAND FOR ELDERLY HEALTHCARE SERVICES

With PLife REIT's well established position in Japan, it is also strategically placed to ride positive macroeconomics development in the country. Abenomics, implemented at the end of 2012, ended two decades of deflation, boosted growth and stimulated the financial markets. First quarter GDP growth in 2013 rose 4.1%; the Nikkei stock index rose by about 80% from September 2012 to mid-May 2013[3]. Bold structural reforms that combined fiscal stimulus and monetary easing helped strengthened external demand, providing a buoyant economic outlook in the near-term. Over the medium term, some of these gains are expected to be offset by a slowdown in labour supply due to an aging population.

Japan is the world's fastest aging developed economy. The number of elderly living in Japan's retirement or nursing homes has increased from approximately 75,000 in 1970 to more than 400,000 in 2007. This aging population is expected to swell to about 30.5% of the country's population in 2025, of which 60% of them will be above 75 years old[4]. As a more affluent silver generation, the rapidly ageing population in Japan is fuelling demand for specific and upmarket healthcare services.

Given the demand, the Japanese government has been looking at ways to contain public cost of healthcare by encouraging the shift of care from hospitals to residential and home-based settings, including private nursing homes. As such, private sector investors are setting their sights on properties in this sector and are intensifying efforts to acquire them. The Japanese government is exploring the introduction of healthcare REITs in the country and some investors are now aiming to establish healthcare REITs in a few years. The market for healthcare REITs is estimated at US$436.65 billion, due to the increase in healthcare costs and real-estate rentals in Japan[4].

[1] The Straits Times, 22 July 2013
[2] The Business Times, 24 July 2013
[3] International Monetary Fund, IMF Executive Board Concludes 2013 Article IV Consultation with Japan, 5 August 2013

WELL-POSITIONED IN SINGAPORE'S PREMIER HEALTH-CARE SYSTEM

In Singapore, recent government measures – such as the S$8 billion Pioneer Generation Package unveiled in February as part of the 2014 Budget, and the recent development of communities with retirement care facilities – showed that the healthcare market for the aging is also becoming more developed here.

With its world-class facilities, rigorous clinical research and efficient healthcare system, Singapore also ranks highly as a destination for medical tourism. According to statistics from the Ministry of Health and the Singapore Tourism Board, 35,959 medical tourists visited the city-state in 2011 and spent almost S$1 billion, an increase over 2010 and 2009. The majority of medical tourists opted for treatment at private hospitals. In May 2013, one of our assets, Gleneagles Hospital Singapore, was again named as a Top 10 World's Best Hospital for Medical Tourists™ in the annual ranking by the Medical Travel Quality Alliance.

MEETING THE GROWING HEALTHCARE NEEDS IN ASIA-PACIFIC

Fundamentally, PLife REIT is well-poised for growth in a sector that has proven resilient, regardless of macroeconomics and market volatility. As Asia-Pacific's economies become more developed and affluent, the demand for better quality healthcare becomes more pronounced. Overall, the Asia-Pacific regional healthcare expenditure per capita is expected to register a CAGR of 4.8% from 2012 to 2018[4]. All the Asia-Pacific countries are expected to nearly double their 2012 healthcare expenditure by 2018[4].

Increasing life expectancy is also resulting in a heightened demand for long-term medical care, especially for the elderly. Asia-Pacific countries are facing rapidly aging populations even as they progress economically. Over the next few years, approximately 11.3% of the region's population will be above 65 years old [4].

Private healthcare is likely to grow its market share. The rise in demand for quality healthcare, increase in disposable income and favourable government policies are leading to a trend of increasing investment in the private hospital sector in recent years. It is projected that revenues in the hospital sector in Asia-Pacific will account for more than a third of the global market by 2015[4].

In conjunction with the growth in the aged care and hospital sectors, we are also expecting further expansion in the other healthcare sectors such as biomedical, step-down care, medical education, medical research and development, blood bank and pathology in the Asia-Pacific region.

As one of Asia's largest healthcare REITs and a first mover in the Japan market, PLife REIT seeks to leverage on its core expertise to continue to meet the growing demand for quality healthcare in Asia Pacific. We look forward to expanding our presence to more countries in the Asia Pacific and a wider range of healthcare properties.

[4] Frost & Sullivan "Market Research Report on the Healthcare Services Industry in China, Japan and Malaysia," February 25, 2013

EQUIPPED WITH OUR EXPERIENCED TEAM

We have an experienced team driving our strategies. As leaders in their fields, their expertise, management skills and business acumen have been the source of our success to date. More importantly, their united belief in the fundamental mission of the company and their dedication to fulfilling this mission are the reasons we are well-equipped to weather tough times and soar in good times.

CORE STRATEGIES

1. TARGETED INVESTMENT
2. PROACTIVE ASSET MANAGEMENT
3. PRUDENT & DYNAMIC CAPITAL & FINANCIAL MANAGEMENT

EQUIPPED

SINCE IPO

DPU GROWTH

+70.9%

AUM GROWTH

+90.5%

COMPLETED 9 AEI AT ATTRACTIVE RETURNS

CONSISTENTLY OUT-PERFORMED STI & S-REIT INDEXES

BOARD OF DIRECTORS

MR. LIM KOK HOONG
Independent Director and Chairman

Mr. Lim is an Independent Director on the Board of several public listed companies in Singapore.

Mr. Lim has over 32 years of experience in public accountancy. He was a Senior Partner with Ernst & Young Singapore from 2002 to 2003, and prior to that, was the Managing Partner of Arthur Andersen Singapore from 1990 to 2002. He also previously held the position of Regional Managing Partner, Asean, for Arthur Andersen during the period from 2000 to 2002.

Mr. Lim graduated from the University of Western Australia in 1971 with a Bachelor of Commerce. He is a member of the Institute of Chartered Accountants in Australia and the Institute of Singapore Chartered Accountants (ISCA).

MR. PUAH TUAN SOON BENSON
Independent Director and Chairman of the Remuneration Committee

Mr. Puah has been the Chief Executive Officer (CEO) of The Esplanade Co Ltd (TECL) since 1998. He held a concurrent appointment as CEO of the National Arts Council (NAC) from 1 August 2009 to 31 July 2013. Prior to these appointments, he was the CEO of Temasia Health Pte Ltd, the international business and management arm of Health Corporation of Singapore (HCS), an entity linked to the Government of Singapore that invests and develops businesses in health services, from 1997 to 1998. From 1995 to 1997, Mr. Puah was the Director and Chief Executive of Sentosa Development Corporation (SDC), a government statutory board responsible for the development, management and promotion of Sentosa, Sentosa Cove and 11 off-shore islands. From 1982 to 1994, Mr. Puah worked in various senior positions in hotels, managed by global hotel operators ,including Mandarin Oriental Hotel Group in Hong Kong and Singapore, Shangri-la's Rasa Sentosa Resort in Singapore, Shangri-la Hotel Surabaya in Indonesia and Hilton International in Singapore, amongst others.

Mr. Puah graduated from the University of Surrey, Guildford in the United Kingdom with a Bachelor of Science in Hotel, Catering & Tourism Administration.

MR. TAN BONG LIN
Independent Director and Chairman of the Audit Committee

Mr. Tan has over 28 years experience working in financial institutions. Between 1990 and 2007, he was with Citigroup Global Markets Singapore Pte Ltd and was its Managing Director (MD) from 1991 to 2007.

His responsibility included overseeing the Smith Barney brokerage and advisory business. Prior to his appointment in Citigroup Global Markets Singapore Pte Ltd, he held various positions in Drexel Burnham Lambert (S) Pte Ltd, including as a Dealer, an Operations Manager and an Assistant General Manager, from 1980 to 1990. Mr. Tan was a member of the Finance Committee at Singapore Broadcasting Authority from 1997 to 2002.

Mr. Tan graduated from the University of Singapore in 1980 with a Bachelor of Accountancy.

DR. TAN SEE LENG
Non-Executive Director

Dr. Tan is the MD and CEO of IHH Healthcare Berhad and Group CEO and MD of Parkway Pantai Limited.

Dr. Tan first joined Parkway Holdings Limited in September 2004 as Chief Operating Officer (COO) of Mount Elizabeth Hospital. He was subsequently appointed Senior Vice President, International Operations in November 2006 and was later seconded to Pantai Holdings Berhad as CEO of the Hospitals Division, a position he held till February 2008. In 2009, Dr. Tan held the position of Executive Vice President of Singapore and Malaysia Operations at Parkway till April 2010 when he was appointed as MD and CEO of Parkway Holdings Limited. Due to the restructuring of the Group, Dr. Tan became the Group CEO and MD of Parkway Pantai Limited in May 2011. On 5 April 2012, Dr. Tan was appointed as Executive Director of IHH Healthcare Berhad. He subsequently took the helm as MD and CEO on 1 January 2014.

Prior to joining Parkway and Pantai, Dr. Tan founded a private primary healthcare group in Singapore. Dr. Tan has over 20 years of experience in the healthcare industry and is an active member of various medical committees in Singapore. This includes serving as an Appointed Member on the Ministry of Health's Steering Committee for Primary Healthcare for the country for 2010 in 2003.

In 2007, Dr. Tan successfully organised the 18th Wonca World Conference in Singapore which netted the College of Family Physicians Singapore (CFPS) a net profit of more than US$1.3 million. In recognition of his contribution to CFPS, Dr. Tan was awarded the prestigious Albert and Mary Lim award – the highest accolade, awarded for contribution and services rendered to the College and to the discipline of Family Medicine.

BOARD OF DIRECTORS

From 2008 to 2010, Dr. Tan served as Chairman of CFPS Holdings Pte Ltd, and thereafter, as its non-executive director from 2010 to present. He also held the position of Vice President CFPS Holdings Pte Ltd from 2011 to 2013. Dr. Tan has also been a member of the Board of Trustees of College of Family Physicians Singapore since 2009.

In 2011, Dr. Tan was appointed as Adjunct Assistant Professor in the Duke-NUS Graduate Medical School Singapore.

In 2012, Dr. Tan was appointed a Council Member of the Singapore-Guangdong Collaboration Council to deepen Singapore's engagement with Guangdong and to benefit Singapore businesses through joint exploration of new opportunities in the province.

In November 2013, Dr. Tan was appointed as a Member of the MediShield Life Review Committee, Ministry of Health, Singapore

Dr. Tan holds an MBBS as well as a Master of Medicine (Family Medicine) from the National University of Singapore. In addition, Dr. Tan also has a Master of Business Administration from the University of Chicago Booth School of Business.

MR. AHMAD SHAHIZAM BIN MOHD SHARIFF
Non-Executive Director

Mr. Ahmad is Parkway Pantai Limited's Executive Director. He heads Parkway's Corporate Services functions and is responsible for leading all corporate functions of the Group including Human Resources, Information Technology, Legal & Risk Management and Corporate Communications.

Prior to joining Parkway, he was Director, Investments of Khazanah Nasional Berhad, where he was responsible for investments in the healthcare and power sectors. He first joined Khazanah Nasional Berhad in 2004 and as Director, Communications & External Relations Unit, he was Khazanah's spokesperson and was also responsible for Khazanah's communications strategy for media, investor, government and stakeholder relations. He graduated from the London School of Economics and Political Science with a Bachelor of Laws and he also holds a Master in Public Administration from Harvard University.

Mr. Ahmad has been a Board member of Parkway since 2008 and is also a Board member of Pantai Holdings Berhad and IMU Health Sdn Bhd.

MR. TAN SEE HAW
Non-Executive Director

Mr. Tan joined Parkway Holdings Limited (the Sponsor) as the Group Chief Financial Officer (CFO) on 5 January 2009 and was appointed the Group CFO of Parkway Pantai Limited upon its acquisition of both the Sponsor and Pantai Irama Ventures Sdn Bhd on 28 April 2011. On 10 January 2013, Mr. Tan was appointed as Chief Financial Officer of IHH Healthcare Berhad.

Prior to his appointment with the Sponsor, Mr. Tan was a Vice President in Unisem (M) Bhd and concurrently, he was also the CFO of Advanced Interconnect Technologies (AIT), a position which he held since 1999. As the CFO of AIT, Mr. Tan was head of the Group Finance and Purchasing globally. Before joining AIT, Mr. Tan held key regional finance positions for major corporations such as Asia-Pacific Breweries Ltd (Director of Group Finance) and Pepsi-Cola International (Asia Division Financial Controller). He also held finance and audit positions at NL Petroleum (Far East) Pte Ltd and Price Waterhouse & Co.

Mr. Tan graduated with a Bachelor Degree in Accountancy from the former Singapore University in 1980. He is also a Fellow of the ISCA.

DR. LIM SUET WUN
Non-Executive Director

Dr. Lim is the Executive Vice President, Singapore Operations Division of Parkway Pantai Ltd.

Dr. Lim has more than 25 years of experience in the healthcare sector. Before joining Parkway in 2011, he was the CEO of National Healthcare Group (NHG) and Tan Tock Seng Hospital (TTSH). In 2003, Dr. Lim led the TTSH team through the SARS crisis, when TTSH was designated SARS hospital for the whole of Singapore. For his leadership, he was awarded the Public Service Star (BBM) by the President of Singapore.

Before this, Dr. Lim held the positions of CEO of the National University of Hospital and COO of KK Women's Hospital.

From 2011 to 2012, Dr. Lim was Chairman to the Board of Joint Commission International (JCI), the world's leading international healthcare accreditation organisation. Dr. Lim was also previous Chairman of Johns Hopkins International Medical Center (Singapore), and served on the Boards of the Ministry of Health Holdings Pte Ltd, National University Health System Pte Ltd and Singapore's National Nursing Board. He headed several Ministry of Health committees, including the review of the country's Medishield Insurance scheme in 2005.

Dr. Lim is currently a Member of the Central Provident Fund (CPF) Board and a member of the council of the Singapore National Employers Federation.

A doctor by training, Dr. Lim also has Masters in Business Administration and Masters in Public Health from the University of California, Los Angeles (UCLA).

BOARD OF DIRECTORS

MR. YONG YEAN CHAU
Chief Executive Officer and Executive Director

Mr. Yong is the CEO and Executive Director of Parkway Trust Management Limited, the manager of Parkway Life REIT. He joined Parkway Trust Management Limited as CFO in February 2008 and was promoted to CEO in December 2008. Mr. Yong was previously the CFO of the Singapore Tourism Board, overseeing its finance and corporate services functions. Prior to that, he was the CFO of Ascendas Pte Ltd (Ascendas). During his tenure with Ascendas, he was seconded to China-Singapore Suzhou Development Ltd and Singapore-Suzhou Township Development Pte Ltd as the CFO in Suzhou, China. Before joining Ascendas, Mr. Yong held other finance and audit positions in Beijing ISS International School, Housing and Development Board and Arthur Andersen.

Mr. Yong graduated from the National University of Singapore with a Bachelor of Accountancy (Honours) and was conferred a Fellow Chartered Accountant of Singapore by the ISCA. He has also completed the Advanced Management Programme with Harvard Business School.

BOARD OF DIRECTORS—SUMMARY

Name of director	Date of appointment	Function (s)	Academic and professional qualifications	Directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments
Lim Kok Hoong Age: 66	5/7/2007	Non-Executive/ Independent Director, Chairman of Board and Member of Audit Committee	Bachelor of Commerce, Chartered Accountants, Australia, CPA Singapore	Hoe Leong Corporation Ltd, Genting Singapore PLC, Global Logistics Properties Ltd, Amtek Engineering Ltd, Sabana Real Estate Investment Management Pte Ltd
Puah Tuan Soon Benson Age: 57	5/7/2007	Non-Executive / Independent Director, Chairman of Remuneration Committee and Member of Audit Committee	B. Sc (Hons) – Hotel, Catering & Tourism Administration	The Esplanade Co Ltd, SISTIC.com Pte Ltd, Ascendas Hospitality Fund, Management Pte Ltd, Ascendas Hospitality Trust, Management Pte Ltd, National Arts Council, The National Art Gallery Singapore Company Limited, Singapore Arts School Ltd
Tan Bong Lin Age: 57	5/7/2007	Non-Executive / Independent Director, Chairman of Audit Committee and Member of Remuneration Committee	Bachelor of Accountancy	-
Dr. Tan See Leng Age: 49	21/6/2011	Non-Executive Director and Member of Remuneration Committee	MBBS, MMed, FCFPS, MBA (ChicagoBooth)	Managing Director and Chief Executive Officer of IHH Healthcare Berhad, Group Chief Executive Officer and Managing Director of Parkway Pantai Limited, Executive Director of Parkway Holdings Limited, Chairman, Executive Director and Vice President of CFPS Holdings Pte Ltd, Member of the Board of Trustees of College of Family Physicians Singapore, Member of the MediShield Life Review Committee, Ministry of Health, Singapore
Ahmad Shahizam Bin Mohd Shariff Age: 43	21/6/2011	Non-Executive Director	LL.B (Hons), Master in Public Administration	IHH Healthcare Berhad, Parkway Pantai Limited, Parkway Holdings Limited, Pantai Holdings Berhad
Tan See Haw Age: 57	9/1/2009	Non-Executive Director	B.ACC, Fellow Chartered Accountant of Singapore	-
Dr. Lim Suet Wun Age: 54	26/2/2014	Non-Executive Director	MBBS, National University of Singapore MPH, UCLA MBA, UCLA	Executive Vice President, Singapore Operations Division of Parkway Pantai Ltd, Director, Parkway Holdings Ltd, Director, CPF Board, Deputy Honorary Secretary, Singapore National Employers Federation
Yong Yean Chau Age: 48	29/1/2009	Executive Director/Chief Executive Officer	B.ACC (Hons), Fellow Chartered Accountant of Singapore	Hiap Tong Corporation Ltd

MANAGEMENT TEAM

MR. YONG YEAN CHIAU
Chief Executive Officer and Executive Director

(Please see biography under Board of Directors)

MR. LOO HOCK LEONG
Chief Financial Officer

Mr. Loo brings with him 19 years of extensive banking and corporate experience. He was previously the Senior Vice President, Corporate Advisory of Global Financial Markets with DBS Bank Ltd. He has provided advisory services on corporate treasury management to large corporations in area of corporate finance and merger & acquisition. He has extensive experience in the financial structuring of interest rate and foreign exchange risk management solutions for these clients.

Mr. Loo graduated from the National University of Singapore with a Bachelor of Electrical Engineering (Hons) degree in 1995. In 2000, he obtained a Masters of Applied Finance from the Macquarie University with three distinguished awards: Best Overall Performance, Best in Derivatives Valuation and Best in Legal & Tax Risk in Finance.

MR. TAN SEAK SZE

Senior Vice President, Investment, Asset Allocation and Strategic Research

Mr. Tan was the Vice President, Investment of CapitaLand Group before joining Parkway Life REIT. He was responsible for the investment activities of CapitaLand's retail business unit in India. Prior to this, he worked for two years in the Philippines as the Chief Operating Officer of a business process outsourcing firm. In 2004, he was seconded by Ascendas Pte Ltd (Ascendas) to the position of Chief Executive Officer of L&T Infocity-Ascendas Ltd, a developer company of IT complexes in Hyderabad, India. In 2003, he was the Finance Manager of Ascendas-MGM Funds Management Limited. Prior to this, he was Assistant Vice President, Corporate Finance of Ascendas, and was responsible for the Ascendas Group's domestic and international financing programmes including cross border financing and strategically managed the group's capital structure.

From 1994 to 2000, Mr. Tan was with JTC International Pte Ltd where he joined as a Business Development Officer and eventually assumed the post of Senior Manager, Investment and Planning.

During this period, Mr. Tan accumulated regional work experience in areas ranging from project evaluation, financial modelling, financial structuring, marketing with extensive exposure to strategic planning. After graduation, Mr. Tan was with the Corporate Banking Department (Real Estate Division) of DBS Bank Ltd from 1991 to 1994. He was responsible for the marketing and credit assessment of the portfolios of the bank's real estate corporate clients.

Mr. Tan holds a Master of Business Administration with High Honours from the University of Chicago, Graduate School of Business and a Bachelor of Arts with Honours in Accounting and Law from the University of Kent at Canterbury, United Kingdom.

MS. LIU CHEN YIN

Vice President, Asset Management, Strategic and Corporate Planning

Ms. Liu brings with her 14 years of experience in the areas of valuation, marketing and leasing, investment and asset management.

Prior to her appointment with the Manager, she was with CapitaCommercial Trust Management Limited, the manager of CapitaCommercial Trust (CCT). She was involved in the sourcing and evaluating of potential investment opportunities, as well as the development and implementation of asset management strategies and plans for CCT's asset portfolio.

From 2002 to 2006, she was with City Developments Limited, where she was responsible for the marketing and leasing of its office portfolio. From 1999 to 2002, she was a Senior Valuer with CKS Property Consultants Pte Ltd.

Ms. Liu graduated from National University of Singapore in 1999 with a Bachelor of Science (Honours) degree in Real Estate. She is also a registered licensed appraiser.

MANAGEMENT TEAM

MS. TEO CHIN PING
Assistant Vice President, Asset Management

Ms. Teo brings with her 18 years of experience in the field of architecture design, master planning, management and administration of projects in Singapore and overseas.

Prior to her current appointment, Ms. Teo was a project manager with Thomson International Health Services Pte Ltd (TIHS). While at TIHS, Ms. Teo worked on the International Women and Children Hospital and a Fertility Centre proposal in Vietnam. She also worked with Singapore General Hospital on an addition and alteration project for the Department of Emergency Medicine, as well as design and renovation for various departments within the hospital.

Ms. Teo was stationed in Kunming, China, briefly while working on a hospital project there. She also has experience with some school and residential projects in Singapore for PMLink Pte Ltd. She was with ACP Construction Pte Ltd prior to her role with PMLink Pte Ltd, where she worked on Biopolis II. Ms. Teo joined ST Architects & Engineers Pte Ltd after graduation, where she worked on master planning in Jordan, an international airport proposal in Myanmar, factories in China, office towers, conventional and automated warehouses as well as the Changi Naval Base in Singapore.

Ms. Teo graduated from University of Tasmania, Australia in 1995 with a Bachelor of Architecture. She is also a Qualified Architect with the Board of Architects, Singapore.

MS. PATRICIA NG
Assistant Vice President (Head of Finance)

Ms. Ng brings with her more than 13 years of accounting and finance practice in several public listed companies.

Prior to her appointment in the Manager, Ms. Ng has worked in Serial Microelectronics Pte Ltd (a wholly-owned subsidiary of Serial System Limited), Raffles Medical Group, Stratech Systems Limited and Watson's Personal Care Stores Pte Ltd. Her experience encompasses financial and management reporting, consolidation, taxation, cash management, budgeting, compliance and risk management functions.

Ms. Ng graduated with the professional qualification from the Association of Chartered Certified Accountants and is a Chartered Accountant with ISCA. She also holds an Executive Master of Business Administration from the University of Hull Business School, United Kingdom.

MR. SHAWN YAP
Assistant Vice President, Asset Management

Mr. Yap brings with him 12 years of experience in the real estate sector, mainly in the areas of real estate asset management, marketing and leasing.

Prior to his appointment at Parkway Trust Management Limited, he was a manager with CapitaLand Commercial Limited. His responsibilities included managing commercial and industrial assets, monitoring and evaluating financial performance of assets, developing and implementing of asset management strategies, as well as conducting studies to maximise asset yields. He was also involved in the divestment of CapitaLand's commercial assets, mainly Temasek Tower, Hitachi Tower and Chevron House.

From 2002 to 2004, he was with Singapore Land Authority, where he gained considerable experience in marketing, managing and leasing of State properties. He was also involved in the formulation of policy papers.

Mr. Yap graduated from National University of Singapore in 2001 with a Bachelor of Business Administration (Honours) degree, majoring in Finance.

SHARPENED FOR THE FUTURE

We never rest on our laurels. That is why we are always reviewing our strategies, reassessing our direction and re-evaluating our status quo. In an environment where change is the only constant, we aim to stay ahead of the curve. Only by sharpening our vision and refining our platforms for the future can we continue to thrive in a competitive space.

SHARPENED

AS AT 31 DECEMBER 2013

QUALITY PORTFOLIO

44 ASSETS

VALUED AT S$1.5BILLION

DIVERSIFIED REACH

3 STRATEGIC LOCATIONS ACROSS VARIED ASSET CLASSES

1. 100% UNENCUMBERED LOANS
2. INVESTMENT GRADE BBB CREDIT RATING
3. PRUDENT HEDGING POLICY

ROBUST

FINANCIAL POSITION

STRONG

BALANCE SHEET

LOW ALL-IN DEBT COST OF **1.47%**

WEIGHTED AVERAGE TERM TO MATURITY AT **3.16YEARS**

HEALTHY GEARING LEVEL **33%**

FINANCIAL HIGHLIGHTS

SUSTAINABLE PORTFOLIO GROWTH THROUGH THE YEARS

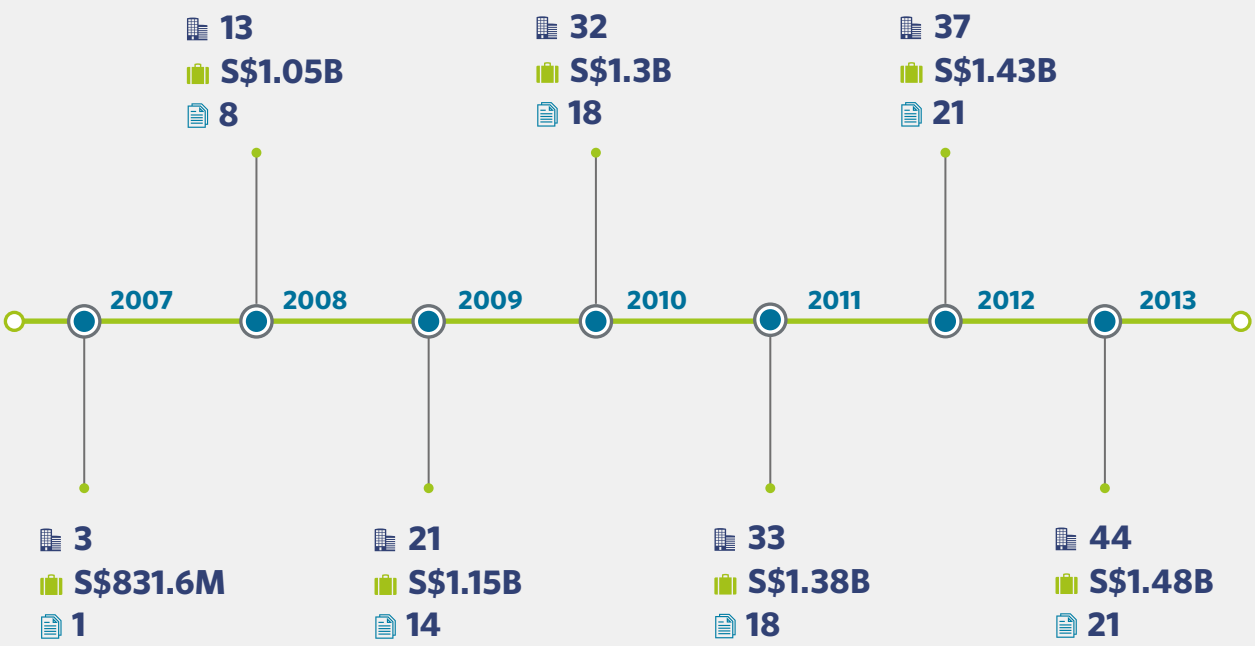
With a multi-pronged approach focused on seeking acquisition growth opportunities, driving organic growth while deploying prudent financial management strategies, PLife REIT continues to deliver and grow its portfolio to 44 healthcare assets valued at approximately S$1.5 billion, as at 31 December 2013.

STRONG AUM GROWTH

NUMBER OF PROPERTIES

PORTFOLIO VALUE[1] (S$)

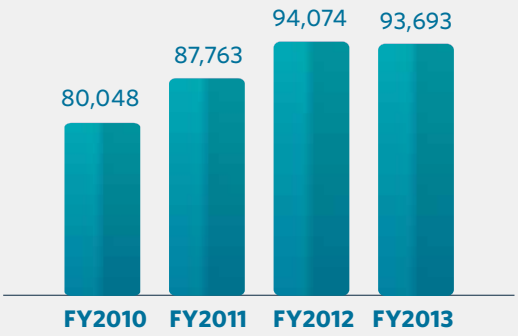
NUMBER OF LESSEES



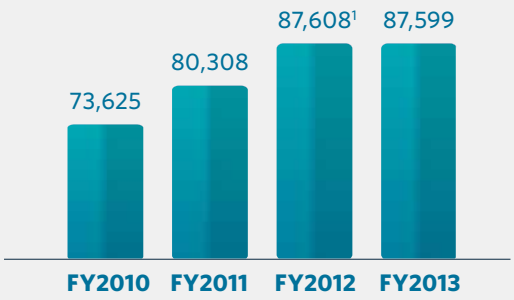
[1] Total portfolio value as at 31 December of each year from 2007 to 2013

STEADY FINANCIAL PERFORMANCE AT A GLANCE

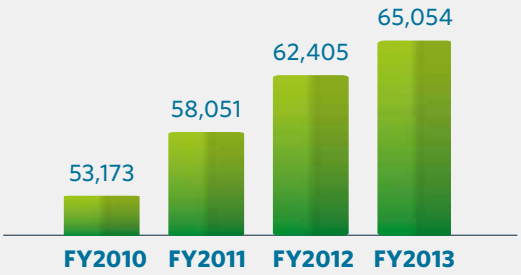
GROSS REVENUE (S$'000)



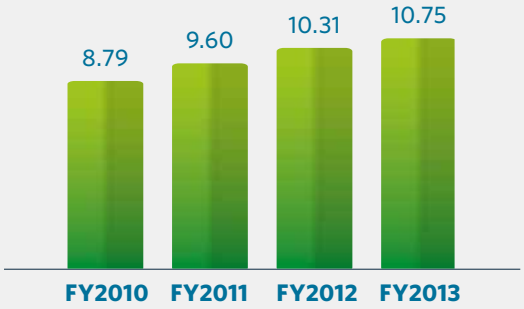
NET PROPERTY INCOME (S$'000)



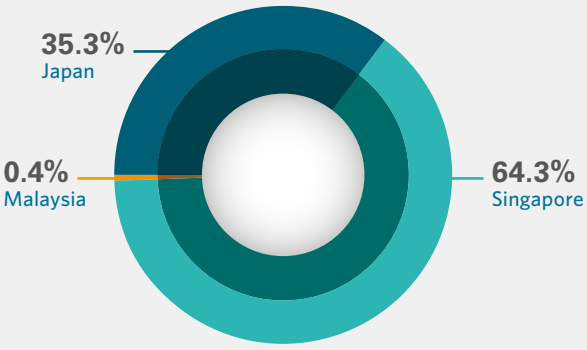
DISTRIBUTABLE INCOME (S$'000)



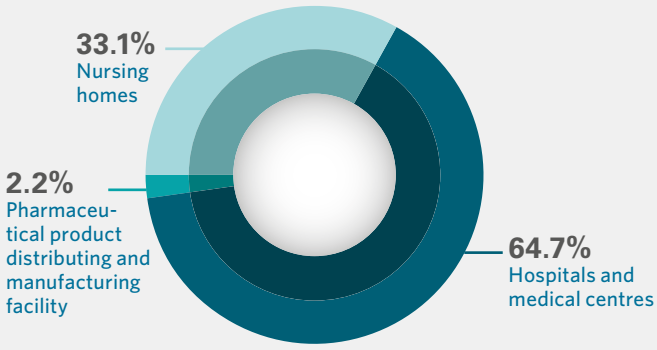
DISTRIBUTION PER UNIT(SINGAPORE CENTS)[2]



FY2013 GROSS REVENUE BREAKDOWN BY GEOGRAPHY (%)[3]



FY2013 GROSS REVENUE BREAKDOWN BY ASSET CLASS (%)[3]



[1] Reclassification of certain property expenses to management fees.
[2] The number of units used to calculate the DPU comprise of units in issue and issuable as at 31 December of 2013, 2012, 2011 and 2010 respectively.
[3] As at 31 December 2013.

FINANCIAL HIGHLIGHTS

ROBUST FINANCIAL POSITION

PLife REIT's robust balance sheet builds its resilience against market uncertainties and provides it access to attractively-priced funding to support its future growth.

BALANCE SHEET AT A GLANCE

as at 31 December 2013 (in S$'000)

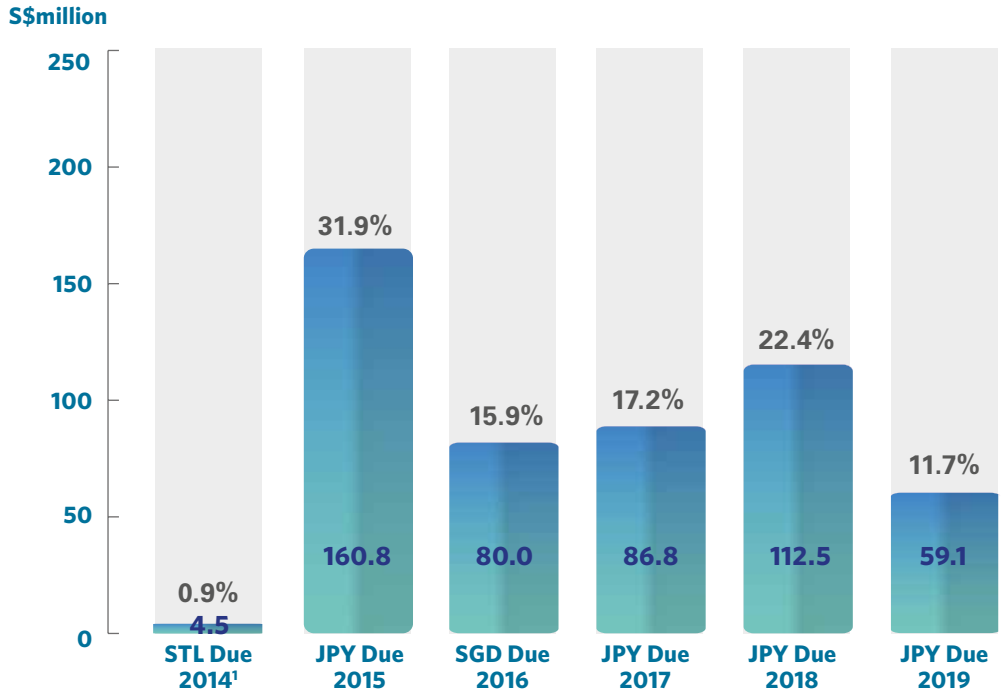
GEARING[2] 33.0%

TOTAL ASSETS	1,528,155
UNITHOLDERS' FUNDS	985,798
TOTAL DEBT[1]	503,677

Notes
1. Total Gross Borrowings before transaction costs
2. Total Debt divided by Total Assets

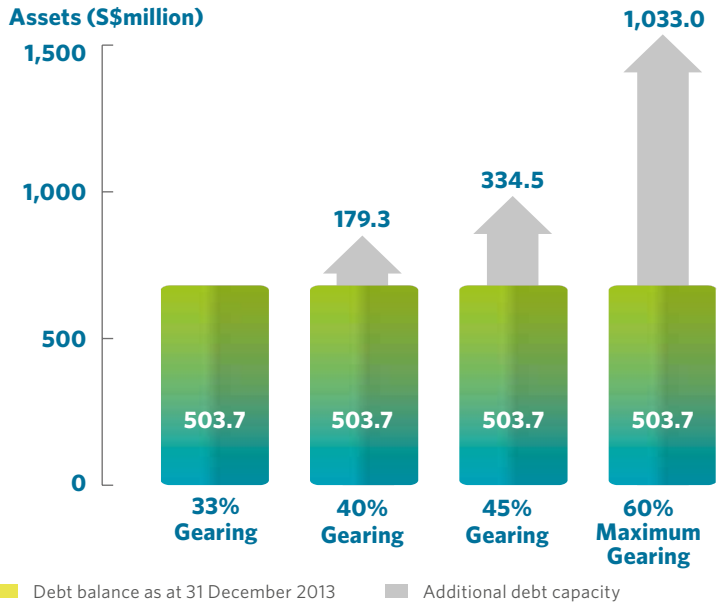
HEALTHY WEIGHTED AVERAGE TERM TO LOAN MATURITY OF 3.16 YEARS WITH LOW EFFECTIVE ALL-IN DEBT COST OF 1.47%

Debt Maturity Profile, as at 31 December 2013



[1] A total of S$4.4million and JPY6.0million(S$0.1million) were drawn down via the short term loans for general working capital purposes.

AMPLE DEBT HEADROOM OF S$334.5 MILLION BEFORE REACHING 45% GEARING LEVEL



SIGNIFICANT EVENTS

24th JANUARY 2014

- Announced 4Q 2013 results: Gross revenue increased 3.1% year-on-year to S$24.74 million. Distributable income (after deducting income retained for capital expenditure) increased 4.5% year-on-year to S$17.04 million.
- DPU of 2.82 cents for the period declared.
- Announced the implementation of Asset Enhancement Initiatives for three properties – two of the Japan nursing home and the Malaysia portfolio at attractive ROI ranging from 10% to 21.2%.

7th NOVEMBER 2013

- Announced 3Q 2013 results: Gross revenue increased 2.4% year-on-year to S$23.35 million. Distributable income (after deducting income retained for capital expenditure) increased 3.5% year-on-year to S$16.12 million.
- DPU of 2.66 cents for the period declared.
- Completed the pre-emptive refinancing exercise to ensure PLife REIT has no refinancing needs for its existing debt portfolio until FY2015.
- Proactively extended its Japanese Yen denominated net income forward hedge for another 4 to 5 years, insulating PLife REIT from volatility in the Japanese Yen exchange rate and enabling it to maintain stable distributable income to unitholders.

30th SEPTEMBER 2013

- Announced the completed acquisition of five Japan nursing homes from K.K. Sawayaka Club., a wholly-owned subsidiary of K.K. Uchiyama Holdings. The nursing homes are Sawayaka Seaside Toba, Sawayaka Niihama-kan, Sawayaka Mekari Niban-kan, Sawayaka Kiyota-kan and Sawayaka Minato-kan.

9th MAY 2013

- Announced 1Q 2013 results: Gross revenue increased 1.1% year-on-year to S$23.03 million. Distributable income (excluding IRAS tax adjustment in 2012, and after deducting income retained for capital expenditure) increased 7% year-on-year to S$15.97 million.
- DPU of 2.64 cents for the period declared.

12th JULY 2013

- Announced the completed acquisition of two Japan nursing homes from Yugen Kaisha KSLC, a wholly-owned subsidiary of Kenedix Inc, namely Palmary Inn Shin-Kobe and Heart Life Toyonaka.

1st AUGUST 2013

- Announced 2Q 2013 results: Gross revenue decreased 3.5% year-on-year to S$22.58 million. Distributable income (after deducting income retained for capital expenditure) increased 6.1% year-on-year to S$15.93 million.
- DPU of 2.63 cents for the period declared.
- Annouced the 4.44% increase in the Minimum Guaranted Rent for seventh year of lease term commencing 23 August 2013 for Singapore Hospital Properties, under the CPI +1% rental revision formula.
- Fitch affirmed "BBB" Investment Grade Rating with "Stable" outlook.

FINANCIAL REVIEW

STEADY INCOME

PLife REIT continued to deliver steady growth in Distribution Per Unit ("DPU") during the year. FY2013 DPU grew by 4.2% year-on-year to 10.75 Singapore cents, achieving a historical record in payout.

In the reporting year, the Group saw positive contributions from the acquisitions of yield-accretive Japanese nursing homes of S$83.2 million, as well as higher contributions from existing properties due to higher rent from the various asset enhancement initiatives carried out at our Japanese properties. In addition, we saw upward minimum guarantee rent revision of the Singapore Hospital Properties by 4.44%, under the CPI+1% rental review mechanism for its seventh year of lease term commencing 23 August 2013. However, these contributions were offset by the weakened Japanese Yen exchange rate[1].

As a result, FY2013 gross revenue decreased slightly by 0.4% to S$93.7 million, largely due to the weakened Japanese Yen exchange rate which has fallen by 18% during the year. Net property income remained stable at S$87.6 million in FY2013.

Notwithstanding the volatile Japanese Yen exchange rate, the income hedge strategy adopted by PLife REIT for the Japanese Yen income continued to deliver positive impact. Through this hedging strategy, PLife REIT was able to maintain stable distributions to Unitholders even in these turbulence times, with the Group recording a realised foreign exchange gain of S$1.7 million in FY2013 to counter the negative impact of the depreciating Japanese Yen. Furthermore, PLife REIT was also protected from exposure to potential foreign currency fluctuations for its Japanese investments by adopting a natural hedge strategy.

Accordingly, distributable income increased 4.2% to S$65.1 million in FY2013. Excluding a one-off IRAS tax adjustment of S$0.7 million in FY2012, the DPU growth would have been 5.5%.

HEALTHY BALANCE SHEET

Through prudent and pre-emptive capital management measures, PLife REIT continues to maintain its robust financial position in FY2013.

Leverage and Borrowings

As at 31 December 2013, PLife REIT's total debt was S$503.7 million, with a weighted average term to maturity of 3.16 years. The increase in total debt, compared to S$484.1 million as at 31 December 2012, was due mainly to the drawdown of loan facilities to finance the acquisitions in July and September 2013.

As part of ongoing efforts to strengthen its balance sheet, PLife REIT has been proactively lengthening its debt maturity profile to eliminate near-term refinancing risks ahead of time. By 30 September 2013, PLife REIT has successfully completed the pre-emptive terming out all of its debts due in FY2014. By terming out its existing debts for the next 4 to 5 years, PLife REIT has minimised any near-term refinancing risks.

PLife REIT's gearing continued to remain healthy at 33.0% as at 31 December 2013. This is well within the gearing cap of 60% allowed under the Monetary Authority of Singapore Property Funds Appendix. Alongside, PLife REIT has put in place a S$500 million Multicurrency Medium Term Note Programme and S$150 million short term facilities to support any unforeseen liquidity requirements. With healthy gearing and ample funding from diversified sources, PLife REIT is in a good position to capitalise on opportunities when it arises.

[1] The Group has locked in the Japan net income hedge for the next 3 to 4 years. As such, the impact of the depreciating Japanese Yen is countered by the foreign exchange gain from the net income hedge at the distributable income level.

FINANCIAL REVIEW

Cash Flow

PLife REIT is in a net cash position with cash and cash equivalents for the year standing at S$25.6 million[2], compared to S$28.4 million in FY2012.

Cash inflow from operating activities for FY2013 increased to S$76.4 million from S$73.8 million in FY2012, due mainly to additional operating cash flows from existing properties and from the properties acquired in 2012 and 2013. This also includes the security deposits received on the newly acquired properties in 2013.

Cash outflow for investing activities for FY2013 increased to S$90.0 million, from S$60.6 million in the previous year. This was mainly due to more nursing home properties acquired in 2013.

Cash outflow from financing activities in FY2013 are primarily from the distributions to Unitholders. This was, however, offset by the loans drawn down to fund the acquisitions in the reporting year. The redemption of the balance principal amount of S$14.25 million Floating Rate Notes was refinanced by the drawdown of the long term facility.

Assets and Asset Valuation

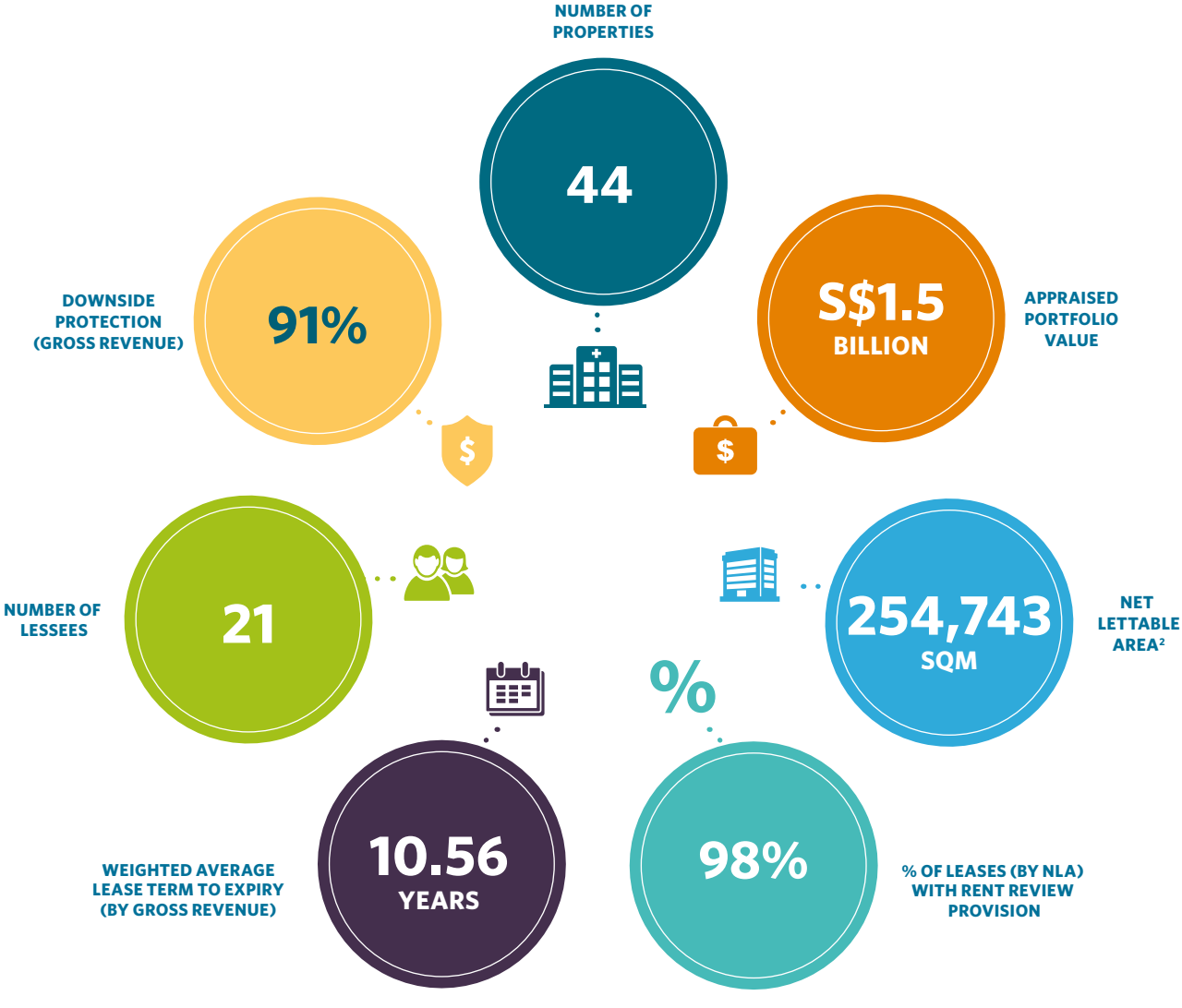
As at 31 December 2013, PLife REIT's property portfolio comprised of 44 high quality healthcare assets, valued approximately at S$1.5 billion[3]. The increase in asset value is contributed by the acquisition of a total of seven nursing home properties in July and September 2013. Further, in the reporting year, the Group recorded a valuation gain of 2.2% or S$32.0 million for its existing properties.

[2] Excludes a cash deposit of JPY154.4 million (S$1.9 million and S$2.2 million as at 31 December 2013 and 31 December 2012 respectively) placed with the Group by a vendor, for the purpose of rental income guarantee.

[3] According to independent valuations by CBRE Pte. Ltd., Colliers International, DTZ Debenham Tie Leung K.K., DTZ Nawawi Tie Leung and International Appraisals Incorporated, based on the exchange rate of S$1.00 to JYP82.9 and S$1.00 to RM2.59.

PORTFOLIO HIGHLIGHTS

KEY PORTFOLIO STATISTICS[1]



[1] As at 31 December 2013

[2] Based on aggregate strata areas for Mount Elizabeth Hospital, Gleneagles Hospital and Gleneagles Intan Medical Centre Kuala Lumpur, gross floor area for Parkway East Hospital and net lettable areas for the 40 Japan properties.

PORTFOLIO HIGHLIGHTS

KEY STRENGTHS & FEATURES OF OUR PORTFOLIO[1]

BENEFICIARY OF RISING DEMAND FOR PRIVATE HEALTHCARE IN GROWING HEALTHCARE SECTOR

STRENGTHS

WELL DIVERSIFIED PORTFOLIO

BY GEOGRAPHY[2]
- SINGAPORE (64.3%)
- JAPAN (35.3%)
- MALAYSIA (0.4%)

BY ASSET CLASS[2]
- HOSPITALS AND MEDICAL CENTRES (64.7%)
- NURSING HOMES (33.1%)
- PHARMACEUTICAL PRODUCT DISTRIBUTING AND MANUFACTURING FACILITY (2.2%)

LEASES
46 LEASES WITH 21 QUALITY TENANTS

SINGAPORE	JAPAN	MALAYSIA
3 HOSPITALS	39 NURSING HOMES 1 PHARMACEUTICAL PRODUCT DISTRIBUTING AND MANUFACTURING FACILITY	STRATA-TITLED UNITS/LOTS (REPRESENTING 23.1% OF THE TOTAL SHARE VALUE OF THE MEDICAL CENTRE)

QUALITY PORTFOLIO

FAVORABLE LEASE STRUCTURES ENSURE PORTFOLIO RESILIENCY

SINGAPORE
1. LONG TERM MASTER LEASE OF 15+ 15 YEARS WITH EFFECT FROM 23 AUGUST 2007
2. TRIPLE NET LEASE ARRANGEMENT WITH MINIMAL EXPOSURE TO ESCALATING OPERATING EXPENSES
3. CPI+1% RENT REVIEW FORMULA GUARANTEES MINIMUM 1% RENTAL GROWTH

JAPAN
1. LONG TERM MASTER LEASE STRUCTURE WITH WEIGHTED AVERAGE LEASE TERM TO EXPIRY OF 14.15 YEARS
2. NURSING HOME PORTFOLIO INNOVATIVE STRUCTURE: ADDED RENTAL SECURITY WITH BACKUP OPERATOR ARRANGEMENT, AND LEASE/ RENTAL GUARANTEE
3. "UP-ONLY' RENTAL REVIEW PROVISION FOR MOST OF THE NURSING HOMES

MALAYSIA
1. SHORTER MULTI-TENANCY ARRANGEMENT WILL SERVE AS ADDED ORGANIC GROWTH KICKER THROUGH MORE REGULAR RENT REVERSIONS
2. 100% OCCUPIED WITH GOOD TENANT PROFILE; BULK OF SPACE IS LEASED TO A STRONG HEALTHCARE OPERATOR

[1] As at 31 December 2013
[2] Based on Gross Revenue as at 31 December 2013

PORTFOLIO SUMMARY - A DIVERSIFIED PORTFOLIO WITH QUALITY TENANT BASE

Asset Type	Location	Properties	Lessee(s)
Hospitals and Medical Centres	Singapore	1. Mount Elizabeth Hospital 2. Gleneagles Hospital 3. Parkway East Hospital	Parkway Hospitals Singapore Pte. Ltd.
	Malaysia	4. Gleneagles Intan Medical Centre, Kuala Lumpur	Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. CIMB Bank Berhad
Nursing Homes	Japan	5. Bon Sejour Shin-Yamashita 6. Bon Sejour Ibaraki	Benesse Style Care Co., Ltd
		7. Palmary Inn Akashi 8. Palmary Inn Suma 9. Palmary Inn Shin-Kobe	Asset Co., Ltd
		10. Senior Chonaikai Makuhari Kan 11. Iyashi no Takatsuki Kan	Riei Co., Ltd
		12. Himawari Home Kamakura	Chojukaigo Centre, Inc
		13. Smiling Home Medis Musashi Urawa 14. Smiling Home Medis Koshigaya Gamo	Green Life Higashi Nihon
		15. Fureai no Sono Nerima Takanodai 16. Fureai no Sono Musashi Nakahara	Y.K. Shonan Fureai no Sono
		17. Amille Nakasyo	Message Co., Ltd; Shakai Fukushi Houjin Keiyu-Kai
		18. Hapine Fukuoka Noke	Green Life Co., Ltd
		19. Fiore Senior Residence Hirakata	K.K. Vivac
		20. Supercourt Kadoma 21. Supercourt Takaishi-Hagoromo	City Estate Co., Ltd
		22. Maison des Centenaire Ishizugawa 23. Maison des Centenaire Haruki	Miyako Kenkoukai Medical Corporation
		24. Sawayaka Obatake Ichibankan 25. Sawayaka Obatake Nibankan 26. Sawayaka Shinmojikan 27. Sawayaka Nokatakan 28. Sawayaka Nogotakan 29. Sawayaka Sakurakan 30. Sawayaka Fukufukukan 31. Sawayaka Higashikagurakan 32. Sawayaka Parkside Shinkawa 33. Sawayaka Hirakatakan 34. Sawayaka Seaside Toba 35. Sawayaka Niihamakan 36. Sawayaka Minatokan 37. Sawayaka Mekari Nibankan 38. Sawayaka Kiyotakan	K.K. Sawayaka Club
		39. As Heim Nakaurawa	As Partners Co., Ltd
		40. Legato Higashi-Sumiyoshi 41. Legato Katano	Planning Care Co., Ltd
		42. Royal Residence Gotenyama	Shakai Fukuishi Sougou Kenkyujo
		43. Heart Life Toyonaka	K.K. Nihon Kaigo Iryo Centre
Pharmaceutical product manufacturing and distributing facility		44. P-Life Matsudo	Nippon Express Co., Ltd

PORTFOLIO HIGHLIGHTS

OUR PRESENCE IN ASIA PACIFIC

SINGAPORE

Singapore

1. Mount Elizabeth Hospital
2. Gleneagles Hospital
3. Parkway East Hospital

Malaysia

4. Gleneagles Intan Medical Centre, Kuala Lumpur

Japan

5. Kanagawa
   - Bon Sejour Shin-Yamashita
   - Himawari Home Kamakura
   - Fureai no Sono Musashi Nakahara
6. Osaka
   - Bon Sejour Ibaraki
   - Fiore Senior Residence Hirakata
   - Maison des Centenaire Ishizugawa
   - Maison des Centenaire Haruki
   - Supercourt Kadoma
   - Supercourt Takaishi-Hagoromo
   - Legato Higashi-Sumiyoshi
   - Legato Katano
   - Iyashi no Takatsuki Kan
   - Royal Residence Gotenyama
   - Heart Life Toyonaka
   - Sawayaka Hirakatakan
7. Hyogo
   - Palmary Inn Akashi
   - Palmary Inn Suma
   - Palmary Inn Shin-Kobe
8. Chiba
   - Senior Chonaikai Makuhari Kan
   - P-Life Matsudo

MALAYSIA

JAPAN

9. Saitama
- Smiling Home Medis Musashi Urawa
- Smiling Home Medis Koshigaya Gamo
- As Heim Nakaurawa

10. Tokyo
- Fureai no Sono Nerima Takanodai

11. Okayama
- Amille Nakasyo

12. Fukuoka
- Hapine Fukuoka Noke
- Sawayaka Obatake Ichibankan
- Sawayaka Obatake Nibankan
- Sawayaka Shinmojikan
- Sawayaka Nokatakan
- Sawayaka Nogotakan
- Sawayaka Fukufukukan
- Sawayaka Parkside Shinkawa
- Sawayaka Mekari Nibankan
- Sawayaka Kiyotakan

13. Akita
- Sawayaka Sakurakan

14. Hokkaido
- Sawayaka Higashikagurakan

15. Mie
- Sawayaka Seaside Toba

16. Ehime
- Sawayaka Niihamakan

17. Niigata
- Sawayaka Minatokan

PORTFOLIO
OUR PROPERTIES

SINGAPORE & MALAYSIA

MOUNT ELIZABETH HOSPITAL

GLENEAGLES HOSPITAL

S/N	Property	Land Tenure	Floor Area of Property[1]	Number of Beds	Number of Strata Units	Number of Car Park lots	Number of Storeys
1	Mount Elizabeth Hospital	Leasehold of 67 years from 23 August 2007	58,139 sq m	345	232, of which 30 are owned by PLife REIT	363, all of which owned by PLife REIT	Hospital building : 10-storey block and a 5-storey block Medical Centre : 17-storey medical and retail block (All blocks are linked by a common podium with basement car park)
2	Gleneagles Hospital	Leasehold of 75 years from 23 August 2007	49,003 sq m	272	164, of which 10 are owned by PLife REIT	402, of which 121 are owned by PLife REIT	Hospital building : 10-storey block with 2 basements and a 5-storey annexe block Medical Centre: 10-storey block with 3 basements
3	Parkway East Hospital	Leasehold of 75 years from 23 August 2007	10,994 sq m	113	–	75	Hospital building : 4-storey block Medical Centre : 5-storey block (1st and 5th storey of the medical centre are linked to the 1st and 4th storey of the hospital block)
4	Gleneagles Intan Medical Centre, Kuala Lumpur	Freehold	2,444 sq m (owned by PLife REIT)	–	–	69, all of which owned by PLife REIT	Medical Centre: 8-storey block (PLife Reit owns approximately 23.1% of total share value of the building comprising three ground floor units, three medical consulting suites units at 2nd and 7th floors and the entire 8th floor and 69 car park lots.)

[1] Based on gross floor area for Parkway East Hospital, strata area for Mount Elizabeth Hospital, Gleneagles Hospital and Gleneagles Intan Medical Centre, Kuala Lumpur.
[2] The property was valued by CBRE Pte Ltd using Capitalisation and Discounted Cash Flow Approaches.

PARKWAY EAST HOSPITAL

GLENEAGLES INTAN MEDICAL CENTRE, KL

Year of Completion	Committed Occupancy	Name of Lessee (s)	Appraised Value (as at 31 December 2013)	Gross Revenue (2013)	Purchase Price	Year of Purchase
Hospital Building – 1979 Medical Centre – 1979 and 1992	100.0 %	Parkway Hospitals Singapore Pte. Ltd	S$646m[2]	S$38,098,769	S$524.43m	2007
Hospital Building – 1991 and 1993 Annexe Block – 1979 Medical Centre – 1991 and 1993	100.0%	Parkway Hospitals Singapore Pte. Ltd	S$326m[2]	S$19,855,884	S$216m	2007
Hospital building – 1982 Medical Centre - 1987	100.0%	Parkway Hospitals Singapore Pte. Ltd	S$49.4m[2]	S$2,998,806	S$34.19m	2007
1999	100.0%	Gleneagles Hospital (Kuala Lumpur) Sdn.Bhd., CIMB Bank Berhad	RM22.2m (S$8.6m)[3]	RM1,236,487	RM16m (S$6.38m)	2012

[3] The property was valued by DTZ Nawawi Tie Leung using the Capitalisation and Direct Comparison Approaches. Based on an exchange rate of S$1.00 to RM 2.59.

PORTFOLIO
OUR PROPERTIES

JAPAN


1. BON SEJOUR SHIN-YAMASHITA


2. BON SEJOUR IBARAKI


3. PALMARY INN AKASHI


4. PALMARY INN SUMA


5. PALMARY INN SHIN-KOBE


6. SENIOR CHONAIKAI MAKUHARI KAN


7. IYASHI NO TAKATSUKI KAN


8. HIMAWARI HOME KAMAKURA


9.SMILING HOME MEDIS MUSASHI URAWA


10. SMILING HOME MEDIS KOSHIGAYA GAMO


11. FUREAI NO SONO NERIMA TAKANODAI


12. FUREAI NO SONO MUSASHI NAKAHARA


13. AMILLE NAKASYO


14. HAPINE FUKUOKA NOKE


15. FIORE SENIOR RESIDENCE HIRAKATA


16. SUPERCOURT KADOMA


17. SUPERCOURT TAKAISHI-HAGOROMO


18. MAISON DES CENTENAIRE ISHIZUGAWA


19. MAISON DES CENTENAIRE HARUKI


20. SAWAYAKA OBATAKE ICHIBANKAN


21. SAWAYAKA OBATAKE NIBANKAN


22. SAWAYAKA SHINMOJIKAN


23. SAWAYAKA NOKATAKAN


24. SAWAYAKA NOGATAKAN


25. SAWAYAKA SAKURAKAN


26. SAWAYAKA FUKUFUKUKAN


27. SAWAYAKA HIGASHIKAGURAKAN


28. SAWAYAKA PARKSIDE SHINKAWA


29. SAWAYAKA HIRAKATAKAN


30. SAWAYAKA SEASIDE TOBA


31. SAWAYAKA NIIHAMAKAN


32. SAWAYAKA MINATOKAN


33. SAWAYAKA MEKARI NIBANKAN


34. SAWAYAKA KIYOTAKAN


35. AS HEIM NAKAURAWA


36. LEGATO HIGASHI-SUMIYOSHI


37. LEGATO KATANO


38. ROYAL RESIDENCE GOTENYAMA


39. HEART LIFE TOYONAKA


40. P-LIFE MATSUDO

PORTFOLIO
OUR PROPERTIES

S/N	Property	Land Tenure	Land Area	Net Lettable Area	Number of Units (Rooms)	Number of Storeys	Year of Completion	Committed Occupancy
1	Bon Sejour Shin-Yamashita	Freehold	1,653 sq m	3,273 sq m	74	5-storey	2006	100.0%
2	Bon Sejour Ibaraki	Leasehold of 50 years from 1 May 2007	3,051 sq m	3,651 sq m	94	4-storey	2008	100.0%
3	Palmary Inn Akashi	Freehold	5,891 sq m	6,562 sq m	96	6-storey	1987; Conversion works were completed in 2003	100.0%
4	Palmary Inn Suma	Freehold	2,676 sq m	4,539 sq m	59	6-storey	1989	100.0%
5	Palmary Inn Shin-Kobe	Freehold	1,034 sq m	3, 964 sq m	71	10-storey	1992	100.0%
6	Senior Chonaikai Makuhari Kan	Freehold	2,853 sq m	4,361 sq m	108[3]	5-storey	1992; Conversion works were completed in 2004	100.0%
7	Iyashi no Takatsuki Kan	Freehold	2,023 sq m	3,915 sq m	87	6-storey	1997 Conversion works were completed in 2005	100.0%
8	Himawari Home Kamakura	Freehold	1,307 sq m	1,689 sq m	53	3-storey	1992 Conversion works were completed in 2003	100.0%

[1] On 1 April 2012, Benesse Style Care Co., Ltd merged as the surviving company with Bon Sejour Corporation.
[2] The property was valued by Colliers International using the Direct income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.

Name of Lessee (s)	Appraised Value (as at 31 December 2013)	Gross Revenue (2013)	Purchase Price	Year of Purchase	Strategic features and nearby amenities
Benesse Style Care Co., Ltd[1]	¥1,360m (S$16.4m)[2]	¥95,204,652	¥1,440m (S$18.97 m)	2008	Located in an attractive setting, next to a scenic canal. 1.2 km to the southeast of Minatomirai Line Motomachi-Chukagai Station
Benesse Style Care Co., Ltd[1]	¥1,070m (S$12.9m)[2]	¥98,700,036	¥1,177m (S$15.51m)	2008	Sits within a serene residential district in northern part of Osaka prefecture. Located adjacent to the picturesque Exposition Memorial Park, University of Osaka campus and the Ibaraki Country Club. Located within a short walk to Toyokawa Station, Handai Byoinmae Station and Osaka Monorail, which connects to the airport.
Asset Co., Ltd	¥1,520m (S$18.3 m)[2]	¥113,400,000	¥1,498m (S$20.19m)	2008	Located in the waterfront area of Harima Sea, Palmary Inn Easily accessible by Sanyo Dentetsu line and within a short walk to Nakayagi station
Asset Co., Ltd	¥885m (S$10.7m)[2]	¥67,890,000	¥867m (S$11.68m)	2008	Located in the coastal district in the south of Suma-ku Easily accessible by Sanyo Dentetsu line and within a short walk from Sumadera station
Asset Co., Ltd	¥1,370m (S$16.5m)[2]	¥46,854,839	¥1,310m (S$16.70m)	2013	Located in the commercial district in the southeast of Kobe City. Easily accessible by Kobe City Subway line and within a 2-min walk from Shin Kobe station
Riei Co., Ltd	¥1,470m (S$17.7m)[2]	¥101,496,000	¥1,442m (S$19.43 m)	2008	Located along the JR Sobu line in Hanamigawa-ku Near to Chiba Kensei Hospital, Makuhari Clinic and Makuhari station
Riei Co., Ltd	¥1,410m (S$17.0m)[4]	¥100,034,688	¥1,136m (S$17.52 m)	2009	Well nestled in a conducive residential area and within a short walk to JR Kyoto Line "Takatsuki" Station.
Chojukaigo Center, Inc	¥992m (S$12.0m)[2]	¥65,880,000	¥972m (S$13.10 m)	2008	Located along the JR Tokaido Line and JR Yokosuka Line in Kamukura-City, Himawari Home. Short drive from Ofuna station. Near to Kamakura Hospital and Ofuna Hospital

[3] As at 31 Mar 2009, the total number of units increased from 107 to 108. Operator had converted one (1) Twin Type unit to two (2) Single Type units.
[4] The property was valued by DTZ Japan using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.

PORTFOLIO
OUR PROPERTIES

S/N	Property	Land Tenure	Land Area	Net Lettable Area	Number of Units (Rooms)	Number of Storeys	Year of Completion	Committed Occupancy
9	Smiling Home Medis Musashi Urawa	Freehold	802 sq m	1,603 sq m	44	3-storey	1991; Conversion works were completed in 2004	100.0%
10	Smiling Home Medis Koshigaya Gamo	Freehold	1,993 sq m	3,824 sq m	100	6-storey	1989; Conversion works were completed in 2005	100.0%
11	Fureai no Sono Nerima Takanodai	Freehold	2,282 sq m	2,526 sq m	64	3-storey	1988; Conversion works were completed in 2005	100.0%
12	Fureai no Sono Musashi Nakahara	Freehold	935 sq m	1,847 sq m	47	4-storey	2006	100.0%
13	Amille Nakasyo	Freehold	2,901 sq m	3,259 sq m	75	3-storey	2001	100.0%
14	Hapine Fukuoka Noke	Freehold	1,396 sq m	2,912 sq m	64	5-storey	2006	100.0%
15	Fiore Senior Residence Hirakata	Freehold	727 sq m	1,155 sq m	40	3-storey	2007	100.0%
16	Supercourt Kadoma	Leasehold of 50 years from 1 December 2007	1,518 sq m	2,794 sq m	88	5-storey	2007	100.0%

[5] Change of name with effect from 1 May 2013 due to organisational restructuring by Green Life Co., Ltd, parent company of Medis Corporation.
[6] The property was valued by Colliers International using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.
[7] The property was valued by DTZ Japan using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.

Name of Lessee (s)	Appraised Value (as at 31 December 2013)	Gross Revenue (2013)	Purchase Price	Year of Purchase	Strategic features and nearby amenities
Green Life Higashi Nihon[5]	¥639 m (S$7.7 m)[6]	¥45,078,762	¥627m (S$8.4 m)	2008	Located along the JR Saikyo Line. Within a short walk from Musashi Urawa station and is near Akiba Hospital
Green Life Higashi Nihon[5]	¥1,330m (S$16.0m)[6]	¥91,260,000	¥1,321m (S$17.80m)	2008	Located along the Tobu Isesaki Line and within a short walk from Gamo station Near Dokkyo Medical University Koshigaya Hospital and Minami Koshigaya Kenshinkai Clinic.
Y.K. Shonan Fureai no Sono	¥1,420m (S$17.1m)[6]	¥94,200,000	¥1,301m (S$17.53m)	2008	Located along Seibu Ikebukuro line. Within a short walk from Nerima Takanodai station and is near Juntendo Hospital.
Y.K. Shonan Fureai no Sono	¥774m (S$9.3m)[6]	¥52,800,000	¥641m (S$10.03m)	2010	Well nestled in a conducive residential area dotted with senior citizens' facilities in the surrounding vicinity. 15 minutes walk from JR Nanbu line "Musashi-Nakahara" station
Message Co., Ltd; Shakai Fukushi Houjin Keiyu-Kai	¥601m (S$7.2m)[7]	¥48,980,400	¥572m (S$8.8m)	2009	Well nestled in a conducive residential area with retail facilities in the vicinity. Approximately 2.3km from JR Sanyo line "Kurashiki" station
Green Life Co., Ltd[8]	¥779m (S$9.4m)[7]	¥57,996,000	¥752m (S$11.60m)	2009	Well nestled in a conducive residential area. Approximately 0.9km from Subway Nanakuma Line "Noke" Station.
K.K. Vivac	¥457m (S$5.5m)[7]	¥33,600,000	¥433m (S$6.6m)	2009	Well nestled in a conducive residential area with retail shops and restaurants located in the vicinity. Approximately 3.5 km from Keihan-Katano Line "Hirakata City" Station of the Keihan-Katano line.
City Estate Co., Ltd	¥ 596m (S$7.2m)[7]	¥58,080,000	¥ 522m ($S8.06m)	2009	Easily accessible by Keihan Line. Well nestled in a conducive residential area and located within a short walk to "Keihan Kadoma" Station.

[8] Change of name with effect from 1 Mar, 2013 due to organisational restructuring by Green Life Co., Ltd, parent company of Care Link Co., Ltd.

PORTFOLIO
OUR PROPERTIES

S/N	Property	Land Tenure	Land Area	Net Lettable Area	Number of Units (Rooms)	Number of Storey	Year of Completion	Committed Occupancy
17	Supercourt Takaishi-Hagoromo	Leasehold of 30 years from 1 November 2008	2,010 sq m	3,021 sq m	98	3-storey	2008	100.0%
18	Maison des Centenaire Ishizugawa	Freehold	1,111 sq m	2,129 sq m	52	5-storey	1988 Conversion works were completed in 2003	100.0%
19	Maison des Centenaire Haruki	Freehold	801 sq m	1,263 sq m	36[10]	4-storey	1996 Conversion works were completed in 2006	100.0%
20	Sawayaka Obatake Ichibankan	Freehold	1,786 sq m	3,491 sq m	78	5-storey	2007	100.0%
21	Sawayaka Obatake Nibankan	Freehold	1,042 sq m	1,538 sq m	26 short stay / day care rooms	3-storey	2007	100.0%
22	Sawayaka Shinmojikan	Freehold	2,813 sq m	5,088 sq m	112	6-storey	2007	100.0%
23	Sawayaka Nokatakan	Freehold	5,748 sq m	4,566 sq m	100	3-storey	2007	100.0%
24	Sawayaka Nogatakan	Freehold	2,707 sq m	3,147 sq m	78	3-storey	2005	100.0%
25	Sawayaka Sakurakan	Freehold	6,276 sq m	5,044 sq m	110	4-storey	2006	100.0%

[9] The property was valued by DTZ Japan using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.
[10] As at Sep 2009, the total number of units increased from 33 to 36 following the completion of Asset Enhancement Initiatives.
[11] The property was valued by International Appraisals Incorporated using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.

Name of Lessee (s)	Appraised Value (as at 31 December 2013)	Gross Revenue (2013)	Purchase Price	Year of Purchase	Strategic features and nearby amenities
City Estate Co., Ltd	¥671m (S$8.1m)[9]	¥64,680,000	¥568m (S$8.76m)	2009	Easily accessible by Nankai Line, Supercourt Takashi-Hagoromo is located within a short walk to "Takashinohama" Station. Well nestled in a conducive residential area and located near to Takaishi Hospital and Takaishi Shrine.
Miyako Kenkokai Medical Corporation	¥787m (S$9.5m)[9]	¥61,326,000	¥690m (S$10.64m)	2009	Easily accessible by Nankai Wakayama Line, and located within a short walk to "Ishizugawa" Station. Well nestled in a conducive residential area, the property is also located near to Kusuhara Hospital.
Miyako Kenkokai Medical Corporation	¥605m (S$7.3m)[9]	¥47,124,000	¥500m (S$7.7m)	2009	Easily accessible by Nankai-Dentetsu Line, and located within a short walk to "Haruki" Station. Well nestled in a conducive residential area, and located near to Amanogawa Hospital.
K.K. Sawayaka Club	¥704m (S$8.5m)[11]	¥57,050,000	¥687m (S$10.48m)	2010	Well nestled in a conducive residential area. Approximately 2.5km from JR line "Kokura" Station.
K.K. Sawayaka Club	¥309m (S$3.7m)[11]	¥26,261,066	¥276m (S$4.2m)	2010	Well nestled in a conducive residential area. Approximately 2.5km from JR line "Kokura" Station.
K.K. Sawayaka Club	¥890m (S$10.7m)[11]	¥75,400,000	¥886m (S$13.52m)	2010	Well nestled in a conducive residential area with farms and nursing homes in the surrounding vicinity. Approximately 7km from JR Kagoshima line "Moji" Station
K.K. Sawayaka Club	¥865m (S$10.4m)[11]	¥67,142,256	¥821m (S$12.53m)	2010	Well nestled in a conducive residential area. Approximately 2km from Subway Nanakuma Line (No.3) "Hashimoto" Station.
K.K. Sawayaka Club	¥655m (S$7.9m)[11]	¥57,400,000	¥660m (S$10.06m)	2010	Well nestled in a conducive residential area and approximately 400m from JR Chikuho line "Nogata" Station
K.K. Sawayaka Club	¥754m (S$9.1m)[11]	¥70,300,000	¥760m (S$11.59m)	2010	Well nestled in a conducive residential area. Approximately 6km from JR Tazawako line "Kakunodate" Station

PORTFOLIO
OUR PROPERTIES

S/N	Property	Land Tenure	Land Area	Net Lettable Area	Number of Units (Rooms)	Number of Storeys	Year of Completion	Committed Occupancy
26	Sawayaka Fukufukukan	Freehold	1,842 sq m	3,074 sq m	72	4+1 (basement) storey	2008	100.0%
27	Sawayaka Higashikagurakan	Freehold	4,813 sq m	5,335 sq m	110	4-storey	2010	100.0%
28	Sawayaka Parkside Shinkawa	Freehold	1,445 sq m	2,855 sq m	58	5-storey	2003	100.0%
29	Sawayaka Hirakatakan	Freehold	1,850 sq m	3,696 sq m	108	5-storey	2008 Conversion works completed in 2009	100.0%
30	Sawayaka Seaside Toba	Freehold	2,803 sq m	7,360 sq m	129	7-storey	2012	100.0%
31	Sawayaka Niihamakan	Freehold	4,197 sq m	7,382 sq m	135	7-storey	2012	100.0%
32	Sawayaka Minatokan	Freehold	3,551 sq m	2,246 sq m	50	3-storey	2012	100.0%
33	Sawayaka Mekari Nibankan	Freehold	1,354 sq m	2,133 sq m	61	3-storey	2012	100.0%
34	Sawayaka Kiyotakan	Freehold	2,597 sq m	5,661 sq m	108	8-storey	2013	100.0%
35	As Heim Nakaurawa	Freehold	1,762 sq m	2,692 sq m	64	4+1-storey	2006	100.0%
36	Legato Higashi-Sumiyoshi	Freehold	951 sq m	2,828 sq m	71	7-storey	2006	100.0%

[12] The property was valued by International Appraisals Incorporated using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.

Name of Lessee (s)	Appraised Value (as at 31 December 2013)	Gross Revenue (2013)	Purchase Price	Year of Purchase	Strategic features and nearby amenities
K.K. Sawayaka Club	¥632m (S$7.6m)[12]	¥50,150,000	¥587m (S$9.1m)	2011	Well nestled in conducive residential area. Approximately 2.5km from JR Kagoshima line "Tobata" Station.
K.K. Sawayaka Club	¥907m (S$10.9m)[12]	¥81,165,346	¥906m ($13.98m)	2012	Well nestled in a serene location, and approximately 920m from Higashikagura Bus Terminal.
K.K. Sawayaka Club	¥951m (S$11.5m)[12]	¥75,727,104	¥967m (S$14.92m)	2012	Well nestled in conducive residential area. Approximately 1km from JR Kagoshima line "Tobata" Station.
K.K. Sawayaka Club	¥1,315m (S$15.9m)[12]	¥96,690,000	¥1,247m (S$19.24m)	2012	Well nestled in conducive residential area. Approximately 2.2km from JR Katamachi line "Nagao" Station.
K.K. Sawayaka Club	¥1,410m (S$17.0m)[12]	¥27,945,160	¥1,380m (S$17.66m)	2013	Located in a residential area near a bay in the suburb of Toba City of Mie Prefecture. Approximately 880m to JR Sangu Line, Kintetsu Toba Line and Shima Line "Toba Station"
K.K. Sawayaka Club	¥1,324m (S$16.0m)[12]	¥26,318,383	¥1,300m (S$16.64m)	2013	Located up on a hill in the north-eastern area of Ehime Prefecture, in northern area of Niihama City. Approximately 4,100m to JR Yosan Line "Niihama Station".
K.K. Sawayaka Club	¥661m (S$8.0m)[12]	¥13,154,156	¥650m (S$8.32m)	2013	Well nestled in a conducive residential area and approximately 3km to JR Joetsu Shinkansen Line, Shinetsu main Line, Hakusin Line and Echigo Line "Niigata" Station.
K.K. Sawayaka Club	¥311m (S$3.8m)[12]	¥6,268,887	¥310m (S$3.97m)	2013	Well nestled in a conducive residential area. Approximately 2.5km to JR Kagoshima Main Line "Mojiko" Station.
K.K. Sawayaka Club	¥847m (S$10.2m)[12]	¥17,455,987	¥860m (S$11.01m)	2013	Well nestled in a conducive residential area. Approximately 5km to JR Kagosima Main Line "Yahata" Station.
K.K. As Partners	¥979m (S$11.8m)[13]	¥67,200,000	¥833m (S$13.05m)	2010	Well nestled in a residential area with large parks providing a natural green environment. Approximately 8 minutes walk from JR Saikyo line "Nakaurawa" Station.
Planning Care Co., Ltd	¥940m (S$11.3m)[13]	¥70,886,400	¥783m (S$12.26m)	2010	Nestled in a residential area with offices and retail stores within the surrounding vicinity. Approximately 10 minutes walk from JR Osaka Circular line "Teradacho" Station

[13] The property was valued by Colliers International using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.

PORTFOLIO
OUR PROPERTIES

S/N	Property	Land Tenure	Land Area	Net Lettable Area	Number of Units (Rooms)	Number of Storeys	Year of Completion	Committed Occupancy
37	Legato Katano	Freehold	1,139 sq m	1,688 sq m	49	3-storey	2004	100.0%
38	Royal Residence Gotenyama	Freehold	794 sq m	1,560 sq m	44	4+1 (basement) storey	2006	100.0%
39	Heart Life Toyonaka	Freehold Freehold	628 sq m	1,254 sq m	42	4-storey	2007 Conversion works were completed in 2009	100.0%

OTHER HEALTHCARE-RELATED ASSETS

S/N	Property	Land Tenure	Land Area	Net Lettable Area	Number of Storeys	Year of Completion	Committed Occupancy	Name of Lessee (s)
40	P-Life Matsudo	Freehold	8,450 sq m	3,240 sq m	2-storey	2005 Additional works were completed in 2007	100.0%	Nippon Express Co., Ltd (Master Lessee) Alere Medical Co., Ltd (Sub-Lessee)[14]

[14] Corporate rebranding by Inverness Medical Japan Co.,Ltd with effect from 1 April 2011.
[15] The property was valued by Colliers International using the Direct Income, Cost and Discounted Cash Flow Approaches. Based on an exchange rate of S$1.00 to 82.92 units JPY.

Name of Lessee (s)	Appraised Value (as at 31 December 2013)	Gross Revenue (2013)	Purchase Price	Year of Purchase	Strategic features and nearby amenities
Planning Care Co., Ltd	¥598m (S$7.2m)[15]	¥46,040,400	¥514m (S$8.0m)	2010	Well nestled in a residential area with retail stores and hospitals in the surrounding vicinity. Approximately 4 minutes walk from Keihan Electric Railway Katano Line Katano Station.
K.K. Shakai Fukuishi Sogo Kenkyujo	¥492m (S$5.9m)[15]	¥38,220,000	¥402m (S$6.3m)	2010	Well nestled in a quiet residential area with retail stores and medical institutions in the surrounding vicinity. Approximately 5 minutes walk from Keihan Electric Railway Main Line Gotenyama Station
K.K. Nihon Kaigo Iryo Center	¥453m (S$5.5m)[15]	¥16,596,774	¥445m (S$5.67m)	2013	Well nestled in conducive residential area in the vicinity and approximately 15mins walk from Hankyu-Kobe line "Sonoda" Station.

Appraised Value (as at 31 December 2013)	Gross Revenue (2013)	Purchase Price	Year of Purchase	Strategic features and nearby amenities
¥2,900m (S$35.0m)[15]	¥178,857,113	¥2,590m (S$34.19m)	2008	Conveniently located approximately 700 metres north of Matsuhidai Station on the Hokuso-Kaihatsu Railway Line and within the vicinity of Exclusive Industrial District in Matsuhidai Industrial Park.

INVESTOR RELATIONS

ENGAGING UNITHOLDERS

Committed to engaging and fostering strong relationships with all Unitholders, PLife REIT maintains regular and transparent communications with the investing community, media and Unitholders, through a proactive and targeted outreach programme.

OPEN CHANNELS OF COMMUNICATIONS

Corporate Website

PLife REIT's corporate website (www.plifereit.com) is designed to allow easy public access to comprehensive information on the company. Information like stock data, SGXnet announcements, financial statements, press releases, presentation slides, annual reports and other corporate development is regularly updated to keep Unitholders and the general public abreast of the company's performance. Through the information available on the website, PLife REIT also provides insights into its growth strategy and latest developments. A way to maintain open and transparent communications, Unitholders are welcomed to provide feedback or submit their enquiries to the Manager via the website.

Corporate Literature

PLife REIT regularly publishes updates on its financial and operational data in a clear, concise and factual manner. The information can often be found in PLife REIT's quarterly financial statements, SGXnet announcements on corporate developments, annual reports, press releases, brochure in Japanese and presentation slides.

Annual General Meeting

Each year, PLife REIT holds its Annual General Meeting (AGM) in April in Singapore. The AGM is a platform for all Unitholders to interact with Board of Directors and management of the Manager, as well as to decide on the proposed resolutions. The AGM also allows the company to share with the Unitholders the strategic direction of PLife REIT and for the Board of Directors and management to address Unitholders' questions or concerns.

Investor Outreach Programme

The management is committed to engaging the investing community on a regular basis with an outreach programme that caters to both local and foreign institutional investors as well as analysts. This includes regular face-to-face meetings with key investors, participation in investment or industry conferences, analyst briefings and non-deal roadshows in key financial centres. The management continues to participate in investment or industry conferences and non-deal roadshows in various locations in 2013.

Some of the key investor relations activities are listed below:

Key IR Activities in 2013

1ST QUARTER	Mizuho Bank Non Deal Roadshow (Tokyo) OSK/DMG Singapore REIT Corporate Day (Kuala Lumpur) CIMB/Parkway Life REIT Non-Deal Roadshow (London, Paris, Copenhagen)
2ND QUARTER	Citi ASEAN Investor Conference (Singapore) SGX/CIMB Asian Horizon Roadshow Series 2013 (Hong Kong) Annual General Meeting
3RD QUARTER	Macquarie Non Deal Roadshow (New York, Boston) Citi Non Deal Roadshow (Kuala Lumpur)
4TH QUARTER	Investor meeting organised by Macquarie Securities (Taiwan)

The Manager would periodically arrange site visits to its key properties to help investors, analysts and the media better understand the REIT's portfolio.

The management was able to effectively reach out to both its existing and new investors to raise awareness and interest in PLife REIT through this outreach programme and would endeavour to consistently improve on its communications to better improve its outreach.

Analyst Coverage

The following brokerage houses provide research coverage on PLife REIT as of 31 December 2013:

- CIMB Research
- Citi Investment Research
- DBS Vickers Research
- OSK|DMG & Partners Research
- Phillip Securities Research
- UBS Investment Research
- UOB Kay Hian Research

CORPORATE GOVERNANCE

Parkway Trust Management Limited, in its capacity as the Manager of PLife REIT recognises that an effective corporate governance culture is critical to the performance of the Manager and consequently, the success of PLife REIT. The Manager is firmly committed to good corporate governance and has adopted a comprehensive corporate governance framework that meets best practice principles. In particular, the Manager has an obligation to act honestly, with due care and diligence, and in the best interests of Unitholders.

The following sections describe the Manager's main corporate governance policies and practices with reference to the Code of Corporate Governance 2012. They encompass proactive measures for avoiding situations of conflict and potential conflicts of interest and ensuring that applicable laws and regulations (such as the Securities and Futures Act, Chapter 289 of Singapore ("**SFA**"), the listing manual (the "**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Code on Collective Investment Schemes (the "**CIS Code**") issued by the Monetary Authority of Singapore ("**MAS**") including the Property Funds Appendix in Appendix 6 of the CIS Code (the "**Property Funds Appendix**"), the CMS Licence (as defined below), the tax ruling issued by the Inland Revenue Authority of Singapore on the taxation of PLife REIT and its Unitholders are complied with, and that the Manager's obligations under PLife REIT's Trust Deed (as defined below) are properly and efficiently carried out.

THE MANAGER OF PLIFE REIT

The Manager has general powers of management over the assets of PLife REIT. The Manager's main responsibility is to manage PLife REIT's assets and liabilities for the benefit of Unitholders.

The Manager will set the strategic direction of PLife REIT and make recommendations to the Trustee on the acquisition, divestment and enhancement of assets of PLife REIT in accordance with its stated investment strategy.

Other main functions and responsibilities of the Manager are as follows:

1. Using its best endeavours to carry on and conduct its business in a proper and efficient manner, to ensure that the business of PLife REIT is carried on and conducted in a proper and efficient manner and to conduct all transactions with or on behalf of PLife REIT at arm's length and on normal commercial terms;

2. Preparing property plans on an annual basis for review by the directors of the Manager, which may contain proposals and forecasts on net income, capital expenditure, sales and valuations, explanations of major variances to previous forecasts, written commentary on key issues and underlying assumptions on inflation, annual turnover, rental rates, occupancy costs and any other relevant assumptions. The purpose of these plans is to explain the performance of PLife REIT's assets;

3. Ensuring compliance with the applicable provisions of the SFA and all other relevant laws and regulations, the Listing Manual, the CIS Code (including the Property Funds Appendix), the CMS Licence, the Trust Deed, the tax ruling issued by the Inland Revenue Authority of Singapore on the taxation of PLife REIT and its Unitholders and all relevant contracts;

4. Attending to all regular communications with Unitholders; and

5. Provision of project management services including co-ordination of pre-qualification and tender exercises as well as project meetings, recommendation of project budget and appointment of project consultants as well as monitoring and supervising any third parties engaged to provide such services.

CORPORATE GOVERNANCE

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

Parkway Trust Management Limited is appointed as the Manager of PLife REIT in accordance with the terms of the Trust Deed dated 12 July 2007 (as amended, the "**Trust Deed**"). The Trust Deed outlines certain circumstances under which the Manager can be retired in favour of a corporation approved by the Trustee or be removed by notice given in writing from the Trustee upon the occurrence of certain events.

On 1 August 2008, a new licensing regime for managers of real estate investment trusts ("**REITs**") was implemented under the SFA. A person conducting REIT management activities is required to hold a capital markets services licence ("**CMS Licence**") pursuant to the SFA. On 11 August 2009, the Manager obtained a CMS Licence from MAS to conduct REIT management. As a holder of a CMS Licence, the Manager is required to comply with various laws and regulations applicable to CMS Licence holders which include, among others, the SFA, the Securities and Futures (Licensing and Conduct of Business) Regulations, the Securities and Futures (Financial and Margin Requirements for Holders of Capital Markets Services Licences) Regulations and the Securities and Futures (Disclosures of Interests) Regulations.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: *Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.*

The board of directors of the Manager (the "**Board**") is responsible for the overall management and corporate governance of the Manager including establishing strategic objectives, providing entrepreneurial leadership, establishing goals for management and monitoring the achievement of these goals. All Board members participate in matters relating to corporate governance, business operations and risks, financial performance and the nomination and review of directors. The Board has established a framework for the management of the Manager including a system of internal controls and a business risk management process which enables risks to be assessed and managed.

The Board meets regularly, at least once every quarter, to deliberate the strategic objectives and policies of PLife REIT. Matters requiring the Board's decision and approval include matters relating to investments, acquisitions and disposals, leasing, assets enhancement initiatives, operating/capital expenditure, loan or debt financing or refinancing taking into consideration PLife REIT's commitment in terms of capital and other resources, the annual budget, the release of the quarterly and full year results, the appointment of directors and other material transactions. The Board also reviews the financial performance of PLife REIT against a previously approved budget, assesses the risks to the assets of PLife REIT, examines liability management, and acts upon any comments from the auditors of PLife REIT. Where necessary, additional Board meetings are held to address significant transactions or issues.

The number of Board and Board committee meetings during the financial year ended 31 December 2013, as well as the attendance of each Board member at these meetings, are set out below.

Director	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings
Mr. Lim Kok Hoong	4	4	-
Mr. Puah Tuan Soon Benson	4	4	1
Mr. Tan Bong Lin	4	4	1
Dr. Lim Cheok Peng*	4	-	-
Dr. Tan See Leng	4	-	1
Mr. Ahmad Shahizam Bin Mohd Shariff	4	-	-
Mr. Tan See Haw	4	-	-
Dr. Lim Suet Wun**	-	-	-
Mr. Yong Yean Chau	4	-	-
No. of Meetings held in FY2013	4	4	1

* Resigned with effect from 31 December 2013
** Appointed with effect from 26 February 2014

In the discharge of its functions, the Board is supported by an Audit Committee that provides independent oversight of the Manager. The Board is also supported by a Remuneration Committee which oversees the remuneration matters of the directors and key management personnel of the Manager. Each of these board committees operates under delegated authority of the Board.

The Board has adopted a set of internal controls which it believes is adequate in safeguarding Unitholders' interests and PLife REIT's assets. Appropriate delegation of authority has been provided to management to facilitate operational efficiency.

Changes to laws, regulations, accounting standards and commercial risks are monitored closely. To keep pace with such changes where these changes have an important bearing on the Manager's or directors' obligations, the directors will be briefed either during Board meetings or at specially-convened sessions involving the relevant professionals. The Board may also participate in seminars and/or discussion group to keep abreast of the latest developments which are relevant to the Manager and PLife REIT. The Audit Committee was briefed and/or updated on (i) MAS' key concerns and issues over the REIT industry and (ii) key changes to regulatory requirements and reporting standards by the external auditor. A workshop was held to update the Board on the (i) industry overview of the REITs and (ii) overview of legal and regulatory boundaries of Singapore REITs, by the respective industry experts.

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

Principle 2: *There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

The Board presently consists of eight members, seven of whom are non-executive directors (including three independent directors). The Chairman of the Board is Mr. Lim Kok Hoong. None of the directors has entered into any service contract directly with PLife REIT.

Current Director's Appointment and Membership on Board Committees

Director	Board membership	Audit Committee	Remuneration Committee
Mr. Lim Kok Hoong	Chairman and Independent Director	Member	-
Mr. Puah Tuan Soon Benson	Independent Director	Member	Chairman
Mr. Tan Bong Lin	Independent Director	Chairman	Member
Dr. Lim Cheok Peng*	Non-Executive Director	-	-
Dr. Tan See Leng	Non-Executive Director	-	Member
Mr. Ahmad Shahizam Bin Mohd Shariff	Non-Executive Director	-	-
Mr. Tan See Haw	Non-Executive Director	-	-
Dr. Lim Suet Wun**	Non-Executive Director	-	-
Mr. Yong Yean Chau	Executive Director	-	-

* Resigned with effect from 31 December 2013
** Appointed with effect from 26 February 2014

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

1. the Chairman of the Board and Chief Executive Officer should in principle be separate persons;

2. the Board should comprise directors with a broad range of expertise and commercial experience (including expertise in funds management and the property industry), and knowledge of PLife REIT; and

3. at least one-third of the Board should comprise independent directors.

Independent Directors

The Board has three independent directors, namely Mr. Puah Tuan Soon Benson, Mr. Tan Bong Lin and Mr. Lim Kok Hoong. The criterion of independence is based on the definition given in the Code of Corporate Governance 2012. The Board considers as "independent" a director who has no relationship with the Manager, its related corporations, its 10% shareholders or its officers or Unitholders of PLife REIT who have an interest of 10% or more in the Units of PLife REIT that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interest of the Manager and PLife REIT.

The Board considers Mr. Puah Tuan Soon Benson, Mr. Tan Bong Lin and Mr. Lim Kok Hoong to be independent.

Non-executive Directors

Non-executive directors exercise no management functions in the Manager or PLife REIT or any of its subsidiaries. Although all the directors have equal responsibility for the performance of the Manager and PLife REIT, the role of the non-executive directors is particularly important in ensuring that the performance of management in meeting agreed goals and objectives is reviewed and the reporting of performance is monitored; and the strategies proposed by management are fully discussed, rigorously examined and developed, taking into account the long-term interests of PLife REIT's assets and the Unitholders. The non-executive directors meet regularly without the presence of the management.

The Board has reviewed its composition and is satisfied that the existing size and composition is appropriate, taking into account the scope and nature of operations of the Manager and PLife REIT, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and its committees. The majority of the directors are non-executive and/or independent of the management. This enables the management to benefit from their external, diverse and objective perspective on issues that are brought before the Board. It would also enable the Board to interact and work with the management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of roles of the Chairman and Chief Executive Officer described below, provides a healthy professional relationship between the Board and the management, with clarity of roles and robust oversight as they deliberate the business activities of the Manager. The composition will be reviewed regularly to ensure that the Board has the appropriate mix of expertise and experience and is of the appropriate size. None of the directors have served on the board of the Manager for a period exceeding nine years.

The profiles of the directors are set out on pages 14 to 19 of this Annual Report.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: *There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.*

The positions of Chairman and Chief Executive Officer are separately held by two persons in order to maintain an effective check and balance and ensure increased accountability and greater capacity for the Board for independent decision making. The Chairman of the Board, Mr. Lim Kok Hoong is an independent director. The Chief Executive Officer is Mr. Yong Yean Chau who is also an executive director of the Manager. The Chairman and the Chief Executive Officer are not immediate family members and are not related to each other.

There is a clear separation of the roles and responsibilities between the Chairman and the Chief Executive Officer. The Chairman is responsible for the overall management of the Board as well as ensuring that the directors and the management work together with integrity and competency and that the Board engages the management in constructive debate on strategy, business operations, enterprise risk and other plans.

The Chief Executive Officer has full executive responsibilities over the business directions and operational decisions in the day to day management of PLife REIT.

CORPORATE GOVERNANCE

BOARD MEMBERSHIP

Principle 4: *There should be a formal and transparent process for the appointment and reappointment of directors to the Board.*

As the Manager is not a listed company, it does not have a nominating committee. The appointment and reappointment of directors is a matter reserved for Board approval. The Board will deliberate and review the proposed appointment of new directors based on the candidate's academic and professional qualifications, expertise, commercial experience and knowledge, taking into account the scope and nature of operations of the Manager and PLife REIT. New directors are appointed by way of a Board resolution and such appointment is subject to the approval by MAS and the holding company of the Manager. Newly appointed directors are briefed on the business activities of PLife REIT, its business plans, the regulatory environment in which PLife REIT operates, its corporate governance practices and their statutory duties and responsibilities as Directors. As the Manager is not a listed company, directors of the Manager are not subject to periodic retirement by rotation.

The composition of the Board is reviewed regularly by the directors collectively to ensure that the Board has the appropriate mix of expertise and experience and is of the appropriate size. In carrying out this review, the Board looks to achieve a balance in matters such as skill representation, experience, diversity (including gender diversity) and knowledge of the company.

The Manager does not limit the maximum number of listed company board representations its Board members may hold as long as each of the Board members is able to commit his/her time and attention to the affairs of PLife REIT and the Manager, including attending Board meetings and to contribute constructively to the management of the Manager and PLife REIT.

BOARD PERFORMANCE

Principle 5: *There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.*

A review of the Board's performance is conducted annually to assess the effectiveness of the Board. The review of the Board's performance includes the Board composition, directors' contribution and commitment at board meetings, access to information, procedures, accountability and standards of conduct, skills and any specific areas where improvement may be made by an individual Director and the Board collectively. Directors are required to complete a questionnaire evaluating the Board. The feedback, comments and recommendations from the Directors will be reviewed and discussed by the Board collectively. Attendance at meetings as well as the contributions of that Director to the Board are also considered.

ACCESS TO INFORMATION

Principle 6: *In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.*

The management provides the Board with complete and adequate information on the business and the operations of PLife REIT and the Manager, on a regular and quarterly basis, at Board meetings.

The annual calendar of the Board meeting is scheduled in advance. Board papers are dispatched to directors about a week before the scheduled meetings so that directors have sufficient time to review and consider matters being tabled and discussed at the meetings. The senior executives are also requested to attend the Board meetings to provide insights into matters being discussed and to respond to any queries from the directors.

The Board has separate and independent access to management and the company secretary at all times. The Board is entitled to request from management and is provided with such additional information in a timely manner as needed to make informed decisions. The company secretary attends to corporate secretarial administration, ensures that Board procedures are followed and that applicable rules and regulations are complied with. The company secretary also attends all Board meetings. The appointment and removal of the company secretary is a Board reserved matter. The Board also has access to independent professional advice where appropriate, at the Manager's expense.

REMUNERATION MATTERS

Principle 7: *There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

Principle 8: *The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.*

Principle 9: *Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.*

The directors' fees and remuneration of staff of the Manager are paid in its own capacity using its own funds and fees received from PLife REIT and not from the funds of PLife REIT. As PLife REIT does not bear the remuneration of the Manager's Board and key management personnel, the Manager does not consider it necessary to disclose all details of the remuneration of its directors and key management personnel.

The Manager advocates a performance-based remuneration system for the executive director and key management personnel. The remuneration structure comprises fixed pay, variable bonus and long-term incentives which is designed to reward and motivate the individual to stay competitive and committed. The remuneration structure is pegged to both the performance of PLife REIT and the performance of the Manager, as reviewed and determined by the Board on an annual basis.

The director's fees paid to each of the following non-executive directors for financial year 2013 did not exceed S$250,000:

- Lim Kok Hoong (Chairman)
- Dr. Lim Cheok Peng*
- Puah Tuan Soon Benson
- Tan Bong Lin
- Tan See Haw*
- Dr. Tan See Leng*
- Ahmad Shahizam Bin Mohd Shariff*

* Director's fees are paid to Parkway Group Healthcare Pte. Ltd.

For financial year 2013, there were no termination, retirement and post-employment benefits granted to directors, the Chief Executive Officer and the key management personnel other than the payment in lieu of notice in the event of termination in the employment contracts of the Chief Executive Officer and the key management personnel.

No employee of the Manager was an immediate family member of a director and Chief Executive Officer and whose remuneration exceeded S$50,000 during the financial year 2013. "Immediate family member" means the spouse, child, adopted child, step-child, sibling and parent.

CORPORATE GOVERNANCE

Remuneration Committee

The Remuneration Committee currently comprises Mr. Puah Tuan Soon Benson (Chairman of the Remuneration Committee) and Mr. Tan Bong Lin, both of whom are non-executive and independent directors, and Dr. Tan See Leng, a non-executive director.

The Remuneration Committee has a set of terms of reference defining its scope of responsibility and authority, which includes the following:

(a) recommending to the Board a framework of remuneration for key management personnel, and to determine specific remuneration packages for the Board and key management personnel covering all aspects of remuneration including but not limited to director's fees, salaries, allowances, bonuses, options, unit-based incentives, awards and benefits in kind;

(b) reviewing the appropriateness of remuneration awarded to attract, retain and motivate the executive director and key management personnel needed to run the Manager and PLife REIT successfully;

(c) reviewing the pay and employment conditions within the industry and those of the peer companies to ensure that the executive director and key management personnel are adequately remunerated;

(d) reviewing the adequacy and form of remuneration to the directors and key management personnel to ensure that the remuneration realistically commensurate with the responsibilities and risks involved in being an effective member, as well as corporate and individual performance;

(e) considering the eligibility of the executive director and key management personnel for benefits under long-term incentive schemes and the administration thereof; and

(f) reviewing the use of long-term incentives, including share schemes, for the executive director and key management personnel.

The members of the Remuneration Committee do not participate in any decisions concerning their own remuneration.

The Remuneration Committee shall ensure that non-executive directors should not be over-compensated to the extent that their independence may be compromised. Further, the Remuneration Committee shall have the authority to consult experts (inside and/or outside the Manager) on the remuneration of all directors, if considered necessary.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: *The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

The Board continually strives to present a clear, balanced and understandable assessment of PLife REIT's financial position, performance and prospects primarily through the audited financial statements, annual report and quarterly announcements of results to the Unitholders through announcements via SGXNet, press releases, the PLife REIT's website and media and analyst briefings.

The management also provides the Board with complete and adequate information in a timely manner and on an on-going basis through regular updates on financial results, market trends and business developments.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: *The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.*

The Board acknowledges that it is responsible for the overall internal control framework and the maintenance of a sound system of internal controls. The system includes, *inter alia*, enterprise risk management and internal auditing. However, the Board recognises that no cost effective internal control system and risk management will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

To ensure a robust risk management system is maintained, the Manager, with concurrence of the Audit Committee, has engaged an external risk consultant to assist the Manager to systematically roll out the Enterprise Risk Management ("**ERM**") process and framework, including establishing the ERM Committee which comprises senior management personnel from the operational, financial and technical areas. The responsibilities of the ERM Committee include the oversight of matters relating to the management of risks. Any material non-compliance and internal control weakness, together with the recommendations to address them, the mitigating controls or gaps (if any) are also presented to the Audit Committee and the Board accordingly.

The system of risk management is embedded in the internal control system of the Manager to address on-going changes and challenges and to reduce uncertainties to PLife REIT. The ERM Committee, assisted by the external risk consultant, will ensure the adequacy and efficiency of the internal controls. As such, the internal control system will also assist the Board and the Audit Committee in compliance with the Code of Corporate Governance and the Listing Manual. The Audit Committee and the Board will review the adequacy and efficiency of the risk management system and internal controls on an annual basis.

The internal control and risk management functions conducted by the auditors and the ERM Committee respectively are evaluated by the Manager's key executives, and are reported to the Audit Committee for review. Based on the up-to-date evaluation of the controls by the auditors and the ERM Committee, the Chief Executive Officer and the Chief Financial Officer of the Manager provide an assurance to the Board that the financial records of PLife REIT have been properly maintained and the financial statements give a true and fair view of the operations and finances of PLife REIT, and the Manager's internal controls and risk management systems are effective and adequate for the year under review.

Nonetheless, the Audit Committee will:

(a) satisfy itself, by such means as it shall consider appropriate, that adequate counter measures (i.e. mechanisms and processes, such as sound internal control systems) are in place to identify and mitigate any material business risks associated with the Manager and PLife REIT;

(b) ensure that a review of the effectiveness and adequacy of the Manager's internal controls, including financial, operational, compliance and information technology controls, and risk management policies and systems, is conducted at least annually. Such review can be carried out by internal auditors, external auditors and/or the ERM Committee;

(c) ensure that the internal control recommendations made by internal auditors, external auditors and/or the ERM Committee have been implemented by the Manager; and

(d) ensure that the Board is in a position to comment on the adequacy of the internal controls of the Manager.

Based on the Audit Committee's review, the Board with the concurrence of the Audit Committee is of the opinion that there are adequate and effective internal controls (including financial, operational, compliance and information technology controls) and risk management systems in the Manager.

CORPORATE GOVERNANCE

AUDIT COMMITTEE

Principle 12: *The Board should establish an Audit Committee with written terms of reference which clearly set out in its authority and duties.*

The Audit Committee comprises Mr. Lim Kok Hoong, Mr. Puah Tuan Soon Benson and Mr. Tan Bong Lin (Chairman of the Audit Committee), all of whom are independent non-executive directors. The members of the Audit Committee collectively have recent and relevant expertise or experience in financial management and are appropriately qualified to discharge their responsibilities.

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

In appointing the audit firms for the Group, the Audit Committee is satisfied that PLife REIT has complied with the Listing Rules 712 and 715 of the Listing Manual.

The Audit Committee has a set of terms of reference defining its scope of responsibility and authority, which includes the following:

(a) monitoring the procedures established to regulate related party transactions, including ensuring compliance with the provisions of the Listing Manual relating to "interested person transactions" and the provisions of the Property Funds Appendix relating to "interested party transactions";

(b) reviewing arrangements by which employees of the Manager may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensuring that arrangements are in place for such concerns to be raised, independently investigated, and for appropriate follow-up action to be taken;

(c) reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;

(d) reviewing internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with;

(e) reviewing, on an annual basis, the internal audit function to ensure that is adequately resourced, is independent of the activities it audits, has appropriate standing within the Manager, is staffed with persons with the relevant qualifications and experience and has unfettered access to all documents, records, properties and personnel, including access to the Audit Committee;

(f) monitoring the procedures in place to ensure compliance with applicable legislation, the Listing Manual and the CIS Code including the Property Funds Appendix;

(g) reviewing the nature and extent of non-audit services performed by external auditors;

(h) reviewing the scope and results of the external audit and the independence and objectivity of the external auditors;

(i) meeting with external and internal auditors, without the presence of the executive director and key management personnel at least annually;

(j) examining the effectiveness of financial, operational, compliance and information technology controls at least annually;

(k) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of PLife REIT and any formal announcements relating to PLife REIT's financial performance;

(l) investigating any matters within the Audit Committee's terms of reference, whenever it deems necessary;

(m) reporting to the Board on material matters, findings and recommendations; and

(n) making recommendations to the Board on the appointment, re-appointment and removal of the external auditors.

The Audit Committee has authority to investigate any matter within its terms of reference. It also has full access to and co-operation by management and full discretion to invite any director or executive officer to attend its meetings.

The Audit Committee has conducted a review of all non-audit services provided by the external auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. For FY2013, the aggregate amount of audit fees paid and payable by PLife REIT to the external auditors was S$282,000, comprising non-audit service fees of S$82,000 and audit service fees of S$200,000.

The Audit Committee meets with the external auditors, without the presence of management, at least once a year.

The Audit Committee is briefed regularly on the impact of the new accounting standards on PLife REIT's financial statements by the external auditors.

None of the members of the Audit Committee are former partners or directors of the Manager's and PLife REIT's external auditors.

INTERNAL AUDIT

Principle 13: *The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.*

The Manager has put in place a system of internal controls of procedures, including financial, operational, compliance and information technology controls, and risk management systems to safeguard PLife REIT's assets, Unitholders' interests as well as to manage risk.

The internal audit function of the Manager is out-sourced to an independent assurance service provider and the Audit Committee reviews the adequacy and effectiveness of the internal auditor at least once a year. The Audit Committee is satisfied that the internal auditor has the relevant qualifications and experience and has met the standards established by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditor reports directly to the Audit Committee on audit matters and the Audit Committee approves the hiring, removal, evaluation and fees of the internal auditor. The Audit Committee also reviews and approves the annual internal audit plan and reviews the internal audit reports and activities. The Audit Committee meets with the internal auditor, without the presence of management, at least once a year. The Audit Committee is of the view that the internal auditor has adequate resources to perform its functions and has to the best of its ability, maintained its independence from the activities that it audits.

CORPORATE GOVERNANCE

UNITHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: *Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangement.*

Principle 15: *Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.*

Principle 16: *Companies should encourage greater shareholder participation at general meetings of shareholder, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

Communication with Unitholders

The Listing Manual of the SGX-ST requires that a listed entity discloses to the market, among others, matters that would likely have a material effect on the price or value of the entity's securities. The Manager upholds a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager's disclosure policy requires timely and full disclosure of all material information relating to PLife REIT by way of public releases or announcements through the SGX-ST via SGXNET at first instance and then including the release on PLife REIT's website at www.plifereit.com.

The Manager also conducts regular briefings for analysts and media representatives. During these briefings, the Manager will review PLife REIT's most recent performance as well as discuss the business outlook for PLife REIT. In line with the Manager's objective of transparent communication, briefing materials are released to the SGX-ST and also made available on PLife REIT's website.

It is the aim of the Board to provide the Unitholders with a balanced and comprehensive assessment of PLife REIT's performance, position and prospects. The Unitholders are encouraged to attend the annual general meeting ("**AGM**") of PLife REIT to ensure a high level of accountability and to stay informed of the strategies and goals of PLife REIT. The chairpersons of the Audit Committee and/or the Remuneration Committee and external auditors should, where possible, also be present to assist the directors in addressing any relevant queries by Unitholders.

The notice of AGM is dispatched to the Unitholders in the manner set out in the Listing Manual. The Board welcomes questions from the Unitholders who have an opportunity to raise issues either informally or formally before or at the AGM.

Each item of special business included in the notice of AGM is accompanied, where appropriate, by an explanation for the proposed resolution and a proxy form with instructions on the appointment of proxies. Separate resolutions are prepared for substantially separate issues at the AGM. The resolutions approved in the AGM will be announced on or after the day AGM is held. Minutes of general meetings are also made available to Unitholders upon request.

As encouraged by SGX-ST and in support of the greater transparency of voting in AGM and good corporate governance, the Manager has employed electronic polling since the AGM held in 2012 whereby all resolutions are voted by poll and detailed results showing the number of votes cast for and against each resolution and the respective percentage are published at the meeting. Prior to voting at the AGM, the voting procedures will be made known to the Unitholders. The votes cast by each Unitholder are in direct proportion to their respective unitholdings in PLife REIT.

Please refer to page 110 of this Annual Report on the distribution policy and "Distribution Statements" on page 75 and page 76 of this Annual Report for more details.

DEALINGS IN PLIFE REIT'S UNITS

The Trust Deed requires each director to give notice to the Manager of his acquisition of units or of changes in the number of units which he holds or in which he has an interest, within two business days after such acquisition or the occurrence of the event giving rise to changes in the number of units which he holds or in which he has an interest. This is in line with the requirements of the new Section 137Y of the SFA (*relating to notification of unitholdings by directors and Chief Executive Officer of the Manager*) which came into effect on 19 November 2012. The Chief Executive Officer of the Manager is also required to give similar notice under the new section.

All dealings in units by the directors and the Chief Executive Officer will be announced via SGXNET, with the announcement to be posted on the SGX-ST website at http://www.sgx.com.

The directors and employees of the Manager are encouraged, as a matter of internal policy, to hold units but are prohibited from dealing in the units:

(a) in the period commencing one month before the public announcement of PLife REIT's annual results and (where applicable) property valuations and two weeks before the public announcement of PLife REIT's quarterly results, and ending on the date of announcement of the relevant results or as the case may be, property valuations; and

(b) at any time while in possession of unpublished price sensitive information.

The directors and employees of the Manager have been directed to refrain from dealing in units on short term considerations.

In addition, the Manager has undertaken that it will not deal in the units during the period commencing one month before the public announcement of PLife REIT's annual results and (where applicable) property valuations and two weeks before the public announcement of PLife REIT's quarterly results, and ending on the date of announcement of the relevant results or as the case may be, property valuations.

Further, the new Section 137ZC of the SFA (*relating to notification of unitholdings by responsible persons*) which came into effect on 19 November 2012 requires the Manager to, *inter alia*, announce via SGXNET the particulars of any acquisition or disposal of interest in PLife REIT's units by the Manager no later than the end of the business day following the day on which the Manager became aware of the acquisition or disposal.

RISK ASSESMENT AND MANAGEMENT OF BUSINESS RISK

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

The Board meets quarterly (or more often, if necessary) and will review the financial performance of the Manager and PLife REIT against a previously approved budget. The Board will also review the business risks of PLife REIT, examine liability management and will act upon any comments from the auditors of PLife REIT.

As a result of the licensing regime for managers of REITs under the SFA, the Manager, as a holder of a CMS Licence, has established internal procedures to ensure compliance with the relevant laws, regulations and guidelines relating to anti-money laundering and countering the financing of terrorism and has also adopted procedures to ensure that all material outsourcing comply with the MAS' Guidelines on Outsourcing issued in October 2004 and last updated on 1 July 2005.

The Manager has appointed experienced and well-qualified management personnel to handle the day-to-day operations of the Manager and PLife REIT. In assessing business risks, the Board will consider the economic environment and risks relevant to the property and healthcare industry. It reviews management reports and feasibility studies on investment risks prior to approving all investment decisions. The management meets regularly to review the operations of the Manager and discuss any disclosure issues.

CORPORATE GOVERNANCE

WHISTLE-BLOWER PROTECTION POLICY

The Manager has established a whistle-blower policy which reflects the Manager's commitment to conduct its business within a framework that fosters the highest ethical and legal standards. In line with this commitment and PLife REIT's commitment to open communications, the whistle-blower policy aims to provide an avenue for employees to raise concerns and reassurance that they will be protected from reprisals or victimisation for whistle-blowing in good faith. The Audit Committee reviewed the whistle-blower policy which provides for mechanisms by which employees may, in confidence, raise their concerns about possible improprieties in financial reporting or other matters and was satisfied that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action. The Chairman of the Audit Committee is the first contact for issues raised under this policy.

DEALINGS WITH CONFLICTS OF INTEREST

The Manager has instituted the following procedures to deal with potential conflicts of interest issues:

(a) The Manager will be a dedicated manager to PLife REIT and will not manage any other REIT which invests in the same type of properties as PLife REIT.

(b) All resolutions in writing of the Board in relation to matters concerning PLife REIT must be approved by a majority of the directors, including at least one independent director.

(c) At least one-third of the Board shall comprise independent directors.

(d) All related party transactions must be reviewed by the Audit Committee and approved by a majority of the Audit Committee. If a member of the Audit Committee has an interest in a transaction, he or she will abstain from voting.

(e) In respect of matters in which Parkway Holdings Limited, the sponsor of PLife REIT (the "**Sponsor**") and/or its subsidiaries have an interest, direct or indirect, any nominees appointed by the Sponsor and/or its subsidiaries to the Board to represent its/their interest will abstain from voting. In such matters, the quorum must comprise a majority of the independent directors and must exclude the nominee directors of the Sponsor and/or its subsidiaries.

(f) In respect of matters in which a director or his associates have an interest, direct or indirect, such interested director will abstain from voting. In such matters, the quorum must comprise a majority of the Board and must exclude such interested director.

(g) Under the Trust Deed, the Manager and its associates are prohibited from being counted in a quorum for or voting at any meeting of Unitholders convened to approve any matter in which the Manager or any of its associates has a material interest. For so long as Parkway Trust Management Limited is the manager of PLife REIT, the controlling shareholders (as defined in the Listing Manual) of the Manager and their respective associates are prohibited from being counted in the quorum for or voting at any meeting of Unitholders convened to consider a matter in respect of which the relevant controlling shareholders of Parkway Trust Management Limited and/or their associates have a material interest.

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

PLife REIT's properties are located in Singapore, Japan and Malaysia and its strategy is to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily for healthcare and/or healthcare-related purposes (including, but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. The Sponsor has interests in several healthcare and/or healthcare-related properties in the Asia-Pacific region such as those located in Malaysia. Potential conflicts of interest between the Sponsor and PLife REIT may arise in respect of acquisition and ownership of healthcare and/or healthcare-related assets in the Asia-Pacific region, including Singapore where PLife REIT's initial properties are located, and where PLife REIT's investment strategy is to invest in healthcare and/or healthcare-related properties located therein.

In order to mitigate any conflict of interest between the Sponsor and PLife REIT in the Asia-Pacific region, the Audit Committee will, during the course of its review of transactions to be entered into by PLife REIT in the future, take into account the expiry of the right of first refusal granted by the Sponsor, together with any other relevant factors that may arise during the assessment process and arrive at its view based on all relevant factors. The existing internal control systems on dealings with conflict of interest will be reviewed periodically to ascertain its effectiveness and suitability and further measures will be considered and implemented to fine-tune the internal control procedures to deal with potential conflicts of interest issues.

In addition, the nominee directors appointed by the Sponsor to the Board are committed not to disclose to the Sponsor information concerning offers to PLife REIT in respect of potential acquisition of new properties as well as offers made by PLife REIT in respect of the potential acquisition of new properties, save for properties which the nominee directors are in a position to confirm that the Sponsor has no intention of acquiring.

The Manager has also established a conflict of interest policy for its employees to ensure that any conflict of interest or potential conflicts of interest are disclosed and approvals are sought where required.

RELATED PARTY TRANSACTIONS

The Manager's Internal Control System

The Manager has established an internal control system to ensure that all future related party transactions (which term includes an "interested person transaction" as defined under the Listing Manual and an "interested party transaction" under the Property Funds Appendix) will be undertaken on normal commercial terms and will not be prejudicial to the interests of PLife REIT or the Unitholders. As a general rule, the Manager must demonstrate to the Audit Committee that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the Manager, or obtaining one or more valuations from independent professionals valuers (in accordance with the Property Funds Appendix).

The Manager maintains a register to record all related party transactions which are entered into by PLife REIT and the bases, including any quotations from unrelated parties and independent valuations obtained to support such bases, on which they are entered. The Manager also incorporates into its internal audit plan a review of all related party transactions entered into by PLife REIT. The Audit Committee reviews the internal audit reports at least twice a year to ascertain that the guidelines and procedures established to monitor related party transactions have been complied with. In addition, the Trustee will also have the right to review such audit report to ascertain that the Property Funds Appendix have been complied with.

Further, the following procedures will be undertaken:

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding S$100,000 in value but below 3.0% of the value of PLife REIT's net tangible assets will be subject to review by the Audit Committee at regular intervals;

CORPORATE GOVERNANCE

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of PLife REIT's net tangible assets will be subject to the review and prior approval of the Audit Committee. Such approval shall only be given if the transactions are on normal commercial terms and are consistent with similar types of transactions made by the Trustee with third parties which are unrelated to the Manager; and

- transactions (either individually or as part of a series or if aggregated with other transactions involving the same related party during the same financial year) equal to or exceeding 5.0% of the value of PLife REIT's net tangible assets will be reviewed and approved prior to such transactions being entered into, on the basis described in the preceding paragraph, by the Audit Committee which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transactions would have to be approved by the Unitholders at a meeting of Unitholders.

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

PLife REIT will, in compliance with Rule 905 of the Listing Manual, announce any interested person transaction if such transaction, by itself or when aggregated with other interested person transactions entered into with the same interested person during the same financial year, is 3.0% or more of PLife REIT's latest audited net tangible assets.

The Manager also discloses in the Annual Report the aggregate value of the related party transactions entered during the relevant financial year as required under the Listing Manual and the Property Funds Appendix.

Role of the Audit Committee for Related Party Transactions

All related party transactions must be reviewed by the Audit Committee and approved by a majority of the Audit Committee to ensure compliance with the Manager's internal control system and with the relevant provisions of the Listing Manual as well as the Property Funds Appendix. The review will include the examination of the nature of the transactions and its supporting documents or such other data deemed necessary to the Audit Committee.

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REPORT OF THE TRUSTEE

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Parkway Life Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act (Cap. 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Scheme, the Trustee shall monitor the activities of Parkway Trust Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 12 July 2007 (as amended) (the "Trust Deed"), between the Trustee and the Manager 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 Trust during the year covered by these financial statements, set out on pages 73 to 142, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Antony Wade Lewis
Director

20 March 2014

STATEMENT BY THE MANAGER

In the opinion of the directors of Parkway Trust Management Limited, the accompanying financial statements set out on pages 73 to 142 comprising the statements of financial position, statements of total return, distribution statements, statements of movements in Unitholders' funds and portfolio statements of the Group and of the Trust, cash flow statement of the Group and a summary of significant accounting policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position and the portfolio of Parkway Life Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") and of the Trust as at 31 December 2013, the total returns, distributable income, movements in Unitholders' funds of the Group and the Trust and cash flows of the Group for the year then ended 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,
Parkway Trust Management Limited

Yong Yean Chau
Director

20 March 2014

AUDITORS' REPORT

TO THE UNITHOLDERS OF PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
(Constituted in the Republic of Singapore pursuant to a trust deed dated 12 July 2007)

We have audited the accompanying financial statements of Parkway Life Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 December 2013, and the Statements of Total Return, Distribution Statements and Statements of Movements in Unitholders' Funds of the Group and of the Trust and Statements of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 73 to 142.

Manager's responsibility for the financial statements

The Manager of the Trust is responsible for the preparation and fair presentation of these financial statements 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 for such internal control as the Manager of the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the financial statements of the Trust present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2013, and the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended 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.*

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
20 March 2014

STATEMENT OF FINANCIAL POSITIONS

As at 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Trust 2013 $'000	Trust 2012 $'000
Non-current assets					
Investment properties	4	**1,483,820**	1,427,331	**1,021,400**	980,400
Interests in subsidiaries	5	**–**	–	**505,026**	428,554
Security deposit receivable		**724**	855	**–**	–
Financial derivatives	6	**6,187**	2,229	**6,187**	2,229
		1,490,731	1,430,415	**1,532,613**	1,411,183
Current assets					
Financial derivatives	6	**90**	105	**90**	105
Trade and other receivables	7	**9,860**	9,221	**8,799**	8,069
Cash and cash equivalents	8	**27,474**	30,598	**786**	2,470
		37,424	39,924	**9,675**	10,644
Total assets		**1,528,155**	**1,470,339**	**1,542,288**	**1,421,827**
Current liabilities					
Financial derivatives	6	**342**	39	**342**	39
Trade and other payables	9	**14,649**	13,084	**8,257**	7,696
Current portion of security deposits		**1,710**	1,948	**115**	–
Loans and borrowings	10	**4,472**	14,250	**4,472**	14,250
Provision for taxation		**1**	–	**–**	–
		21,174	29,321	**13,186**	21,985
Non-current liabilities					
Financial derivatives	6	**1,383**	1,288	**1,383**	1,288
Non-current portion of security deposits		**14,122**	13,722	**–**	–
Loans and borrowings	10	**496,959**	467,422	**496,959**	467,422
Deferred tax liabilities	11	**8,719**	7,232	**–**	–
		521,183	489,664	**498,342**	468,710
Total liabilities		**542,357**	**518,985**	**511,528**	**490,695**
Net assets		**985,798**	**951,354**	**1,030,760**	**931,132**
Represented by:					
Unitholders' funds	12	**985,798**	**951,354**	**1,030,760**	**931,132**
Units in issue ('000)	13	**605,002**	605,002	**605,002**	605,002
Net asset value per unit ($)		**1.63**	1.57	**1.70**	1.54

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000 Restated*	Trust 2013 $'000	Trust 2012 $'000
Gross revenue	14	**93,693**	94,074	**75,189**	73,763
Property expenses	15	**(6,094)**	(6,466)	**(3,084)**	(3,050)
Net property income		**87,599**	87,608	**72,105**	70,713
Management fees	16	**(9,376)**	(9,455)	**(8,353)**	(8,273)
Trust expenses	17	**(2,470)**	(2,250)	**(1,792)**	(1,730)
Interest income		**6**	10	**1**	4
Finance costs	18	**(8,133)**	(8,647)	**(8,133)**	(8,647)
Foreign exchange gain/(loss), net		**1,683**	(258)	**69,174**	68,161
		(18,290)	(20,600)	**50,897**	49,515
Total return before changes in fair value of financial derivatives and investment properties		**69,309**	67,008	**123,002**	120,228
Net change in fair value of financial derivatives		**3,232**	4,830	**3,232**	4,830
Net change in fair value of investment properties		**32,045**	49,718	**37,332**	53,493
Total return before income tax		**104,586**	121,556	**163,566**	178,551
Income tax expense	19	**(6,307)**	(6,145)	**–**	–
Total return for the year		**98,279**	115,411	**163,566**	178,551
Earnings per unit (cents)					
Basic and diluted	20	**16.24**	19.08	**27.04**	29.51

* See note 26

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Trust 2013 $'000	Trust 2012 $'000
Amount available for distribution to Unitholders at beginning of the year		**16,306**	14,943	**16,306**	14,943
Total return for the year		**98,279**	115,411	**163,566**	178,551
Distribution adjustments	A	**(30,245)**	(50,752)	**(95,532)**	(113,892)
Rollover adjustment		**20**	746	**20**	746
Amount retained for capital expenditure		**(3,000)**	(3,000)	**(3,000)**	(3,000)
Income for the year available for distribution to Unitholders	B	**65,054**	62,405	**65,054**	62,405
Amount available for distribution to Unitholders		**81,360**	77,348	**81,360**	77,348
Distributions to Unitholders during the year:					
- Distribution of 2.47 cents per unit for period from 1 October 2011 to 31 December 2011		**–**	14,943	**–**	14,943
- Distribution of 2.56 cents per unit for period from 1 January 2012 to 31 March 2012		**–**	15,487	**–**	15,487
- Distribution of 2.48 cents per unit for period from 1 April 2012 to 30 June 2012		**–**	15,003	**–**	15,003
- Distribution of 2.58 cents per unit for period from 1 July 2012 to 30 September 2012		**–**	15,609	**–**	15,609
- Distribution of 2.69 cents per unit for period from 1 October 2012 to 31 December 2012		**16,275**	–	**16,275**	–
- Distribution of 2.64 cents per unit for period from 1 January 2013 to 31 March 2013		**15,972**	–	**15,972**	–
- Distribution of 2.63 cents per unit for period from 1 April 2013 to 30 June 2013		**15,911**	–	**15,911**	–
- Distribution of 2.66 cents per unit for period from 1 July 2013 to 30 September 2013		**16,093**	–	**16,093**	–
		64,251	61,042	**64,251**	61,042
Amount available for distribution to Unitholders at end of the year		**17,109**	16,306	**17,109**	16,306

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2013

	Note	Group 2013 $'000	Group 2012 $'000	Trust 2013 $'000	Trust 2012 $'000
Amount available for distribution to Unitholders at end of the year		**17,109**	16,306	**17,109**	16,306
Number of units entitled to distribution ('000)	13	**605,002**	605,002	**605,002**	605,002
Distribution per unit (cents)		**2.82**	2.69	**2.82**	2.69

Note A – Distribution adjustments comprise:

	Group 2013 $'000	Group 2012 $'000	Trust 2013 $'000	Trust 2012 $'000
Non-tax deductible/(non-taxable) items:				
Trustee's fees	**266**	265	**266**	265
Amortisation of transaction costs relating to debt facilities	**1,411**	908	**1,411**	908
Net overseas income not distributed to the Trust	**–**	–	**10,218**	11,293
Foreign exchange loss/(gain), net	**44**	175	**(67,447)**	(68,438)
Others	**584**	403	**584**	403
Net change in fair value of financial derivatives	**(3,232)**	(4,830)	**(3,232)**	(4,830)
Net change in fair value of investment properties (net of deferred tax liabilities)	**(29,318)**	(47,673)	**(37,332)**	(53,493)
Net effect of distribution adjustments	**(30,245)**	(50,752)	**(95,532)**	(113,892)

Note B – Income for the year available for distribution to Unitholders

	Group 2013 $'000	Group 2012 $'000	Trust 2013 $'000	Trust 2012 $'000
Unitholders' distributions:				
- from operations	**58,230**	54,165	**58,230**	54,165
- from Unitholders' contributions	**6,824**	8,240	**6,824**	8,240
Total Unitholders' distributions	**65,054**	62,405	**65,054**	62,405

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2013

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Unitholders' funds at beginning of year	**951,354**	896,176	**931,132**	813,319
Operations				
Total return for the year	**98,279**	115,411	**163,566**	178,551
Unitholders' transactions				
Issue of new units:				
- Manager's acquisition fees paid in units	**–**	63	**–**	63
Distribution to Unitholders	**(64,251)**	(61,042)	**(64,251)**	(61,042)
Net decrease in net assets resulting from Unitholders' transactions	**(64,251)**	(60,979)	**(64,251)**	(60,979)
Total increase in Unitholders' funds before movement in other reserves	**34,028**	54,432	**99,315**	117,572
Other reserves				
Net movement in hedging reserve	**313**	241	**313**	241
Exchange differences on hedges on net investments in foreign entities	**65,826**	68,957	**–**	–
Translation difference arising on consolidation of foreign entities	**(65,723)**	(68,452)	**–**	–
Net increase in other reserves	**416**	746	**313**	241
Unitholders' funds at end of year	**985,798**	951,354	**1,030,760**	931,132

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Singapore				
The Mount Elizabeth Hospital Property [1]	Leasehold	67	61	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property [1]	Leasehold	75	69	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property [1]	Leasehold	75	69	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
Hospital and medical centre	646,000	620,000	65.5	65.2
Hospital and medical centre	326,000	313,000	33.1	32.9
Hospital and medical centre	49,400	47,400	5.0	5.0
	1,021,400	980,400		

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan				
P-Life Matsudo [2]	Freehold	N.A.	N.A.	357 Matsuhidai, Matsudo City, Chiba Prefecture, Japan
Bon Sejour Shin-Yamashita [2]	Freehold	N.A.	N.A.	2-12-55 Shin Yamashita, Naka-Ku, Yokohama City, Kanagawa Prefecture, Japan
Bon Sejour Ibaraki [2]	Leasehold	50	44	25-2, Nishi-Toyokawacho, Ibaraki City, Osaka Prefecture, Japan
Palmary Inn Akashi [2]	Freehold	N.A.	N.A.	486, Yagi, Okubo-cho, Akashi City, Hyogo Prefecture, Japan
Palmary Inn Suma [2]	Freehold	N.A.	N.A.	1-5-23, Chimori-cho, Suma-ku, Kobe City, Hyogo Prefecture, Japan
Senior Chonaikai Makuhari Kan [2]	Freehold	N.A.	N.A.	5-370-4, Makuhari-cho, Hanamigawa-ku, Chiba City, Chiba Prefecture, Japan
Balance carried forward				

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
Pharmaceutical product distributing and manufacturing facility	34,974	40,613	3.5	4.3
Nursing home with care service	16,402	18,668	1.7	2.0
Nursing home with care service	12,904	15,019	1.3	1.6
Nursing home with care service	18,331	21,375	1.9	2.2
Nursing home with care service	10,673	12,426	1.1	1.3
Nursing home with care service	17,728	20,663	1.8	2.2
	111,012	128,764	11.3	13.6

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Himawari Home Kamakura [2]	Freehold	N.A.	N.A.	1-13-1, Iwase, Kamakura City, Kanagawa Prefecture, Japan
Smiling Home Medis Musashi Urawa [2]	Freehold	N.A.	N.A.	5-5-6, Shikatebukuro, Minami-ku, Saitama City, Saitama Prefecture, Japan
Fureai no sono Nerima Takanodai [2]	Freehold	N.A.	N.A.	3-15-37, Takanodai, Nerima-ku, Tokyo Prefecture, Japan
Smiling Home Medis Koshigaya Gamo [2]	Freehold	N.A.	N.A.	2-2-25, Gamo-nishimachi, Koshigaya City, Saitama Prefecture, Japan
Amille Nakasyo [2]	Freehold	N.A.	N.A.	923-1 Aza Miyata, Hirata, Kurashiki City, Okayama, Japan
Supercourt Kadoma [2]	Leasehold	50	44	11-27, Yanagimachi, Kadoma City, Osaka, Japan
Supercourt Takaishi-Hagoromo [2]	Leasehold	30	25	4-1-22 Takashinohama, Takaishi City, Osaka, Japan
Balance carried forward				

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
	111,012	128,764	11.3	13.6
Nursing home with care service	11,964	13,922	1.2	1.5
Nursing home with care service	7,706	8,963	0.8	0.9
Nursing home with care service	17,125	19,950	1.7	2.1
Nursing home with care service	16,040	18,667	1.6	2.0
Nursing home with care service	7,248	8,436	0.7	0.9
Nursing home with care service	7,188	8,465	0.7	0.9
Nursing home with care service	8,092	9,562	0.8	1.0
	186,375	216,729	18.8	22.9

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Maison des Centenaire Ishizugawa [2]	Freehold	N.A.	N.A.	2-1-9, Hamederaishizucho-Nishi, Nishi-Ku, Sakai City, Osaka, Japan
Maison des Centenaire Haruki [2]	Freehold	N.A.	N.A.	12-20, Haruki-Miyakawacho, Kishiwada City, Osaka, Japan
Hapine Fukuoka Noke [2]	Freehold	N.A.	N.A.	4-35-9, Noke, Sawara-ku, Fukuoka City, Fukuoka, Japan
Fiore Senior Residence Hirakata [2]	Freehold	N.A.	N.A.	4-10, Higashikori-Shinmachi, Hirakata City, Osaka, Japan
Iyashi no Takatsuki Kan [2]	Freehold	N.A.	N.A.	3-19, Haccho-Nishimachi, Takatsuki City, Osaka, Japan
Sawayaka Obatake Ichibankan [2]	Freehold	N.A.	N.A.	3-3-51 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka, Japan
Balance carried forward				

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
	186,375	216,729	18.8	22.9
Nursing home with care service	9,491	11,015	1.0	1.2
Nursing home with care service	7,296	8,593	0.7	0.9
Nursing home with care service	9,395	10,944	1.0	1.2
Nursing home with care service	5,511	6,412	0.6	0.7
Nursing home with care service	17,005	19,665	1.7	2.1
Nursing home with care service	8,490	9,861	0.9	1.0
	243,563	283,219	24.7	30.0

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Sawayaka Sakurakan [2]	Freehold	N.A.	N.A.	126-2 Nakadomari, Nishi-nagano, Kakunodate-machi, Senboku City, Akita, Japan
Sawayaka Nogatakan [2]	Freehold	N.A.	N.A.	442-1 Yamabe-Oaza, Nogata City, Fukuoka, Japan
Sawayaka Shinmojikan [2]	Freehold	N.A.	N.A.	1543-1 O-aza Hata, Moji-ku, Kita-kyushu City, Fukuoka, Japan
Sawayaka Nokatakan [2]	Freehold	N.A.	N.A.	4-34-1, Nokata, Nishi-ku, Fukuoka City, Fukuoka, Japan
Sawayaka Obatake Nibankan [2]	Freehold	N.A.	N.A.	1-6-26 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka, Japan
Sawayaka Fukufukukan [2]	Freehold	N.A.	N.A.	1-24-4 Fukuyanagi, Tobata-ku, Kita-kyushu City Fukuoka, Japan
Balance carried forward				

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
	243,563	283,219	24.7	30.0
Nursing home with care service	9,093	10,588	0.9	1.1
Nursing home with care service	7,899	9,191	0.8	1.0
Nursing home with care service	10,733	12,469	1.1	1.3
Nursing home with care service	10,432	12,127	1.1	1.3
Short stay/Day care home	3,727	4,403	0.4	0.5
Nursing home with care service	7,622	8,863	0.8	0.9
	293,069	340,860	29.8	36.1

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
As Heim Nakaurawa [2]	Freehold	N.A.	N.A.	2-21-9 Nishibori, Sakura-ku, Saitama, Japan
Fureai no Sono Musashi Nakahara [2]	Freehold	N.A.	N.A.	5-14-25 Shimo Kotanaka Nakahara-ku, Kawasaki, Kanagawa, Japan
Legato Higashi-Sumiyoshi [2]	Freehold	N.A.	N.A.	1-7-30 Kuwazu Higashisumiyoshi-ku, Osaka, Japan
Royal Residence Gotenyama [2]	Freehold	N.A.	N.A.	16-4 Gotenyamacho, Hirakata City, Osaka, Japan
Legato Katano [2]	Freehold	N.A.	N.A.	2-5-2 Kisabe, Katano City, Osaka Japan
Sawayaka Hirakatakan [2]	Freehold	N.A.	N.A.	2-1160-13 Shoudaiotani, Hirakata City, Osaka Prefecture, Japan
Balance carried forward				

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
	293,069	340,860	29.8	36.1
Nursing home with care service	11,807	13,737	1.2	1.4
Nursing home with care service	9,334	10,859	0.9	1.1
Nursing home with care service	11,336	13,195	1.1	1.4
Nursing home with care service	5,934	6,911	0.6	0.7
Nursing home with care service	7,212	8,393	0.7	0.9
Nursing home with care service	15,859	18,639	1.6	2.0
	354,551	412,594	35.9	43.6

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Sawayaka Higashikagurakan [2]	Freehold	N.A.	N.A.	2-351-4 Kitaichijo Higashi, Higashikagura-cho Kamikawa-gun, Hokkaido Prefecture, Japan
Sawayaka Parkside Shinkawa [2]	Freehold	N.A.	N.A.	103 Shinkawa-machi, Tobata-ku, Kita-kyushu City Fukuoka, Japan
Heart Life Toyonaka [3]	Freehold	N.A.	N.A.	15-14, Kozushima 2-chome, Toyonaka City, Osaka Prefecture, Japan
Palmary Inn Shin-Kobe [3]	Freehold	N.A.	N.A.	13-7, Kanocho 2-chome, Chuo-ku, Kobe City, Hyogo Prefecture, Japan
Sawayaka Seaside Toba [4]	Freehold	N.A.	N.A.	300-73 Aza Hamabe, Ohamacho Toba City, Mie Prefecture, Japan
Sawayaka Niihamakan [4]	Freehold	N.A.	N.A.	Otsu 11-77, Higashida 3-chome, Niihama City, Ehime Prefecture, Japan
Balance carried forward				

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
	354,551	412,594	35.9	43.6
Nursing home with care service	10,938	12,697	1.1	1.3
Nursing home with care service	11,469	13,552	1.2	1.4
Nursing home with care service	5,463	–	0.6	–
Nursing home with care service	16,522	–	1.7	–
Nursing home with care service	17,005	–	1.7	–
Nursing home with care service	15,968	–	1.6	–
	431,916	438,843	43.8	46.3

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Group				
Japan (cont'd)				
Balance brought forward				
Sawayaka Mekari Nibankan [4]	Freehold	N.A.	N.A.	2720-2, Okubo 1-chome, Mojiku, Kitakyushushi City, Fukuoka Prefecture, Japan
Sawayaka Kiyotakan [4]	Freehold	N.A.	N.A.	16-7, Kiyota 3-chome, Yahatahigashi-ku, Kitakyushushi, Fukuoka Prefecture, Japan
Sawayaka Minatokan [4]	Freehold	N.A.	N.A.	5155-3 Jyusanbancho, Furumachidori, Chuo-ku, Niigata City, Niigata Prefecture, Japan
Malaysia				
Gleneagles Intan Medical Centre, Kuala Lumpur [5]	Freehold	N.A.	N.A.	282, Jalan Ampang 50450 Kuala Lumpur, Malaysia
Investment properties, at valuation				
Other assets and liabilities (net)				
Net assets				

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
	431,916	438,843	43.8	46.3
Nursing home with care service	3,751	–	0.4	–
Nursing home with care service	10,215	–	1.0	–
Nursing home with care service	7,972	–	0.8	–
	453,854	438,843	46.0	46.3
Medical Centre	8,566	8,088	0.9	0.9
	1,483,820	1,427,331	150.5	150.3
	(498,022)	(475,977)	(50.5)	(50.3)
	985,798	951,354	100.0	100.0

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

PORTFOLIO STATEMENTS

As at 31 December 2013

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location
Trust				
Singapore				
The Mount Elizabeth Hospital Property [1]	Leasehold	67	61	3 Mount Elizabeth, Singapore 228510
The Gleneagles Hospital Property [1]	Leasehold	75	69	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500
The Parkway East Hospital Property [1]	Leasehold	75	69	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990
Investment properties, at valuation				
Other assets and liabilities (net)				
Net assets				

(1) These properties are leased to Parkway Hospitals Singapore Pte. Ltd., a related corporation of the Manager of the Trust under separate master lease agreements, which contain an initial term of 15 years from 23 August 2007 with an option to extend the lease of each of these properties for a further term of 15 years. On 31 December 2013, the appraised value of these properties was determined by CBRE Pte. Ltd., using capitalisation and discounted cash flow approaches.

(2) On 31 December 2013, independent valuations of these properties were undertaken by International Appraisals Incorporated, DTZ Debenham Tie Leung K.K. and Colliers International using direct income, cost and discounted cash flow approaches.

(3) On 3 July 2013, the Group executed two agreements to participate as an investor in relation to the acquisition of two nursing homes from a third party for a total consideration of JPY1.81 billion (approximately $23.1 million) which are leased to two nursing home operators. On 31 December 2013, the appraised value of these properties was determined by Colliers International using direct income, cost and discounted cash flow approaches.

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

Existing use	At Valuation at 31/12/2013 $'000	At Valuation at 31/12/2012 $'000	Percentage of Net Assets at 31/12/2013 %	Percentage of Net Assets at 31/12/2012 %
Hospital and medical centre	646,000	620,000	62.7	66.6
Hospital and medical centre	326,000	313,000	31.6	33.6
Hospital and medical centre	49,400	47,400	4.8	5.1
	1,021,400	980,400	99.1	105.3
	9,360	(49,268)	0.9	(5.3)
	1,030,760	931,132	100.0	100.0

(4) On 17 September 2013, the Group executed two agreements to participate as an investor in relation to the acquisition of five nursing homes from a third party for a total consideration of JPY4.69 billion (approximately $60.1 million) which is leased back to the vendor for a term of 20 years. On 31 December 2013, the appraised value of these properties was determined by International Appraisals Incorporated using direct income, cost and discounted cash flow approaches.

(5) On 31 December 2013, the appraised value of the property was determined by DTZ Nawawi Tie Leung using capitalisation and direct comparison approaches.

The Manager of the Trust believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The net change in fair value of the properties has been taken to the Statement of Total Return.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2013

	Note	Group 2013 $'000	2012 $'000
Operating activities			
Total return before income tax		**104,586**	121,556
Adjustments for:			
Interest income		**(6)**	(10)
Finance costs		**8,133**	8,647
Net change in fair value of financial derivatives		**(3,232)**	(4,830)
Net change in fair value of investment properties		**(32,045)**	(49,718)
Operating income before working capital changes		**77,436**	75,645
Changes in working capital:			
Trade and other receivables		**(797)**	(1,009)
Trade and other payables		**707**	480
Security deposits		**2,692**	2,757
Cash generated from operations		**80,038**	77,873
Income tax paid		**(3,605)**	(4,037)
Cash flows generated from operating activities		**76,433**	73,836
Investing activities			
Interest received		**6**	10
Capital expenditure on investment properties		**(3,771)**	(3,733)
Cash outflow on purchase of investment properties (including acquisition related costs) (Note A)		**(86,275)**	(56,884)
Cash flows used in investing activities		**(90,040)**	(60,607)
Financing activities			
Borrowing costs paid		**(1,274)**	(1,206)
Interest paid		**(6,955)**	(7,840)
Distributions to Unitholders		**(64,251)**	(61,042)
Buy-back of Floating Rate Notes		**(14,250)**	(35,750)
Proceeds from borrowings		**186,467**	281,873
Repayment of borrowings		**(84,508)**	(189,813)
Cash flows generated from/(used in) financing activities		**15,229**	(13,778)
Net increase/(decrease) in cash and cash equivalents		**1,622**	(549)
Cash and cash equivalents at beginning of year		**28,399**	33,600
Effects of exchange differences on cash balances		**(4,408)**	(4,652)
Cash and cash equivalents at end of year [1]	8	**25,613**	28,399

[1] Excludes deposits amounting to JPY154.4 million (approximately $1.9 million) (2012: JPY154.4 million (approximately $2.2 million)) that are held as collaterals (Note 8).

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

Note A:

Cash outflow on purchase of investment properties (including acquisition related costs)

Cash outflow on purchase of investment properties (including acquisition related costs) is set out below:

	Group	
	2013	2012
	$'000	$'000
Investment properties	**83,165**	54,538
Acquisition related costs	**3,110**	2,346
Cash outflow/Cash consideration paid	**86,275**	56,884

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 20 March 2014.

1 GENERAL

Parkway Life Real Estate Investment Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 12 July 2007 (as amended) (the "Trust Deed") between Parkway Trust Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"), governed by the laws of the Republic of Singapore. On 12 July 2007, the Trust was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

On 23 August 2007 ("Listing Date"), the Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") and was included under the Central Provident Fund ("CPF") Investment Scheme on the same date.

At Listing Date, the Trust had invested in and owned an initial portfolio of three private hospitals in Singapore comprising The Mount Elizabeth Hospital Property, The Gleneagles Hospital Property and The Parkway East Hospital Property (collectively, the "Hospital Properties"). The Hospital Properties are leased to a related corporation of the Manager of the Trust, Parkway Hospitals Singapore Pte. Ltd., pursuant to three separate master lease agreements.

The principal activity of the Trust is to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily for healthcare and/or healthcare-related purposes (including but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. The principal activities of the subsidiaries are set out in Note 5.

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

(A) Trustee's fee

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.03% per annum of the value of the gross assets of the Group ("Deposited Property"), subject to a minimum of $10,000 per month or such higher percentage as may be fixed by an Extraordinary Resolution at a meeting of Unitholders of the Trust. The Trustee's fee is payable out of the Deposited Property 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 charged on a scaled basis of up to 0.03% per annum of the value of the Group's Deposited Property.

(B) Manager's management fees

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

(i) A base fee of 0.3% per annum of the value of the Deposited Property; and

(ii) A performance fee of 4.5% per annum of the net property income of the Group.

1 GENERAL (cont'd)

(B) Manager's management fees (cont'd)

The base fee and performance fee is payable to the Manager in the form of cash and/or units (as the Manager may elect prior to each payment) and in such proportion as may be determined by the Manager.

Where the management fees are payable in the form of units, such payment shall be made out quarterly in arrears and the Manager shall be entitled to receive such number of units as may be purchased with the relevant amount of the management fee attributable to the relevant period at an issue price equal to the market price.

Where the management fees are payable in the form of cash, the portion of the base fee and performance fee payable in cash shall be payable monthly and quarterly in arrears, respectively.

Since the Listing Date, the Manager has elected to receive 20% of the base and performance fees in the form of units and 80% in the form of cash. With effect from the financial year ended 31 December 2011, the Manager has elected to receive 100% of the base and performance fees in the form of cash.

Any increase in the maximum permitted amount or any change in the structure of the Manager's management fees must be approved by an Extraordinary Resolution at a meeting of Unitholders of the Trust duly convened and held in accordance with the provisions of the Trust Deed. In addition to the management fees, the Manager is entitled to the following fees (excluding the Hospital Properties for the duration of the master lease agreements):

(i) A fee of 2.0% per annum of the revenue of the real estate held directly or indirectly by the Trust and managed by the Manager, for property management services provided by the Manager;

(ii) A fee of 1.0% per annum of the revenue of the real estate held directly or indirectly by the Trust and managed by the Manager, for lease management services provided by the Manager;

(iii) Commissions as set out below for securing new leases or renewal of leases for those real estate which are not leased to a master lessee under a master lease agreement, pursuant to marketing services provided by the Manager:

(a) One month's gross rent inclusive of service charge, for securing a lease of three years or less;
(b) Two months' gross rent inclusive of service charge, for securing a lease of more than three years;
(c) Half month's gross rent inclusive of service charge, for securing a renewal of lease of three years or less; and
(d) One month's gross rent inclusive of service charge, for securing a renewal of lease of more than three years.

If a third party agent secures a tenancy, the Manager will be responsible for all marketing services commissions payable to such third party agent, and the Manager will be entitled to a marketing service commission of:

(a) 1.2 months' gross rent inclusive of service charge for securing or renewal of a lease of three years or less; and
(b) 2.4 months' gross rent inclusive of service charge for securing or renewal of a lease of more than three years.

The marketing services commission may be adjusted accordingly at the time of securing or renewal of a lease by the Manager or a third party agent, to be consistent with and no higher than the prevailing market rates of such marketing service commission in the country where the real estate is located.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

1 GENERAL (cont'd)

(C) Manager's acquisition and divestment fees

The Manager is entitled to receive the following acquisition fees and divestment fees:

(i) An acquisition fee of 1.0% of the Enterprise Value of any real estate or real estate related asset acquired directly or indirectly by the Trust, prorated, if applicable, to the proportion of the Trust's interest.

Where the assets acquired by the Trust are shares in a special purpose vehicle whose primary purpose is to hold/own real estate (directly or indirectly), "Enterprise Value" shall mean the sum of the equity value and the total net debt attributable to the shares being acquired by the Trust. Where the asset acquired by the Trust is a real estate, "Enterprise Value" shall mean the value of the real estate.

In the event that there is a payment to be made to third party agents or brokers in connection with the acquisition, such payment shall be paid out of the Deposited Property. Unless required under the Property Funds Appendix to be paid in the form of units only, the Manager may opt to receive such acquisition fee in the form of cash or units or a combination of cash and units as it may determine. Units representing the acquisition fee or any part thereof will be issued at an issue price on a similar basis as management fees.

In relation to the Hospital Properties acquired on 23 August 2007, no acquisition fee was payable. In the event that the Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of units to be issued by the Trust at the market price.

(ii) A divestment fee of 0.5% of the Enterprise Value of any real estate or real estate related asset sold or divested directly or indirectly by the Trust, pro-rated, if applicable, to the proportion of the Trust's interest.

Unless required under the Property Funds Appendix to be paid in the form of units only, the Manager may opt to receive such divestment fee in the form of cash or units or a combination of cash and units as it may determine. The divestment fee is payable as soon as practicable after completion of the relevant divestment. Any payment to third party agents or brokers in connection with the divestment of any real estate or real estate related assets of the Trust shall be paid by the Trust. In the event the Manager receives divestment fee in connection with a transaction with a related party, any such divestment fee shall be paid in the form of units to be issued by the Trust at the market price.

(D) Project management fees

The Property Manager is entitled to receive a project management fee for each project undertaken, for the development or redevelopment (if not prohibited by the Property Funds Appendix or if otherwise permitted by the Monetary Authority of Singapore ("MAS")), the refurbishment, retrofitting and renovation of a property, based on the capital expenditure of the project, amounting to:

(i) 5.0% of the capital expenditure of the project where the capital expenditure of the project is less than $1.0 million; or

(ii) 3.0% of the capital expenditure of the project where the capital expenditure of the project is more than or equal to $1.0 million.

For the purpose of calculating the fees payable to the Property Manager, "capital expenditure" means all construction costs and expenditure valued by the quantity surveyor engaged by the Trustee for the project, excluding development charges, differential premiums, statutory payments, consultants' professional fees and goods and services tax.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements are prepared 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* and 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 recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following items:

- derivative financial instruments are measured at fair value; and
- investment properties are measured at fair value.

2.3 Functional and presentation currency

The financial statements of the Group and the Trust are presented in Singapore dollars, which is the Trust's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – fair value determination of investment properties; and
- Note 23 – valuation of financial instruments.

2.5 Changes in accounting policies

RAP 7 (2012)

From 1 January 2013, the Group and the Trust have adopted the revised RAP 7 issued by the Institute of Singapore Chartered Accountants in June 2012.

The adoption of RAP 7 (2012) has resulted in additional disclosures in the financial statements of the Group and the Trust for the current and comparative years. These have been included in the Statement of Total Return and notes to the financial statements.

The adoption of RAP 7 (2012) affects only the disclosures made in the financial statements. There is no financial effect on the financial position, total return or distributable income of the Group and the Trust for the current and previous financial years. Accordingly, the adoption of RAP 7 (2012) has no impact on earnings and distributions per unit.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

2 BASIS OF PREPARATION (cont'd)

2.5 Changes in accounting policies (cont'd)

Fair value measurement

FRS 113 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other FRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other FRSs, including FRS 107 *Financial Instruments: Disclosures*.

From 1 January 2013, in accordance with the transitional provisions of FRS 113, the Group has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Group's assets and liabilities. The additional disclosures necessary as a result of the adoption of this standard has been included in note 4.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently by the Group to all periods in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

Subsidiaries

Subsidiaries are entities controlled by the Group. 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.

Special purpose entities

The Group has established a number of special purpose entities (SPEs) for investment purposes. The Group does not have any direct or indirect shareholdings in these entities. An SPE is consolidated if, based on an evaluation of the substance of its relationship with the Group and the SPE's risks and rewards, the Group concludes that it controls the SPE. SPEs controlled by the Group were established under terms that impose strict limitations on the decision-making powers of the SPEs' management and that result in the Group receiving the majority of the benefits related to the SPEs' operations and net assets, being exposed to the majority of risks incident to the SPEs' activities, and retaining the majority of the residual or ownership risks related to the SPEs or their assets.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

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

Investments in subsidiaries are stated in the Trust's statement of financial position 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 transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign currency differences arising on retranslation are recognised in the Statement of Total Return, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in foreign operations, and financial liabilities designated as hedges of the net investment in foreign operations as mentioned below, which are recognised in the Unitholders' funds.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. 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 exchange rate at the end of the reporting period.

Foreign currency differences are recognised in the foreign currency translation reserve in equity. When a foreign operation is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to the Statement of Total Return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

Hedge of net investment in foreign operations

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operations and the parent entity's functional currency (Singapore dollars), regardless of whether the net investment is held directly or through an intermediate parent.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Foreign currency (cont'd)

Hedge of net investment in foreign operations (cont'd)

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in the Statement of Total Return. When the hedged part of a net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the Statement of Total Return as part of the profit or loss on disposal.

3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties are accounted for as non-current assets and are stated at cost on acquisition, and at valuation thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Valuations are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

(i) in such manner and frequency required under the CIS code issued by MAS; and
(ii) at least once a year, on the 31st December of each year.

Any increase or decrease on revaluation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

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.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

3.4 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date at which 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 asset 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 statement of financial position 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Non-derivative financial assets (cont'd)

Non-derivative financial assets are classified into loans and receivables category.

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 trade and other receivables, cash and cash equivalents and security deposits receivable.

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, cash collateral received is excluded.

Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which 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 when they expire.

The Group has the following non-derivative financial liabilities: loans and borrowings, trade and other payables, and security deposits payable.

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.

Unitholders' funds

Unitholders' funds are classified as equity. Incremental costs directly attributable to the issue of units are recognised as a deduction from equity, net of any tax effects.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Financial instruments (cont'd)

Derivative financial instruments, including hedge accounting (cont'd)

Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in the Statement of Total Return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes 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 the Statement of Total Return, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in Unitholders' funds. The amount recognised in hedging reserve is removed and included in the Statement of Total Return in the same period as the hedged cash flows affect profit or loss 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, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in the hedging reserve is recognised immediately in the Statement of Total Return. In other cases, the amount recognised in the hedging reserve is transferred to the Statement of Total Return in the same period that the hedged item affects the Statement of Total Return.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the Statement of Total Return.

3.5 Impairment

Non-derivative financial assets (including receivables)

A financial asset not carried at fair value through profit or loss 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(s) has occurred after the initial recognition of the asset, and that the loss event(s) has 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 debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, or indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security.

The Group considers evidence of impairment for receivables at a specific asset level. All individually significant receivables are assessed for specific impairment.

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 receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Total Return.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.5 Impairment (cont'd)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, 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.

The recoverable amount of an asset or cash-generating unit 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 cash-generating unit. 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 groups of assets (the "cash-generating unit, or CGU").

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. 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 units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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 or amortisation, if no impairment loss had been recognised.

3.6 Revenue recognition

(i) 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 over the term of the lease. Contingent rentals, which include gross turnover rental, are recognised as income in the accounting period on a receipt basis.

(ii) Interest income

Interest income is recognised on an accrual basis, using the effective interest method.

(iii) Dividend income

Dividend income is recognised in the Statement of Total Return on the date the Trust's right to receive payment is established.

3.7 Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis. Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Total Return on a straight-line basis over the term of leases.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Expenses (cont'd)

(ii) Management fees

Management fees comprise of the Manager's base fees, performance fees and asset management fees payable to the asset managers of the Japan properties.

Manager's base fees and performance fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(B). Where applicable, Manager's base fee and performance fee paid and payable in units is recognised as an expense in the Statement of Total Return and a corresponding increase in Unitholders' funds.

(iii) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses is the trustee's fees which are based on the applicable formula stipulated in Note 1(A).

(iv) Finance costs

Finance costs comprise interest expense on borrowings, amortisation of borrowings related transactions costs and settlement on financial derivatives.

Interest expense and similar charges are recognised in the Statement of Total Return, using the effective interest rate method over the period of borrowings. Expenses incurred in connection with the arrangement of borrowings are recognised in the Statement of Total Return using the effective interest method over the period for which the borrowings are granted.

3.8 Income tax expense

Income tax expense comprises current and deferred tax. Income tax is recognised in the Statement of Total Return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in the 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 financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: 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 differences relating 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. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred tax reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment will be recovered through sale has not been rebutted. 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.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Income tax expense (cont'd)

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 income taxes levied by the same tax 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.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore (the "IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90.0% of the taxable income of the Trust, the Trustee is not subject to tax on the taxable income of the Trust. Instead, the distributions made by the Trust out of such taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the Trust's distributions. This treatment is known as the tax transparency treatment.

Qualifying Unitholders are entitled to gross distributions from the Trust. For distributions made to foreign non-individual Unitholders during the period from 18 February 2010 to 31 March 2015, the Trustee is required to withhold tax at the reduced rate of 10.0% on distributions made. For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such other types of Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source at the prevailing corporate tax rate by the Trustee.

A Qualifying Unitholder refers to a Unitholder who is:

- An individual;
- A company incorporated and tax resident in Singapore;
- A Singapore branch of a company incorporated outside Singapore that has obtained the IRAS' approval for distributions to be made to it by the Trust without deduction of tax;
- A body of persons incorporated or registered in Singapore including a charity registered under the Charities Act (Cap. 37) or established by any written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Cap. 62) or a trade union registered under the Trade Unions Act (Cap. 333).

A foreign non-individual Unitholder refers to a Unitholder who is not a resident of Singapore for income tax purpose and:

- who does not have any permanent establishment in Singapore; or

- who carries on any operation through a permanent establishment in Singapore, where the funds used by that person to acquire the units in that REIT are not obtained from that operation in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.8 Income tax expense (cont'd)

The above tax transparency treatment does not apply to gains from disposal of any properties such as real estate properties, shares, etc that are determined by the IRAS to be revenue gains chargeable to tax. Tax on such gains or profits will be subject to tax, in accordance to Section 10(1)(a) of the Income Tax Act (Cap 134) and collected from the Trustee. Where the gains are capital gains, they will not be subject to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

3.9 Distribution policy

The Trust has a distribution policy to distribute at least 90.0% of its taxable income, other than gains from the sale of real estate properties that are determined by IRAS to be trading gains, and net overseas income, with the actual level of distribution to be determined at the Manager's discretion. For the taxable income that is not distributed, referred to as retained taxable income, tax will be assessed on the Trustee. Where such retained taxable income is subsequently distributed, the Trustee need not deduct tax at source.

Net overseas income refers to the net profits (excluding any gains from the sale of property or shares, as the case may be) after applicable taxes and adjustment for non-cash items such as depreciation derived by the Trust from its properties, if any.

Distributions to Unitholders are made on a quarterly basis, with the amount calculated as at 31 March, 30 June, 30 September and 31 December each year for the three-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions within 75 days after the end of the first three distribution periods of a financial year and within 90 days from the end of a financial year. Distributions, when paid, will be in Singapore dollars.

3.10 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return for the period after tax by the weighted average number of units outstanding during the period, adjusted for own units held. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of units outstanding, adjusted for own units held, for the effects of all dilutive potential units.

3.11 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 Manager's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

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 corporate assets and expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year on additions to investment properties that are expected to be used for more than one year.

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.12 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. Those which may be relevant to the Group and that they are expected to have a significant effect on the financial statements of the Group and the Trust in future financial periods, and which the Group does not plan to early adopt except as otherwise indicated below, are set out below.

Applicable for the Group's 2014 financial statements

- FRS 110 *Consolidated Financial Statements*, which changes the definition of control such that an investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power with the investee. FRS 110 introduces a single control model with a series of indicators to assess control. FRS 110 also adds additional context, explanation and application guidance based on the principle of control.

  As the subsidiaries are wholly held by the Trust, there will be no impact to the Group's financial statements.

- FRS 111 *Joint Arrangements,* which establishes the principles for classification and accounting of joint arrangements. The adoption of this standard would require the Group to re-assess and classify its joint arrangements as either joint operations or joint ventures based on its rights and obligations arising from the joint arrangements. Under this standard, interests in joint ventures will be accounted for using the equity method whilst interests in joint operations will be accounted for using the applicable FRSs relating to the underlying assets, liabilities, revenue and expense items arising from the joint operations.

  The Group does not have any investment in joint arrangement, there will be no impact to the Group's financial statements.

- FRS 112 *Disclosure of Interests in Other Entities*, which sets out the disclosures required to be made in respect of all forms of an entity's interest in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard would result in more extensive disclosure being made in the Group's financial statements in respect of its interests in other entities, as FRS 112 is primarily a disclosure standard, there will be no financial impact on the results and financial position of the Group and the Trust upon adoption.

  The Group is currently collating the information for the additional disclosures required.

- Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities,* which clarifies the existing criteria for net presentation on the face of the statement of financial position.

  Under the amendments, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. On adoption of the amendments, the Group will have to present the respective receivables and payables on a gross basis.

  The amendments will be applied retrospectively and prior periods in the Group's 2014 financial statements will be restated. As at 31 December 2013, there were no such arrangements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

4 INVESTMENT PROPERTIES

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
At 1 January	**1,427,331**	1,384,032	**980,400**	924,000
Acquisition of investment properties	**83,165**	54,538	**–**	–
Acquisition related costs	**4,152**	2,226	**–**	–
Capital expenditure	**4,352**	4,075	**3,668**	2,907
Translation difference	**(67,225)**	(67,258)	**–**	–
	1,451,775	1,377,613	**984,068**	926,907
Net change in fair value of investment properties	**32,045**	49,718	**37,332**	53,493
At 31 December	**1,483,820**	1,427,331	**1,021,400**	980,400

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2013 performed by independent professional valuers having appropriate recognised professional qualification and experience in the location and category of property being valued.

In determining the fair value, the valuers have used valuation methods which involved certain estimates. In relying on the valuation reports, the Manager is of the view that the valuation methods and estimates are reflective of the current market conditions.

The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The independent professional valuers have considered valuation techniques including direct income, cost, discounted cash flow, and direct comparison approach in arriving at the open market value as at the reporting date. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield, discount rate and average growth rate.

The direct income approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow approach involves the estimation and projection of an income stream over a period and discounting the income stream with an approximate rate of return. The cost approach involves the estimation of the replacement cost of improvements and the market value of the land. The direct comparison approach involves the analysis of recent recorded transactions of comparable properties in the vicinity after making the necessary adjustments where appropriate for differences.

Valuation processes applied by the Group and Trust

As explained under note 3.3, valuation of investment properties is performed in accordance with the Trust Deed. In assessing the fair value measurements, the Manager reviews the valuation methodologies and evaluates the assessments made by the valuers.

4 INVESTMENT PROPERTIES (cont'd)

Fair value hierarchy

The table below analyses recurring non-financial assets carried at fair value. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities that the Group can access at the measurement date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: unobservable inputs for the asset or liability.

	Level 3 $'000
31 December 2013	
Group	
Investment properties	1,483,820
Trust	
Investment properties	1,021,400

The following table shows the key unobservable inputs used in the valuation model:

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties		
Discounted cash flow approach and Capitalisation approach		
Healthcare related properties for leasing when comparable prices per square metre for comparable buildings and leases are not available	• Risk-adjusted discount rates range from 5.5% to 8% • Capitalisation rates range from 4.5% to 8%	The estimated fair value would increase / (decrease) if: • the risk-adjusted discount rates were lower / (higher); or • the capitalisation rates were lower / (higher).

Key unobservable inputs

Key unobservable inputs correspond to:

- Capitalisation rate corresponds to a rate of return on investment properties on the expected income that the property will generate.
- Discount rates, based on the risk-free rate for bonds issued by government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

5 INTERESTS IN SUBSIDIARIES

	Trust	
	2013	2012
	$'000	$'000
Equity investment, at cost	**500,951**	424,479
Amount due from subsidiary (non-trade)	**4,075**	4,075
	505,026	428,554

Amount due from subsidiary is unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this balance is, in substance, part of the Trust's net investment in the subsidiary, it is stated at cost less accumulated impairment losses.

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group	
			2013	2012
			%	%
* Matsudo Investment Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Phoebe	Special purpose entity - Investment in real estate	Japan	**100**	100
* Parkway Life Japan2 Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Urbino	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Del Monte	Special purpose entity - Investment in real estate	Japan	**100**	100
* Parkway Life MTN Pte. Ltd.	Provision of financial and treasury services	Singapore	**100**	100
* Parkway Life Japan3 Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Healthcare 1 (1)	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Healthcare 2	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Healthcare 3	Special purpose entity - Investment in real estate	Japan	**100**	100

5 INTERESTS IN SUBSIDIARIES (cont'd)

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest held by the Group 2013 %	2012 %
** Godo Kaisha Healthcare 4 [1]	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Healthcare 5 [1]	Special purpose entity - Investment in real estate	Japan	**100**	–
* Parkway Life Japan4 Pte. Ltd.	Investment holding	Singapore	**100**	100
** Godo Kaisha Samurai	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Samurai 2 [1]	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Samurai 3	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Samurai 4	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Samurai 5 [1]	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Samurai 6	Special purpose entity - Investment in real estate	Japan	**100**	100
** Godo Kaisha Samurai 7 [1]	Special purpose entity - Investment in real estate	Japan	**100**	–
** Godo Kaisha Samurai 8	Special purpose entity - Investment in real estate	Japan	**100**	–
* Parkway Life Malaysia Pte. Ltd.	Investment holding	Singapore	**100**	100
# Parkway Life Malaysia Sdn. Bhd.	Special purpose entity - Investment in real estate	Malaysia	**100**	100

* Audited by KPMG Singapore.

** Not required to be audited under the laws of country of incorporation. These special purpose entities have been consolidated in the financial statements in accordance with Interpretations of Financial Reporting Standards 12: Consolidation – Special Purpose Entities, as the Group primarily bears the risks and enjoys the benefits of the investments held by these special purpose entities.

[1] For consolidation purposes, this entity has been audited by a member firm of KPMG International.

\# Audited by BDO Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

6 FINANCIAL DERIVATIVES

	Group and Trust	
	2013	2012
	$'000	$'000
Current derivative assets	**90**	105
Non-current derivative assets	**6,187**	2,229
Total derivative assets	**6,277**	2,334
Current derivative liabilities	**(342)**	(39)
Non-current derivative liabilities	**(1,383)**	(1,288)
Total derivative liabilities	**(1,725)**	(1,327)
Total derivative assets	**4,552**	1,007

Interest rate swaps

The Group manages its exposure to interest rate movements on its floating rate loans and borrowings by entering into interest rate swaps. As at reporting date, the Group has interest rate swaps with a total notional amount of $537,755,400 (2012: $425,630,000) to provide fixed rate funding for terms of 1 to 6 years (2012: 1 to 3 years) at a weighted average effective interest rate of 0.42% (2012: 0.45%) per annum.

As at 31 December 2013, where the interest rate swaps are designated as the hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the interest rate swaps amounting to $0.3 million gain (2012: $0.2 million gain) was recognised in the hedging reserve.

Forward foreign exchange contracts

The Group manages its exposure to foreign currency movements on its net income denominated in Japanese Yen from its investments in Japan by using forward foreign exchange contracts to provide a hedge to the distribution of income from its investment in Japan, net of Japanese Yen financing costs.

At the reporting date, the Group has outstanding forward foreign exchange contracts with aggregate notional amounts of approximately $32.8 million (2012: $36.0 million). The change in fair value of $3.2 million gain (2012: $4.8 million gain) was charged to the Statement of Total Return.

The Group's and Trust's exposure to liquidity risk, market risks and fair value information related to financial derivatives are disclosed in note 23.

Offsetting financial assets and financial liabilities

The Group's derivative transactions are entered into under International Swaps and Derivatives Association Master Agreements ("ISDA Master Agreements") or long-form confirmation with various bank counterparties. The derivative financial instruments presented above are not offset in the Statement of Financial Position as the right of set-off of recognised amounts is not enforceable as set out in such ISDA Master Agreements or confirmation. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

As at 31 December 2013, there are no financial assets and financial liabilities which are subjected to offsetting under the enforceable master netting arrangements.

7 TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Amounts due from:				
- related party (trade)	**8,738**	8,025	**8,738**	8,025
- subsidiary (non-trade)	**–**	–	**16**	29
Other receivables	**273**	337	**–**	–
Security deposits receivable	**278**	311	**–**	–
Loans and receivables	**9,289**	8,673	**8,754**	8,054
Prepayments	**571**	548	**45**	15
	9,860	9,221	**8,799**	8,069

Non-trade amounts due from a subsidiary are unsecured and interest-free, and are repayable on demand. There is no allowance for doubtful debt arising from the outstanding balance.

The maximum exposure to credit risks for trade receivables at reporting date by operating segment is as follows:

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Hospitals and medical centres	**8,738**	8,025	**8,738**	8,025
Nursing homes	**–**	–	**–**	–
Pharmaceutical Manufacturing and Distribution Facility	**–**	–	**–**	–
	8,738	8,025	**8,738**	8,025

At the reporting date, the hospitals and medical centres located in Singapore are leased to one master lessee, Parkway Hospitals Singapore Pte. Ltd. ("PHS"), a related corporation of the Manager of the Trust. Accordingly, the Group's most significant outstanding trade receivable amounts to $8,738,000 (2012: $8,025,000) due from PHS as at the reporting date. These trade receivables are in accordance to the payment schedule as set out in the lease agreements entered with PHS.

As at 31 December 2013, the Trust has in its possession several bankers' guarantees in its favour amounting to $7.5 million (2012: $7.5 million). These are provided to the Trust by PHS, in lieu of security deposits.

The Manager is of the opinion that there are no conditions that cast doubt over the recoverability of the Group's trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

7 TRADE AND OTHER RECEIVABLES (cont'd)

Impairment losses

The ageing of trade receivables at the reporting date is as follows:

	Gross 2013 $'000	Impairment losses 2013 $'000	Gross 2012 $'000	Impairment losses 2012 $'000
Group				
Not past due	**8,738**	**–**	8,025	–
Trust				
Not past due	**8,738**	**–**	8,025	–

8 CASH AND CASH EQUIVALENTS

	Group		Trust	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Cash at bank and in hand	**27,474**	30,051	**786**	1,923
Fixed deposits with financial institutions	**–**	547	**–**	547
Cash and cash equivalents	**27,474**	30,598	**786**	2,470
Less cash collateral received	**(1,861)**	(2,199)	**–**	–
Cash and cash equivalents in the cash flow statement	**25,613**	28,399	**786**	2,470

In respect of the Japan properties acquired by the Group in July 2010, the vendor has provided a rental income guarantee (the "Rental Income Guarantee"), in which it agrees to indemnify the Group in the event that the actual revenue in respect of any of the properties in any month is less than the initial revenue at acquisition, for a maximum duration of seven years and subject to a maximum aggregate claim of 5% of the purchase price (which is equivalent to approximately JPY154.4 million ($1.9 million)).

To further support the Rental Income Guarantee, a cash deposit of JPY154.4 million, approximately $1.9 million (2012: JPY154.4 million, approximately $2.2 million) was placed with the Group, for withdrawal in respect of valid claims under the Rental Income Guarantee. Any balance left in the account upon termination of the Rental Income Guarantee will be returned to the vendor.

Cash and cash equivalents in the cash flow statement as at 31 December 2013 and 2012 excludes the above cash deposit.

The weighted average effective interest rate per annum relating to cash and cash equivalents, at the reporting date for the Group and the Trust was 0.02% and 0.03% (2012: 0.02% and 0.04%) respectively. Interest rates reprice at intervals between 1 to 3 months.

9 TRADE AND OTHER PAYABLES

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trade payables and accrued operating expenses	**6,033**	4,321	**3,184**	2,540
Amounts due to related parties:				
- the Manager (trade)	**1,536**	1,471	**1,532**	1,465
- the Manager (non-trade)	**214**	109	**214**	109
- the Trustee (trade)	**46**	68	**46**	68
Interest payable	**781**	1,014	**781**	1,014
Advance rent received	**6,039**	6,101	**2,500**	2,500
	14,649	13,084	**8,257**	7,696

The non-trade amount due to the Manager is unsecured and interest-free, and is repayable on demand. Transactions with related parties are priced on terms agreed between the parties.

The Group's and Trust's exposure to liquidity risk related to trade and other payables are disclosed in note 23.

10 LOANS AND BORROWINGS

	Group and Trust	
	2013	2012
	$'000	$'000
Current liabilities		
Unsecured bank loan	**4,472**	–
Floating Rate Notes (unsecured)	**–**	14,250
	4,472	14,250
Non-current liabilities		
Unsecured bank loans	**499,205**	469,805
Unamortised transaction costs	**(2,246)**	(2,383)
	496,959	467,422

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

10 LOANS AND BORROWINGS (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

Group and Trust	Nominal interest rate %	Year of maturity	2013 Face value $'000	2013 Carrying amount $'000	2012 Face value $'000	2012 Carrying amount $'000
S$ floating rate notes	SOR# + margin	2013	**–**	**–**	14,250	14,250
S$ variable rate loan	Bank's cost of fund	2014	**4,400**	**4,400**	–	–
S$ floating rate loan	SOR# + margin	2016	**80,000**	**80,000**	58,550	58,550
JPY variable rate loan	Bank's cost of fund	2014	**72**	**72**	–	–
JPY floating rate loans	LIBOR* + margin	2014	**–**	**–**	162,878	162,878
JPY floating rate loans	LIBOR* + margin	2015	**160,760**	**160,760**	202,777	202,777
JPY floating rate loans	LIBOR* + margin	2017	**86,832**	**86,832**	45,600	45,600
JPY floating rate loans	LIBOR* + margin	2018	**112,519**	**112,519**	–	–
JPY floating rate loans	LIBOR* + margin	2019	**59,094**	**59,094**	–	–
			503,677	**503,677**	484,055	484,055

\# Swap Offer Rate

* London Interbank Offered Rate

The loans and borrowings comprise the following:

(1) Long Term Unsecured Term Loans and Revolving Credit Facility

Since 2008, the Group has drawn down on several long term unsecured term loans and revolving credit facilities to fund various investment property acquisitions in Japan.

On 3 July and 17 September 2013, the Group has further secured JPY9,430 million ($113.7 million) and JPY8,900 million ($107.3 million) term loan facilities for the following purposes:

(i) fully drawn down JPY6,800 million to fund the acquisition of seven new nursing home properties in 2013;

(ii) extended the maturity of an existing JPY6,830 million loan facility to 2018; and

(iii) pre-emptive terming out and re-financing an existing JPY4,600 million loan facility due in 2nd half 2014. The Group has fully prepaid the existing JPY4,600 million loan facility on 15 November 2013.

In addition, the Group had prepaid part of the long term facility amounting to JPY900 million ($10.9 million) on 27 December 2013.

The Group has fully drawn down a 4-year unsecured $80.0 million revolving credit facility ("$80 million RCF"). Of which, $50.0 million was utilised to refinance the Floating Rate Notes ("FRN") which had matured and fully redeemed by 25 March 2013, and the balance of $30.0 million was used for working capital purpose.

10 LOANS AND BORROWINGS (cont'd)

Terms and debt repayment schedule (cont'd)

(1) Long Term Unsecured Term Loans and Revolving Credit Facility (cont'd)

As at 31 December 2013, the total facilities drawn of JPY34,760 million ($419.2 million) (2012: JPY28,860 million ($411.3 million)) and $80.0 million (2012: $58.55 million) (the "Long Term Facilities") were committed, unsecured and ranked *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT. Interest on the Long Term Facilities is subjected to re-pricing on a monthly or quarterly basis or any other interest period as mutually agreed between the lenders and the Group, and is based on the relevant floating rate plus a margin.

In addition, the Group entered into interest rate swaps with various counterparties to provide fixed rate funding for the above Long Term Facilities. Details of these interest rate swaps are set out in Note 6.

(2) Unsecured Medium Term Notes

On 18 August 2008, Parkway Life REIT, through its wholly owned subsidiary, Parkway Life MTN Pte Ltd (the "MTN Issuer"), established a $500 million Multi-currency Medium Term Note Programme (the "MTN Programme"). Under the MTN Programme, the Issuer may, subject to the compliance with all relevant laws, regulations and directives, from time to time issue notes in series or tranches in Singapore dollars, United States dollars or any other currency (the "Notes").

Each series or tranche of notes may be issued in varying amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes or zero coupon notes may also be issued under the MTN Programme.

The Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of the Issuer ranking *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by laws) of the MTN Issuer. All sums payable in respect of the Notes will be unconditionally and irrevocably guaranteed by Parkway Life REIT.

On 23 March 2010, the MTN Issuer issued a $50 million 3-year Floating Rate Note ("FRN") under the MTN Programme, bearing a floating interest rate per annum equal to the sum of 1.05 per cent and the six-month Singapore dollar swap offer rate payable semi-annually in arrears, which matured on 23 March 2013. The MTN Issuer has on-lent the proceeds from the issuance of the above FRN to the Trust, who in turn, has used such proceeds to refinance short term borrowings, as well as for general working capital purposes.

In June 2012, the MTN Issuer successfully completed the buy-back and cancellation of $35.75 million FRN which was funded via the $80 million RCF. On 25 March 2013, the outstanding principal amount of $14.25 million FRN had matured and was fully redeemed.

As at 31 December 2013, there were no outstanding notes issued under the MTN Programme.

(3) Short Term Facilities

The Trust has entered into three unsecured and uncommitted short term multi-currency facilities (the "Short Term Facilities") of up to $50 million each for general working capital purposes. Interest on the Short Term Facilities is based on mutually agreed rates for the duration of each drawdown.

As at 31 December 2013, a total of $4.4 million and JPY6 million ($0.07 million) were drawn down via the Short Term Facilities for 1 month and 3 months, respectively, at a variable interest rate.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

11 DEFERRED TAX LIABILITIES

	At 1 January $'000	Recognised in Statement of Total Return $'000	Translation differences $'000	At 31 December $'000
Group				
2013				
Deferred tax liabilities				
Investment properties	**7,232**	**2,727**	**(1,240)**	**8,719**
2012				
Deferred tax liabilities				
Investment properties	6,280	2,045	(1,093)	7,232

12 UNITHOLDERS' FUNDS

	Group		Trust	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Unitholders' contribution	**718,419**	724,711	**718,419**	724,711
Revenue reserve	**260,667**	220,348	**314,066**	208,459
Hedging reserve	**(1,725)**	(2,038)	**(1,725)**	(2,038)
Foreign currency translation reserve	**8,437**	8,333	**–**	–
	985,798	951,354	**1,030,760**	931,132

Foreign currency translation reserve

The foreign currency translation reserve comprises the cumulative effects of:

(a) 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;

(b) the gains or losses on instruments used to hedge the Trust's net investment in foreign operations that are determined to be effective hedges; and

(c) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to hedged transactions that have not yet occurred.

13 UNITS IN ISSUE

	Group and Trust	
	2013	2012
	('000)	('000)
Units in issue:		
At 1 January	**605,002**	604,970
Issue of new units:		
- Manager's acquisition fees paid in units	**–**	32
At 31 December	**605,002**	605,002

In the previous financial year, 31,972 new units were issued to the Manager as payment of an acquisition fee of MYR160,000 (approximately $63,000), being 1.0% of the value of strata-titled units/lots at Gleneagles Intan Medical Centre, Kuala Lumpur (the "GMCKL Portfolio"). The issue price was determined based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for 10 business days immediately preceding the completion of the GMCKL acquisition.

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

- receive income and other distributions attributable to the units held;
- receive audited financial statements and annual reports of the Trust;
- 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 available for purposes of such distribution less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;
- 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 10% of the total units issued, whichever is the lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and
- one vote per unit at the meeting of the Trust.

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 Manager to repurchase or redeem his units while the units are listed on the SGX-ST and/or any other recognised stock exchange.

A Unitholder's liability is limited to the amount paid or payable for any unit in the Trust. The provisions of the Trust Deed provide that if the issue price of the units held by a Unitholder has been fully paid, no such Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of the Trust exceed its assets.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

14 GROSS REVENUE

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Property rental income	**93,517**	93,976	**60,953**	57,713
Dividend income	**–**	–	**14,189**	16,050
Other income	**176**	98	**47**	–
	93,693	94,074	**75,189**	73,763

15 PROPERTY EXPENSES

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
		Restated*		
Operations and maintenance expenditure	**3,812**	3,895	**3,084**	3,050
Property tax	**1,812**	2,030	**–**	–
Property and lease management fees	**14**	6	**–**	–
Land rental	**415**	505	**–**	–
Others	**41**	30	**–**	–
	6,094	6,466	**3,084**	3,050

16 MANAGEMENT FEES

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
		Restated*		
Base fees	**4,411**	4,384	**4,411**	4,384
Performance fees	**3,942**	3,889	**3,942**	3,889
Asset management fees	**1,023**	1,182	**–**	–
	9,376	9,455	**8,353**	8,273

* See note 26

17 TRUST EXPENSES

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Trustee fees	**266**	265	**266**	265
Valuation fees	**158**	232	**158**	232
Auditors' remuneration				
- audit fees	**200**	227	**91**	92
- non-audit fees	**82**	119	**50**	110
Professional fees	**1,216**	915	**775**	665
Other expenses	**548**	492	**452**	366
	2,470	2,250	**1,792**	1,730

18 FINANCE COSTS

	Group and Trust	
	2013	2012
	$'000	$'000
Interest paid and payable		
- bank loans	**5,762**	6,643
- financial derivatives	**933**	1,031
	6,695	7,674
Amortisation of transaction costs relating to debt facilities	**1,411**	908
Others	**27**	65
	8,133	8,647

19 INCOME TAX EXPENSE

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Current tax expense				
Withholding tax	**3,559**	4,098	**–**	–
Income tax expense	**21**	2	**–**	–
	3,580	4,100	**–**	–
Deferred tax expense				
Movement in temporary differences	**2,727**	2,229	**–**	–
Recognition of tax effect of previously unrecognised temporary differences	**–**	(184)	**–**	–
	2,727	2,045	**–**	–
Total	**6,307**	6,145	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

19 INCOME TAX EXPENSE (cont'd)

Reconciliation of effective tax rate

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Total return for the year before income tax	**104,586**	121,556	**163,566**	178,551
Income tax using Singapore tax rate of 17%	**17,780**	20,665	**27,807**	30,354
Effect of different tax rate in foreign jurisdictions	**605**	710	**–**	–
Income not subject to tax	**(7,426)**	(10,267)	**(19,346)**	(22,630)
Non-tax deductible items	**3,988**	3,431	**179**	486
Tax transparency	**(8,640)**	(8,210)	**(8,640)**	(8,210)
Recognition of tax effect of previously unrecognised temporary differences	**–**	(184)	**–**	–
	6,307	6,145	**–**	–

20 EARNINGS PER UNIT

The calculation of basic earnings per unit is based on weighted average number of units in issue during the year and total return after income tax.

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Total return before income tax and distribution	**104,586**	121,556	**163,566**	178,551
Less: Income tax expense	**(6,307)**	(6,145)	**–**	–
Total return after income tax, before distribution	**98,279**	115,411	**163,566**	178,551

	Group and Trust	
	2013	2012
	Number of Units ('000)	Number of Units ('000)
Units issued at beginning of year	**605,002**	604,970
Effect of issue of new units:		
- Manager's acquisition fees paid in units	**–**	32
Weighted average number of units during the year	**605,002**	605,002

20 EARNINGS PER UNIT (cont'd)

	Group		Trust	
	2013	2012	2013	2012
Basic earnings per unit (cents)	**16.24**	19.08	**27.04**	29.51

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

21 COMMITMENTS

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Capital commitments:				
- contracted but not provided for	**4,211**	1,552	**3,843**	1,443
- authorised but not contracted for	**1,198**	2,464	**609**	1,767
	5,409	4,016	**4,452**	3,210

Operating lease commitments

(a) Operating lease rental payable

Future minimum lease payments for the Group on non-cancellable operating leases with a term of more than one year are as follows:

	Group	
	2013	2012
	$'000	$'000
Within 1 year	**145**	171
After 1 year but within 5 years	**579**	684
After 5 years	**5,551**	6,729
	6,275	7,584

(b) Operating lease rental receivable

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

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Within 1 year	**97,411**	93,798	**62,665**	60,001
After 1 year but within 5 years	**383,961**	371,613	**250,660**	240,004
More than 5 years	**546,975**	593,582	**228,169**	278,470
	1,028,347	1,058,993	**541,494**	578,475

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

21 COMMITMENTS (cont'd)

Since August 2007, the Group leases out its investment properties in Singapore to Parkway Hospitals Singapore Pte. Ltd. ("PHS"), a related corporation of the Manager of the Trust, under separate master lease agreements for a period of fifteen years. PHS has the option to extend the leases for another fifteen years on terms to be mutually agreed between the Trust and PHS provided that the revised rent for the first year of the extended term shall not exceed the amount equivalent to 15% of the Adjusted Hospital Revenue for Financial Year 2021.

The investment properties in Japan which include one pharmaceutical product distributing and manufacturing facility and thirty-nine nursing homes (including seven nursing homes acquired during the financial year) are leased to a master lessee and several nursing home operators based in Japan, respectively.

As at 31 December 2013, the Group leased out its strata titled units/lots within Gleneagles Intan Medical Centre Kuala Lumpur Malaysia to Gleneagles Hospital (Kuala Lumpur) Sdn. Bhd. and CIMB Bank Berhad of which both lessees are related corporations of the Manager of the Trust.

As at 31 December 2013, the Trust has in its possession several bankers' guarantees in its favour amounting to $7.5 million (2012: $7.5 million). These are provided to the Trust by PHS, in lieu of security deposits.

22 SIGNIFICANT RELATED PARTY TRANSACTIONS

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.

During the financial year, other than those as disclosed elsewhere in the financial statements, significant transactions with related parties carried out in the normal course of business on terms agreed between the parties are as follows:

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
Related corporations of the Manager				
Rental income received/receivable	**61,350**	57,834	**60,953**	57,713
Purchase of GMCKL Portfolio	**–**	6,393	**–**	–

22 SIGNIFICANT RELATED PARTY TRANSACTIONS (cont'd)

	Group		Trust	
	2013	2012	2013	2012
	$'000	$'000	$'000	$'000
The Manager				
Manager's management fees paid and payable	**8,353**	8,273	**8,353**	8,273
Acquisition fees paid to the Manager	**800**	527	**800**	527
Travelling expenses reimbursed to the Manager	**406**	267	**406**	267
Property and lease management fees paid/payable to the Manager	**14**	5	**–**	–
Marketing services commission paid to the Manager	**15**	–	**–**	–
The Trustee				
Trustee's fees paid and payable	**266**	265	**266**	265

23 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, as well as the Group's capital management strategy.

Risk management framework

The Manager has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management processes to ensure an appropriate balance between risks and controls is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (cont'd)

Credit risk

Credit risk is the risk of financial loss to the Group if a lessee or deposit taking financial institution fails to meet its contractual obligations, and arises principally from the Group's receivables from lessees and cash and cash equivalents placed with these financial institutions.

Trade and other receivables

The investment properties in Singapore are leased to one master lessee, PHS, a related corporation of the Manager of the Trust. The investment properties in Japan are leased to several nursing home operators and a master lessee in respect to the pharmaceutical product distributing and manufacturing facility. The Manager is of the opinion that there were no conditions that cast doubt over the recoverability of the Group's trade receivables. The maximum exposure to credit risk is represented by the carrying value of these receivables on the statement of financial position.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. The maximum exposure to credit risk is represented by the carrying value on the statement of financial position.

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's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to cater for the fluctuations in cash flow requirements. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period of time, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. In addition, the Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

As at 31 December 2013, the Group has unutilised short term credit facilities of approximately $145.5 million (2012: $150.0 million) that can be drawn down to meet short term financing needs. In addition, the Group has put in place a $500 million MTN Programme, of which $50 million 3-year FRN were issued in March 2010. In June 2012, the Group has successfully completed the buy-back and cancellation of $35.75 million FRN. On 25 March 2013, the outstanding principal amount of $14.25 million FRN had matured and was fully redeemed. As at 31 December 2013, there were no outstanding notes issued under the MTN Programme (2012: $14.25 million).

23 FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

			<---------- Cash flow ---------->		
	Carrying amount	Contractual cash flows	Within 1 year	2 to 5 years	More than 5 years
	$'000	$'000	$'000	$'000	$'000
Group					
2013					
Non-derivative financial liabilities					
S$ unsecured bank loans	**84,400**	**(86,511)**	**(5,253)**	**(81,258)**	**–**
JPY unsecured bank loans	**419,277**	**(435,772)**	**(5,027)**	**(371,125)**	**(59,620)**
Security deposits	**15,832**	**(15,832)**	**(1,710)**	**(2,466)**	**(11,656)**
Trade and other payables^	**8,610**	**(8,610)**	**(8,610)**	**–**	**–**
	528,119	**(546,725)**	**(20,600)**	**(454,849)**	**(71,276)**
Derivative financial liabilities					
Forward foreign exchange contracts					
- inflow	**(6,277)**	**6,574**	**2,387**	**4,136**	**51**
Interest rate swaps used for hedging					
- inflow	**(3,309)**	**3,454**	**1,098**	**2,249**	**107**
- outflow	**5,034**	**(5,255)**	**(1,670)**	**(3,422)**	**(163)**
	1,725	**(1,801)**	**(572)**	**(1,173)**	**(56)**
	523,567	**(541,952)**	**(18,785)**	**(451,886)**	**(71,281)**
2012					
Non-derivative financial liabilities					
S$ unsecured bank loans	58,550	(61,451)	(833)	(60,618)	–
S$ floating rate notes	14,250	(14,304)	(14,304)	–	–
JPY unsecured bank loans	411,255	(423,615)	(5,118)	(418,497)	–
Security deposits	15,670	(15,670)	(1,948)	–	(13,722)
Trade and other payables^	6,983	(6,983)	(6,983)	–	–
	506,708	(522,023)	(29,186)	(479,115)	(13,722)
Derivative financial liabilities					
Forward foreign exchange contracts					
- inflow	(3,045)	3,250	736	2,514	–
Interest rate swaps used for hedging					
- inflow	(1,157)	1,209	581	628	–
- outflow	3,195	(3,336)	(1,603)	(1,733)	–
	2,038	(2,127)	(1,022)	(1,105)	–
	505,701	(520,900)	(29,472)	(477,706)	(13,722)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

			<---------- Cash flow ---------->		
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	2 to 5 years $'000	More than 5 years $'000
Trust					
2013					
Non-derivative financial liabilities					
S$ unsecured bank loans	**84,400**	**(86,511)**	**(5,253)**	**(81,258)**	**–**
JPY unsecured bank loans	**419,277**	**(435,772)**	**(5,027)**	**(371,125)**	**(59,620)**
Security deposits	**115**	**(115)**	**(115)**	**–**	**–**
Trade and other payables^	**5,757**	**(5,757)**	**(5,757)**	**–**	**–**
	509,549	**(528,155)**	**(16,152)**	**(452,383)**	**(59,620)**
Derivative financial liabilities					
Forward foreign exchange contracts					
- inflow	**(6,277)**	**6,574**	**2,387**	**4,136**	**51**
Interest rate swaps used for hedging					
- inflow	**(3,309)**	**3,454**	**1,098**	**2,249**	**107**
- outflow	**5,034**	**(5,255)**	**(1,670)**	**(3,422)**	**(163)**
	1,725	**(1,801)**	**(572)**	**(1,173)**	**(56)**
	504,997	**(523,382)**	**(14,337)**	**(449,420)**	**(59,625)**
2012					
Non-derivative financial liabilities					
S$ unsecured bank loans	58,550	(61,451)	(833)	(60,618)	–
S$ floating rate notes	14,250	(14,304)	(14,304)	–	–
JPY unsecured bank loans	411,255	(423,615)	(5,118)	(418,497)	–
Trade and other payables^	5,196	(5,196)	(5,196)	–	–
	489,251	(504,566)	(25,451)	(479,115)	–
Derivative financial liabilities					
Forward foreign exchange contracts					
- inflow	(3,045)	3,250	736	2,514	–
Interest rate swaps used for hedging					
- inflow	(1,157)	1,209	581	628	–
- outflow	3,195	(3,336)	(1,603)	(1,733)	–
	2,038	(2,127)	(1,022)	(1,105)	–
	488,244	(503,443)	(25,737)	(477,706)	–

^ Excludes rent received in advance

23 FINANCIAL INSTRUMENTS (cont'd)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Exposure to foreign currency risk

The Manager's investment mandate covers the Asia-Pacific region. In order to manage the currency risk involved in investing in assets outside of Singapore, the Manager may, as appropriate, adopt currency risk management strategies including:

- the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge;
- the use of derivative or other hedging instruments to hedge against fluctuations in the exchange rates of foreign currency income received from offshore assets against Singapore dollars; and
- the use of cross currency swaps to hedge against the fluctuations in the exchange rates of any foreign currency denominated net assets of the Group against Singapore dollars.

The Group is exposed to foreign currency risk arising from its investments in Japan and Malaysia. The income generated from these investments and net assets are denominated in foreign currencies, mainly Japanese Yen ("JPY") and Malaysia Ringgit ("MYR").

The Group's exposure to foreign currency risk mainly arises from the distribution of net income denominated in Japanese Yen from its investment properties located in Japan and its net investment in foreign operations denominated in Japanese Yen. The Manager limits the Group's exposure to adverse movements in foreign currency exchange rates by using forward foreign exchange contracts to hedge the distribution of net income from its investment in Japan. In addition, the Group borrows loans denominated in Japanese Yen to create a natural hedge for its Japanese Yen denominated investments and that are designated as a net investment hedges.

The Group's exposures to various foreign currencies (expressed in Singapore dollar equivalent and excluding the JPY denominated loans that are designated as hedge of the Group's net investment in Japan) as at 31 December are as follows:

	JPY $'000	MYR $'000	Total $'000
Group			
2013			
Net statement of financial position exposure	**(3,533)**	**143**	**(3,390)**
2012			
Net statement of financial position exposure	1,922	176	2,098

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (cont'd)

Market risk (cont'd)

The Trust's exposures to various foreign currencies (expressed in Singapore dollar equivalent), which relates primarily to its use of financial instruments as at 31 December are as follows:

	JPY	MYR	Total
	$'000	$'000	$'000
Trust			
2013			
Net statement of financial position exposure	**(419,276)**	**3**	**(419,273)**
2012			
Net statement of financial position exposure	(410,696)	–	(410,696)

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would increase/(decrease) Unitholders' funds and the statement of total return as at 31 December by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		Trust	
	Statement of Total Return	Unitholders' Funds	Statement of Total Return	Unitholders' Funds
	$'000	$'000	$'000	$'000
2013				
JPY	**–**	**353**	**41,298**	**–**
MYR	**(11)**	**(14)**	**–**	**–**
2012				
JPY	–	(192)	41,070	–
MYR	(12)	(18)	–	–

In respect to the Group, a 10% strengthening or weakening of Singapore dollar against Japanese Yen would have no significant impact to the Group as the Group borrows loans denominated in Japanese Yen and designated this as a net investment hedge. For the year ended 31 December 2013, the effective portion of the net investment hedge charged to the Unitholders' funds amounted to $65.8 million gain (2012: $69.0 million gain).

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

Exposure to interest rate risk

The Group's exposure to changes in interest rates relates primarily to the floating interest rates incurred for its loans and borrowings. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expenses could be affected by adverse movements in interest rates. The Manager adopts a policy of fixing the interest rates for at least 50% (and up to 100%) of its borrowings through the use of interest rate hedging financial instruments.

23 FINANCIAL INSTRUMENTS (cont'd)

Market risk (cont'd)

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group and Trust Nominal amount	
	2013	2012
	$'000	$'000
Fixed rate instruments		
Fixed deposits	**–**	547
Variable rate instruments		
Interest rate swaps	**537,755**	425,630
Loans and borrowings	**(503,677)**	(484,055)
	34,078	(58,425)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) Statement of Total Return and Unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Statement of Total Return		Unitholders' Funds	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
Group and Trust	$'000	$'000	$'000	$'000
31 December 2013				
Variable rate instruments	**(3,404)**	**3,404**	**–**	**–**
Interest rate swap	**3,716**	**(3,716)**	**9,283**	**(10,460)**
Cash flow sensitivity (net)	**312**	**(312)**	**9,283**	**(10,460)**
31 December 2012				
Variable rate instruments	(5,015)	5,015	–	–
Interest rate swap	4,703	(4,703)	7,509	(8,193)
Cash flow sensitivity (net)	(312)	312	7,509	(8,193)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (cont'd)

Capital management

The Manager reviews the Group's and the Trust's capital structure regularly and uses a combination of debt and equity to fund acquisition and asset enhancement projects.

The objectives of the Manager are to:

(a) maintain a strong balance sheet by adopting and maintaining an optimal gearing ratio;

(b) secure diversified funding sources from financial institutions and/or capital markets; and

(c) adopt a proactive financial risk management strategy to manage financial risks related to interest rate and foreign currency fluctuations.

The Manager seeks to maintain an optimal combination of debt and equity in order to minimise the cost of capital and maximise returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted comply with these requirements.

The Group is subjected to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that the total borrowings (the "Aggregate Leverage") of a property fund should not exceed 35.0% of the fund's Deposited Property. The Aggregate Leverage of a property fund may exceed 35.0% of the fund's Deposited Property (up to a maximum of 60.0%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of the fund's Deposited Property.

During the financial year, the Group maintained a credit rating of BBB from Fitch Inc.. The Aggregate Leverage of the Group as at 31 December 2013 was 33.0% (2012: 32.9%) of the Group's Deposited Property. This complied with the stipulated Aggregate Leverage limit.

During the year, the Group has complied with all externally imposed capital requirements.

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

Fair values

(a) Derivative financial instruments

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date;
- 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).

23 FINANCIAL INSTRUMENTS (cont'd)

Fair values (cont'd)

(a) *Derivative financial instruments (cont'd)*

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group and Trust				
31 December 2013				
Interest rate swaps used for hedging	**–**	**(1,725)**	**–**	**(1,725)**
Forward foreign exchange contracts	**–**	**6,277**	**–**	**6,277**
	–	**4,552**	**–**	**4,552**
31 December 2012				
Interest rate swaps used for hedging	–	(2,038)	–	(2,038)
Forward foreign exchange contracts	–	3,045	–	3,045
	–	1,007	–	1,007

The fair values of derivative financial instruments such as interest rate swaps and forward foreign currency contracts are based on valuation reports from financial institutions.

(b) *Floating interest-bearing borrowings*

The carrying amounts of interest-bearing bank borrowings and Floating Rate Notes which are repriced within 3 months and semi-annually respectively approximate the corresponding fair values (refer to Note 10).

(c) *Other financial assets and liabilities*

The carrying amounts of other 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) approximate their fair values because of the short period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

23 FINANCIAL INSTRUMENTS (cont'd)

Financial instruments by category

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Loans and receivables $'000	Other financial liabilities $'000	Fair value – hedging instruments $'000	Total carrying amount $'000	Fair value $'000
Group						
31 December 2013						
Cash and cash equivalents	8	**27,474**	**–**	**–**	**27,474**	**27,474**
Trade and other receivables*	7	**9,011**	**–**	**–**	**9,011**	**9,011**
Interest rate swaps used for hedging	6	**–**	**–**	**(1,725)**	**(1,725)**	**(1,725)**
Forward exchange contracts	6	**–**	**6,277**	**–**	**6,277**	**6,277**
Loans and borrowings	10	**–**	**(501,431)**	**–**	**(501,431)**	**(501,431)**
Trade and other payables^	9	**–**	**(8,610)**	**–**	**(8,610)**	**(8,610)**
Security deposits payable (net)		**–**	**(14,830)**	**–**	**(14,830)**	**(14,830)**
		36,485	**(518,594)**	**(1,725)**	**(483,834)**	**(483,834)**
31 December 2012						
Cash and cash equivalents	8	30,598	–	–	30,598	30,598
Trade and other receivables*	7	8,362	–	–	8,362	8,362
Interest rate swaps used for hedging	6	–	–	(2,038)	(2,038)	(2,038)
Forward exchange contracts	6	–	3,045	–	3,045	3,045
Loans and borrowings	10	–	(481,672)	–	(481,672)	(481,672)
Trade and other payables^	9	–	(6,983)	–	(6,983)	(6,983)
Security deposits payable (net)		–	(14,504)	–	(14,504)	(14,504)
		38,960	(500,114)	(2,038)	(463,192)	(463,192)
Trust						
31 December 2013						
Cash and cash equivalents	8	**786**	**–**	**–**	**786**	**786**
Trade and other receivables*	7	**8,754**	**–**	**–**	**8,754**	**8,754**
Interest rate swaps used for hedging	6	**–**	**–**	**(1,725)**	**(1,725)**	**(1,725)**
Forward exchange contracts	6	**–**	**6,277**	**–**	**6,277**	**6,277**
Loans and borrowings	10	**–**	**(501,431)**	**–**	**(501,431)**	**(501,431)**
Trade and other payables^	9	**–**	**(5,757)**	**–**	**(5,757)**	**(5,757)**
Security deposits payable		**–**	**(115)**	**–**	**(115)**	**(115)**
		9,540	**(501,026)**	**(1,725)**	**(493,211)**	**(493,211)**
31 December 2012						
Cash and cash equivalents	8	2,470	–	–	2,470	2,470
Trade and other receivables*	7	8,054	–	–	8,054	8,054
Interest rate swaps used for hedging	6	–	–	(2,038)	(2,038)	(2,038)
Forward exchange contracts	6	–	3,045	–	3,045	3,045
Loans and borrowings	10	–	(481,672)	–	(481,672)	(481,672)
Trade and other payables^	9	–	(5,196)	–	(5,196)	(5,196)
		10,524	(483,823)	(2,038)	(475,337)	(475,337)

^ Excludes rent received in advance
* Excludes security deposits receivable and prepayments

24 FINANCIAL RATIOS

	2013 %	2012 %
Ratio of expenses to weighted average net assets [1]		
- excluding performance component of Manager's fees	**0.82**	0.72
- including performance component of Manager's fees	**1.22**	1.14
Portfolio turnover rate [2]	**9.01**	6.14

[1] The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance costs, income tax expense and foreign exchange gains/(losses).

[2] The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.

25 OPERATING SEGMENTS

Segment information is presented in respect of the Group's strategic business units. For each of the reportable segments, the CEO of the Manager reviews internal management reports regularly. This forms the basis of identifying the operating segments of the Group.

Performance measurement based on segment profit before income tax and non-financial assets as well as financial assets attributable to each segment is used as the Manager believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results, 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 assets and expenses of the subsidiary providing financial and treasury services which were not allocated to an identified segment.

Segment capital expenditure is the total cost incurred on additions to investment properties that are expected to be used for more than one year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

25 OPERATING SEGMENTS (cont'd)

	Hospital and Medical Centre (Singapore and Malaysia)		Nursing Homes (Japan)		Pharmaceutical Manufacturing and Distribution Facility (Japan)		Total	
	2013	2012	2013	2012	2013	2012	2013	2012
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
				Restated*		Restated*		Restated*
Revenue and expenses								
Gross revenue	**61,494**	57,888	**29,902**	33,385	**2,297**	2,801	**93,693**	94,074
Net property income	**58,257**	54,781	**27,158**	30,171	**2,184**	2,656	**87,599**	87,608
Interest income	**1**	4	**5**	6	**–**	–	**6**	10
Foreign exchange gain/(loss)	**(367)**	(117)	**1,825**	(108)	**225**	(33)	**1,683**	(258)
Non-property expenses	**(7,105)**	(6,675)	**(4,362)**	(4,616)	**(344)**	(379)	**(11,811)**	(11,670)
Finance costs	**(2,328)**	(1,251)	**(5,298)**	(6,697)	**(507)**	(699)	**(8,133)**	(8,647)
Total return before change in fair value of financial derivatives and investment properties	**48,458**	46,742	**19,328**	18,756	**1,558**	1,545	**69,344**	67,043
Net change in fair value of financial derivatives	**–**	–	**2,911**	4,352	**321**	478	**3,232**	4,830
Net change in fair value of investment properties	**38,293**	54,584	**(6,425)**	(4,364)	**177**	(502)	**32,045**	49,718
Total return before income tax	**86,751**	101,326	**15,814**	18,744	**2,056**	1,521	**104,621**	121,591
Income tax expense	**(94)**	(78)	**(5,673)**	(5,575)	**(540)**	(492)	**(6,307)**	(6,145)
Total return after income tax	**86,657**	101,248	**10,141**	13,169	**1,516**	1,029	**98,314**	115,446
Assets and liabilities								
Reportable segment assets	**1,039,958**	999,444	**451,701**	428,328	**36,473**	42,546	**1,528,132**	1,470,318
Reportable segment liabilities	**87,897**	75,800	**420,800**	402,683	**33,652**	40,494	**542,349**	518,977
Other segment information								
Capital expenditure	**3,668**	2,907	**620**	1,068	**64**	101	**4,352**	4,075

* See note 26

25 OPERATING SEGMENTS (cont'd)

Reconciliations of reportable segment revenue, total return before income tax, assets and liabilities

	2013 $'000	2012 $'000
Revenue		
Total revenue for reportable segments	**93,693**	94,074
Total return before income tax		
Total return for reportable segments	**104,621**	121,591
Unallocated amounts:		
- Other corporate expenses	**(35)**	(35)
Consolidated return before income tax	**104,586**	121,556
Assets		
Total assets for reportable segments	**1,528,132**	1,470,318
Other unallocated amounts	**23**	21
Consolidated total assets	**1,528,155**	1,470,339
Liabilities		
Total liabilities for reportable segments	**542,349**	518,977
Other unallocated amounts	**8**	8
Consolidated total liabilities	**542,357**	518,985

26 COMPARATIVE INFORMATION

Change in classification

During the current year, the Group reclassified certain expenses from property expenses to management fees paid to the Japan asset manager to reflect more appropriately the role and responsibility of the Japan asset managers. Comparative amounts in the Statement of Total Return were reclassified for consistency, which resulted in $1,182,000 being reclassified from property expenses to management fees. The impact of the reclassification on the Statement of Total Return in the prior year is set out below:

	2012 As reported $'000	Prior year reclassification $'000	2012 Restated $'000
Property expenses	7,648	(1,182)	6,466
Management fees	8,273	1,182	9,455

Since the amounts are reclassification within operating activities in the Statement of Total Return, this reclassification did not have any effect on the Statements of Financial Position and Statement on Cash Flows.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2013

27 SUBSEQUENT EVENTS

On 13 March 2014, the Group, through its wholly-owned subsidiary, Parkway Life Japan2 Pte. Ltd., executed two agreements to participate as an investor in relation to the acquisition of 2 nursing home properties and 1 extended-stay lodging facility for the elderly, Maison des Centenaire Hannan, Maison des Centenaire Ohhama and Sunhill Miyako, located in Osaka, Japan for a total cash consideration of JPY3.0 billion (approximately $37.4 million). The acquisition of these properties was made through special purpose vehicles, Godo Kaisha Tenshi 1 and Godo Kaisha Tenshi 2, in which Parkway Life Japan2 Pte. Ltd. has made a *Tokumei Kumiai investment*. The investment was fully funded by a 6-year committed and unsecured JPY denominated revolving credit facility of up to JPY3.5 billion (approximately $43.6 million).

ADDITIONAL INFORMATION

RELATED PARTY TRANSACTIONS

The transactions entered into with related parties during the financial year and which fall within the Listing Manual of the SGX-ST and the Property Funds Appendix are:

Name of related party	Aggregate value of all related party transactions during the financial year under review (excluding transactions less than $100,000) $'000
Parkway Hospitals Singapore Pte Ltd	
– Property rental income	60,953
Gleneagles Hospital (Kuala Lumpur) Sdn Bhd	
– Property rental income	309
Parkway Trust Management Limited	
– Manager's management fees	8,353
– Manager's acquisition fees	800
– Travelling expenses reimbursed to the Manager	406
HSBC Institutional Trust Services (Singapore) Limited	
– Trustee's fees	266

Except as disclosed above, there were no additional related party transactions (excluding transactions of less than $100,000 each) entered into up to and including 31 December 2013.

Out of the travelling expenses reimbursed to the Manager, non-deal roadshow expenses of $77,000 were incurred during the financial year.

Please also see Significant Related Party Transactions in Note 22 to the financial statements.

Rules 905 and 906 of the Listing Manual are not applicable if such related party transactions are made on the basis of, and in accordance with, the terms and conditions set out in the Parkway Life REIT prospectus dated 7 August 2007, and therefore would not be subjected to Audit Committee review/approval.

STATISTICS OF UNITHOLDINGS

AS AT 3 MARCH 2014

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 999	1,226	19.29	308,408	0.05
1,000 - 10,000	4,071	64.06	15,453,405	2.55
10,001 - 1,000,000	1,044	16.43	50,796,999	8.40
1,000,001 AND ABOVE	14	0.22	538,443,574	89.00
TOTAL:	6,355	100.00	605,002,386	100.00

LOCATION OF UNITHOLDERS

COUNTRY	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
SINGAPORE	6,152	96.81	597,548,428	98.77
MALAYSIA	110	1.73	6,288,300	1.04
OTHERS	93	1.46	1,165,658	0.19
TOTAL:	6,355	100.00	605,002,386	100.00

TWENTY LARGEST UNITHOLDERS

S/NO.	NAME	NO. OF UNITS	%
1.	PARKWAY INVESTMENTS PTE LTD	213,257,000	35.25
2.	DBS NOMINEES (PRIVATE) LIMITED	123,350,965	20.39
3.	CITIBANK NOMINEES SINGAPORE PTE LTD	99,827,882	16.50
4.	HSBC (SINGAPORE) NOMINEES PTE LTD	34,261,883	5.66
5.	DBSN SERVICES PTE LTD	21,924,240	3.62
6.	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	18,729,168	3.10
7.	RAFFLES NOMINEES (PTE) LIMITED	12,218,265	2.02
8.	KECK SENG (M) BERHAD	4,040,118	0.67
9.	PARKWAY TRUST MANAGEMENT LIMITED	3,012,386	0.50
10.	BANK OF SINGAPORE NOMINEES PTE LTD	2,093,555	0.35
11.	LIM CHEOK PENG	1,559,000	0.26
12.	DB NOMINEES (SINGAPORE) PTE LTD	1,453,394	0.24
13.	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	1,361,325	0.23
14.	CIMB SECURITIES (SINGAPORE) PTE LTD	1,354,393	0.22
15.	TEO JOO KIM	871,000	0.14
16.	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	780,727	0.13
17.	NOMURA SINGAPORE LIMITED	700,000	0.12
18.	BNP PARIBAS SECURITIES SERVICES SINGAPORE BRANCH	683,852	0.11
19.	WONG PENG ONN	668,000	0.11
20.	CITIBANK CONSUMER NOMINEES PTE LTD	603,770	0.10
	Total :	542,750,923	89.72

ISSUED UNITS

There were 605,002,386 Units (voting rights: one vote per Unit) issued in Parkway Life REIT as at 3 March 2014.

DIRECTORS' UNITHOLDINGS AS AT 21 JANUARY 2014

No.	Name of Directors	Units Held	Units in which the Directors are deemed to have an interest
1.	Lim Kok Hoong	-	-
2.	Benson Puah Tuan Soon	250,000	-
3.	Tan Bong Lin	180,000	-
4.	Dr. Tan See Leng	-	-
5.	Ahmad Shahizam Bin Mohd Shariff	-	-
6.	Tan See Haw	-	-
7.	Dr. Lim Suet Wun	-	-
8.	Yong Yean Chau	323,000	-

SUBSTANTIAL UNITHOLDERS AS AT 3 MARCH 2014

No.	Name of Substantial Unitholders		Direct Interest	Deemed Interest
1.	Anil Thadani	Note 1	-	36,309,725
2.	Sunil Chandiramani	Note 2	473,125	35,800,000
3.	Symphony Investment Managers Limited	Note 3	-	38,485,000
4.	Symphony International Holdings Limited	Note 4	-	38,485,000
5.	Lennon Holdings Limited	Note 5	-	38,485,000
6.	Britten Holdings Pte. Ltd.	-	38,485,000	-
7.	Khazanah Nasional Berhad	Note 6	-	213,943,833
8.	Pulau Memutik Ventures Sdn. Bhd.	Note 7	-	216,815,629
9.	IHH Healthcare Berhad	Note 8	-	216,303,432
10.	Integrated Healthcare Holdings Limited	Note 9	219,215	213,724,618
11.	Parkway Pantai Limited	Note 10	-	216,269,386
12.	Parkway Holdings Limited	Note 11	-	216,269,386
13.	Parkway Investments Pte Ltd	-	213,257,000	-
14.	Mitsui & Co. Ltd.	Note 12	-	216,596,414
15.	MBK Healthcare Partners Limited	Note 13	-	216,596,414
16.	The Bank of New York Mellon Corporation	Note 14	-	60,109,000
17.	MBC Investments Corporation	Note 15	-	60,100,000
18.	BNY Mellon Investment Management (Jersey) Ltd.	Note 16	-	60,000,000
19.	BNY Mellon Investment Management (Europe) Ltd.	Note 16	-	60,000,000
20.	BNY Mellon Investment Management Europe Holdings Limited	Note 16	-	60,000,000
21.	BNY Mellon International Asset Management Group Limited	Note 16	-	60,000,000
22.	Newton Management Limited	Note 16	-	60,000,000
23.	Newton Investment Management Limited, subsidiary of The Bank of New York Mellon Corporation	-	60,000,000	-

STATISTICS OF UNITHOLDINGS

AS AT 3 MARCH 2014

Note 1 (1) Anil Thadani is a substantial shareholder of Symphony Investment Managers Limited, the investment manager to Symphony International Holdings Limited ("SIHL"). Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of SIHL. Accordingly, Anil Thadani may have a deemed interest in the units held by Britten.

(2) Anil Thadani is the sole shareholder of ACTA International Ltd ("ACTA"). Accordingly, Anil Thadani has a deemed interest in the units held by ACTA.

(3) Britten and ACTA are registered holders of 38,485,000 units and 509,725 units respectively.

Note 2 Sunil Chandiramani is a substantial shareholder of Symphony Investment Managers Limited, the investment manager to Symphony International Holdings Limited ("SIHL"). Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of SIHL. Accordingly, Sunil Chandiramani may have a deemed interest in the units held by Britten.

Note 3 Symphony Investment Managers Limited ("SIML") is the investment manager to Symphony International Holdings Limited ("SIHL"). Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of SIHL. Accordingly, SIML may have a deemed interest in the units held by Britten.

Note 4 Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"), and Lennon is a wholly-owned subsidiary of Symphony International Holdings Limited ("SIHL"). Accordingly, SIHL has a deemed interest in the units held by Britten.

Note 5 Britten Holdings Pte. Ltd. ("Britten") is a wholly-owned subsidiary of Lennon Holdings Limited ("Lennon"). Accordingly, Lennon has a deemed interest in the units held by Britten.

Note 6 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH") and IHH is a subsidiary of Pulau Memutik Ventures Sdn. Bhd. ("PMVSB") which is in turn wholly-owned by Khazanah Nasional Berhad ("Khazanah"). Accordingly, Khazanah has a deemed interest in units held by IHHL.

Note 7 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH") and IHH is a subsidiary of Pulau Memutik Ventures Sdn. Bhd. ("PMVSB"). Accordingly, PMVSB has a deemed interest in units held by IHHL.

Note 8 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). Accordingly, IHH has a deemed interest in units held by IHHL.

Note 9 Parkway Pantai Limited ("PPL") is a wholly-owned subsidiary of Integrated Healthcare Holdings Limited ("IHHL"). Accordingly, IHHL has a deemed interest in units held by PPL.

Note 10 Parkway Pantai Limited's deemed interest in the units of Parkway Life REIT is by virtue of it holding more than 20 per cent of the total issued share capital of Parkway Holdings Limited.

Note 11 (1) Deemed interest in Parkway Investments Pte Ltd and Parkway Trust Management Limited, both wholly-owned subsidiaries of Parkway Holdings Limited.

(2) Parkway Investments Pte Ltd and Parkway Trust Management Limited are registered holders of 213,257,000 units and 3,012,386 units respectively.

Note 12 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). MBK Healthcare Partners Limited ("MBKHPL"), a wholly-owned subsidiary of Mitsui & Co., Ltd. ("Mitsui"), has deemed interest in the units held by IHHL by virtue of MBKHPL holding more than 20 per cent of the total issued share capital of IHH. Accordingly, Mitsui has a deemed interest in units held by IHHL.

Note 13 Integrated Healthcare Holdings Limited ("IHHL") is a wholly-owned subsidiary of IHH Healthcare Berhad ("IHH"). MBK Healthcare Partners Limited ("MBKHPL") has deemed interest in the units held by IHHL by virtue of MBKHPL holding more than 20 per cent of the total issued share capital of IHH.

Note 14 The Bank of New York Mellon Corporation has a deemed interest by virtue of Section 7(4) of the Companies Act, in the interests of Newton Investment Management Limited, Mellon Capital Management Corporation, The Bank of New York Mellon and The Dreyfus Corporation.

Note 15 MBC Investments Corporation has a deemed interest by virtue of Section 7(4) of the Companies Act, in the interests of Newton Investment Management Limited and Mellon Capital Management Corporation.

Note 16 Each BNY Mellon Investment Management (Jersey) Ltd., BNY Mellon Investment Management (Europe) Ltd., BNY Mellon Investment Management Europe Holdings Limited., BNY Mellon International Asset Management Group Limited and Newton Management Limited has a deemed interest by virtue of Section 7(4) of the Companies Act, in the interests of Newton Investment Management Limited.

PUBLIC FLOAT

Under Rule 723 of the Listing Manual of the SGX-ST, a listed issuer must ensure that at least 10% of its listed securities are at all times held by the public. Based on the information made to the Manager as at 3 March 2014, approximately 47.63% of Parkway Life REIT's Units were held in the hands of the public. Accordingly, Rule 723 of the Listing Manual of the SGX-ST has been complied with.

Parkway Life REIT did not hold any treasury units as at 3 March 2014.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the holders of units of Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**", and the holders of units of Parkway Life REIT, "**Unitholders**") will be held at Gleneagles Hospital, Lecture Theatre, Level 3, 6A Napier Road, Singapore 258500 on Friday, 25 April 2014 at 9.30 a.m., to transact the following business:

AS ORDINARY BUSINESS

1. To receive and adopt the Report of HSBC Institutional Trust Services (Singapore) Limited (the "**Trustee**"), the Statement by Parkway Trust Management Limited (the "**Manager**") and the Audited Financial Statements of Parkway Life REIT for the financial year ended 31 December 2013 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-appoint KPMG LLP as the Independent Auditor of Parkway Life REIT and to hold office until the conclusion of the next Annual General Meeting and to authorise the Manager to fix their remuneration. **(Resolution 2)**

BY ORDER OF THE BOARD
PARKWAY TRUST MANAGEMENT LIMITED
(Company Registration no. 200706697Z)
As manager of Parkway Life Real Estate Investment Trust

Chan Wan Mei
Company Secretary

Singapore
31 March 2014

Notes:

1. A Unitholder entitled to attend and vote at the Annual General Meeting of the Unitholders of Parkway Life REIT is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a Unitholder.

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

3. The instrument appointing a proxy (the "**Proxy Form**") must be deposited at the registered office of the Manager at 80 Robinson Road #02-00 Singapore 068898, not less than 48 hours before the time appointed for the Annual General Meeting.

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PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
(constituted in the Republic of Singapore pursuant to a trust deed dated 12 July 2007 (as amended))

IMPORTANT

1. For investors who have used their CPF money to buy units in Parkway Life REIT, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or is purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective agent banks so that their agent banks may register, in the required format, with the company secretary of Parkway Trust Management Limited. (Agent banks: please see note No. 10 on required format)
4. PLEASE READ THE NOTES TO THE PROXY FORM

PROXY FORM
ANNUAL GENERAL MEETING

I/We _____(Name(s) and NRIC/Passport Number(s)/ Company Registration Number) of _____(Address) being a unitholder/unitholders of Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**"), hereby appoint:

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

and/or (delete as appropriate)

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

or, both of whom failing, the Chairman of the Annual General Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf, at the Annual General Meeting of Parkway Life REIT (the "**Meeting**") to be held at Gleneagles Hospital, Lecture Theatre, Level 3, 6A Napier Road, Singapore 258500 on Friday, 25 April 2014 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given herein, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they may on any matter arising at the Meeting.

Note: The Chairman of the Meeting will be exercising his right under paragraph 11 of Schedule 1 of the trust deed dated 12 July 2007 (as amended) to demand a poll in respect of the resolutions to be put to the vote of Unitholders at the Meeting and at any adjournment thereof. Accordingly, such resolutions at the Meeting will be voted on by way of poll.

No.	Ordinary Resolutions	No. of Votes For*	No. of Votes Against*
	ORDINARY BUSINESS		
1.	To receive and adopt the Trustee's Report, the Manager's Statement, the Audited Financial Statements of Parkway Life REIT for the financial year ended 31 December 2013 and the Auditors' Report thereon.		
2.	To re-appoint KPMG LLP as the Independent Auditor of Parkway Life REIT and authorise the Manager to fix the Auditor's remuneration.		

* If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2014.

Total number of Units held

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

IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW

Notes to Proxy Form:

1. A unitholder of Parkway Life REIT ("**Unitholder**") entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. A proxy need not be a Unitholder. The instrument appointing a proxy and power of attorney or other authority (if any) under which it is signed or a notarially certified copy of such power or authority must be deposited with the company secretary of Parkway Trust Management Limited (the "**Manager**") at its registered office at 80 Robinson Road #02-00 Singapore 068898, not less than 48 hours before the time appointed for holding the Meeting, and in default of which the instrument of proxy shall not be treated as valid.

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

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

5. A Unitholder should insert the total number of units in Parkway Life REIT ("**Units**") held. If the Unitholder has Units entered against his name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he should insert that number of Units. If the Unitholder has Units registered in his name in the Register of Unitholders of Parkway Life REIT, he should insert that number of Units. If the Unitholder has Units entered against his name in the said Depository Register and registered in his name in the Register of Unitholders, he should insert the aggregate number of Units. If no number is inserted, this form of proxy will be deemed to relate to all the Units held by the Unitholder.

6. The Proxy Form must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where the Proxy Form is signed on behalf of the appointor by an attorney, the power of attorney or a duly certified copy thereof must (failing previous registration with the Manager) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

8. The Manager shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on and/or attached to the Proxy Form.

9. In addition, in the case of Units entered in the Depository Register, the Manager may reject a Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by CDP to the Manager.

10. Agent banks acting on the request of CPF investors who wish to attend the Meeting as Observers are required to submit in writing, a list with details of the investors' name, NRIC/Passport numbers, addresses and numbers of Units held. The list signed by an authorised signatory of the agent bank, should reach the company secretary of the Manager, at its registered office not later than 48 hours before the time appointed for holding the Meeting.

11. The Chairman of the Meeting will be exercising his right under paragraph 11 of Schedule 1 of the trust deed dated 12 July 2007 (as amended) to demand a poll in respect of the resolutions to be put to the vote of Unitholders at the Meeting and at any adjournment thereof. Accordingly, such resolutions at the Meeting will be voted on by way of poll.

12. On a poll, every Unitholder who is present in person or by proxy shall have one vote for every Unit of which he is the Unitholder. A person entitled to more than one vote need not use all his votes or cast them the same way.

CORPORATE INFORMATION

THE MANAGER
Parkway Trust Management Limited
Company registration number: 200706697Z

REGISTERED ADDRESS
80 Robinson Road #02-00
Singapore 068898
Phone: (65) 6236 3333
Fax: (65) 6236 4399

COMPANY SECRETARIES
Ms. Chan Wan Mei, ACIS
Ms. Low Siew Tian, ACIS

BOARD OF DIRECTORS
Mr. Lim Kok Hoong
Independent Director and Chairman

Mr. Puah Tuan Soon Benson
Independent Director

Mr. Tan Bong Lin
Independent Director

Dr. Lim Cheok Peng
Non-Executive Director
(Resigned on 31st December 2013)

Dr. Tan See Leng
Non-Executive Director

Mr. Ahmad Shahizam Bin Mohd Shariff
Non-Executive Director

Mr. Tan See Haw
Non-Executive Director

Dr. Lim Suet Wun
Non-Executive Director
(Appointed on 26th February 2014)

Mr. Yong Yean Chau
Chief Executive Officer and Executive Director

AUDIT COMMITTEE
Mr. Tan Bong Lin
Chairman

Mr. Lim Kok Hoong
Member

Mr. Puah Tuan Soon Benson
Member

REMUNERATION COMMITTEE
Mr. Puah Tuan Soon Benson
Chairman

Dr. Tan See Leng
Member

Mr. Tan Bong Lin
Member

TRUSTEE'S REGISTERED ADDRESS
HSBC Institutional Trust Services
(Singapore) Limited
21 Collyer Quay
#10-02 HSBC Building
Singapore 049320

TRUSTEE'S CORRESPONDENCE ADDRESS
HSBC Institutional Trust Services
(Singapore) Limited
21 Collyer Quay
#03-01 HSBC Building
Singapore 049320
Phone: (65) 6658 6906
Fax: (65) 6534 5526

AUDITORS
KPMG LLP
Public Accountants and Chartered Accountants
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Phone: (65) 6213 3388
Fax: (65) 6220 9387

Partner-in-charge: Lee Jee Cheng Philip
(Appointed since financial year ended
31 December 2013)

UNIT REGISTRAR
Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Phone: (65) 6536 5355
Fax: (65) 6536 1360

SGX CODE
PLife REIT[1]

[1] PLife REIT's SGX Code shall be changed by SGX to ParkwayLife Reit with effect from 14 April 2014.

ParkwayLife REIT

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Singapore 307591

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