Parkway Life Real Estate Investment Trust
and its subsidiaries
(Constituted in the Republic of Singapore pursuant to
a trust deed dated 12 July 2007)

Financial Statements
Year ended 31 December 2021

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 by the First Supplemental Deed dated 12 November 2009, the Second Supplemental Deed dated 30 March 2010, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020) (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 FS1 to FS92, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

Authorised Signatory

22 February 2022

Statement by the Manager

In the opinion of the directors of Parkway Trust Management Limited, the accompanying financial statements set out on pages FS1 to FS92, 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 2021, 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 Investment Funds*" (RAP 7) 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 their financial obligations as and when they materialise.

For and on behalf of the Manager,
Parkway Trust Management Limited

Yong Yean Chau
Director

22 February 2022

Independent auditors' report

Unitholders
Parkway Life Real Estate Investment Trust
Constituted in the Republic of Singapore pursuant to the trust deed dated 12 July 2007 (as amended by the First Supplemental Deed dated 12 November 2009, the Second Supplemental Deed dated 30 March 2010, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Parkway Life Real Estate Investment Trust (the Trust) and its subsidiaries (the Group), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position and portfolio statement of the Trust as at 31 December 2021, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS92.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, portfolio statement, statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position and the portfolio holdings of the Trust as at 31 December 2021 and the consolidated total return, consolidated distributable income, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year then ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Investment Funds* (RAP 7) issued by the Institute of Singapore Chartered Accountants (ISCA).

Basis for opinion

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

Key audit matters

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

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

Risk

Investment properties represent the single largest category of assets on the consolidated statement of financial position of the Group at $2.3 billion as at 31 December 2021.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied and a small change in the assumptions can have a significant impact to the valuation.

Our response

We evaluated the qualifications, competence and objectivity of the external valuers and held discussions with the valuers to understand their valuation methodologies and assumptions used.

We considered the valuation methodologies used against those applied by other valuers for similar property types and the requirements under the listing rules and property fund guidelines. We tested the integrity of the inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the key assumptions used in the valuations, which included capitalisation, discount and terminal yield rates by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

We also considered the adequacy of the disclosures in the financial statements, in describing the inherent degree of subjectivity and key assumptions in the estimates. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Our findings

The valuers are members of recognised professional bodies for valuers and have considered their own independence in carrying out their work.

The valuation methodologies adopted by the valuers are in line with generally accepted market practices and meet the requirements under the listing rules and property fund guidelines. The key assumptions used in the valuations, including the projected cash flows, discount rates and terminal capitalisation rates were supported by the evidence available and are within the range of industry and market data. The disclosures in the financial statements are appropriate.

Other information

Parkway Trust Management Limited, the manager of the Trust (the Manager) is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained the Report of the Trustee and Statement by the Manager prior to the date of this auditors' report. The other sections of the annual report ("the Reports") are expected to be made available to us after that date.

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

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

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Manager and take appropriate actions in accordance with SSAs.

Responsibilities of the Manager for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Yap Wee Kee.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
22 February 2022

Statements of financial position
As at 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Non-current assets					
Investment properties	4	2,290,751	1,991,019	1,472,000	1,213,800
Interests in subsidiaries	5	–	–	638,591	603,205
Financial derivatives	6	15,337	4,362	15,337	4,362
		2,306,088	1,995,381	2,125,928	1,821,367
Current assets					
Financial derivatives	6	558	–	558	–
Trade and other receivables	7	12,697	18,060	53,859	39,701
Cash and cash equivalents	8	25,793	22,658	1,594	1,487
Asset held for sale	9	–	30,872	–	–
		39,048	71,590	56,011	41,188
Total assets		2,345,136	2,066,971	2,181,939	1,862,555
Current liabilities					
Financial derivatives	6	–	2,266	–	2,266
Trade and other payables	10	21,917	26,867	14,071	19,343
Current portion of security deposits		954	608	–	–
Loans and borrowings	11	94,719	163,022	94,719	163,022
Tax payables		–	2	–	–
Lease liabilities		14	14	–	–
		117,604	192,779	108,790	184,631
Non-current liabilities					
Financial derivatives	6	153	261	153	261
Non-current portion of security deposits		19,207	19,940	–	–
Loans and borrowings	11	731,176	628,502	731,176	628,502
Deferred tax liabilities	12	38,331	37,658	–	–
Deferred income		1,860	2,103	–	–
Lease liabilities		2,098	2,113	–	–
		792,825	690,577	731,329	628,763
Total liabilities		910,429	883,356	840,119	813,394
Net assets		1,434,707	1,183,615	1,341,820	1,049,161
Represented by:					
Unitholders' funds	13	1,434,707	1,183,615	1,341,820	1,049,161
Units in issue ('000)	14	605,002	605,002	605,002	605,002
Net asset value per unit ($)		2.37	1.96	2.22	1.73

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

Statements of total return
Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Gross revenue	15	120,705	120,892	90,466	89,175
Property expenses	16	(9,471)	(8,364)	(3,288)	(3,159)
Net property income		111,234	112,528	87,178	86,016
Management fees	17	(12,852)	(12,647)	(11,610)	(11,212)
Trust expenses	18	(3,373)	(3,739)	(2,425)	(2,949)
Interest income		–	7	–	–
Finance costs	19	(4,683)	(5,237)	(4,414)	(4,963)
Foreign exchange gain/(loss), net		1,946	90	46,653	(17,944)
Other expenses	20	–	(1,218)	(505)	(1,218)
		(18,962)	(22,744)	27,699	(38,286)
Total return before changes in fair value of financial derivatives, investment properties and gain on disposal of asset held for sale		92,272	89,784	114,877	47,730
Net change in fair value of financial derivatives		4,161	(823)	10,326	(2,317)
Net change in fair value of investment properties	4	239,206	7,428	248,941	1,870
Gain on disposal of asset held for sale	9	5,113	–	–	–
Total return before income tax		340,752	96,389	374,144	47,283
Income tax expense	21	(8,874)	(9,165)	–	–
Total return for the year		331,878	87,224	374,144	47,283
Earnings per unit (cents)					
Basic and diluted	22	54.86	14.42	61.84	7.82

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

Distribution statements
Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Amount available for distribution to Unitholders at beginning of the year		21,628	20,257	21,628	20,257
Total return for the year		331,878	87,224	374,144	47,283
Distribution adjustments	A	(244,176)	(482)	(286,442)	39,459
Rollover adjustment		–	145	–	145
Amount retained for capital expenditure		(3,000)	(3,000)	(3,000)	(3,000)
Amount reversed/(retained) for COVID-19 related relief measures		476	(478)	476	(478)
Income for the year available for distribution to Unitholders	B	85,178	83,409	85,178	83,409
Amount available for distribution to Unitholders		106,806	103,666	106,806	103,666
Distributions to Unitholders during the year:					
- Distribution of 3.34 cents per unit for period from 1 October 2019 to 31 December 2019		–	20,207	–	20,207
- Distribution of 3.32 cents per unit for period from 1 January 2020 to 31 March 2020		–	20,086	–	20,086
- Distribution of 3.36 cents per unit for period from 1 April 2020 to 30 June 2020		–	20,328	–	20,328
- Distribution of 3.54 cents per unit for period from 1 July 2020 to 30 September 2020		–	21,417	–	21,417
- Distribution of 3.57 cents per unit for period from 1 October 2020 to 31 December 2020		21,599	–	21,599	–
- Distribution of 3.57 cents per unit for period from 1 January 2021 to 31 March 2021		21,598	–	21,598	–
- Distribution of 3.38 cents per unit for period from 1 April 2021 to 30 June 2021		20,449	–	20,449	–
- Distribution of 3.56 cents per unit for period from 1 July 2021 to 30 September 2021		21,538	–	21,538	–
		85,184	82,038	85,184	82,038
Amount available for distribution to Unitholders at end of the year		21,622	21,628	21,622	21,628

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

Distribution statements (cont'd)
Year ended 31 December 2021

	Note	Group 2021	Group 2020	Trust 2021	Trust 2020
Number of units entitled to distribution ('000)	14	605,002	605,002	605,002	605,002
Distribution per unit (cents)[1]		14.08	13.79	14.08	13.79

[1] The distribution per unit relates to the distributions in respect of the relevant financial year. The distribution relating to the last quarter of 2021 will be paid after 31 December 2021.

Note A – Distribution adjustments comprise:

	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Non-tax deductible/(non-taxable) items:				
Trustee's fees	350	339	350	339
Amortisation of transaction costs relating to debt facilities	716	623	716	623
Net overseas income not distributed to the Trust	–	–	16,760	18,831
Foreign exchange (gain)/loss, net	(926)	13	(45,633)	18,049
Net change in fair value of financial derivatives	(4,161)	823	(10,326)	2,317
Net change in fair value of investment properties (net of deferred tax impact)	(235,712)	(3,436)	(248,941)	(1,870)
Gain on disposal of asset held for sale (net of tax)	(4,231)	–	–	–
Others	(212)	1,156	632	1,170
Net effect of distribution adjustments	(244,176)	(482)	(286,442)	39,459

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

	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Unitholders' distributions:				
- from operations	71,660	68,163	71,660	68,163
- from Unitholders' contributions	13,518	15,246	13,518	15,246
Total Unitholders' distributions	85,178	83,409	85,178	83,409

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

Statements of movements in Unitholders' funds
Year ended 31 December 2021

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Unitholders' funds at beginning of year	1,183,615	1,181,848	1,049,161	1,086,422
Operations				
Total return for the year	331,878	87,224	374,144	47,283
Unitholders' transactions				
Distribution to Unitholders	(85,184)	(82,038)	(85,184)	(82,038)
Total increase/(decrease) in Unitholders' funds before movement in other reserves	246,694	5,186	288,960	(34,755)
Other reserves				
Net movement in hedging reserve	3,768	(2,582)	3,768	(2,582)
Net movement in cost of hedging reserve	(69)	76	(69)	76
Exchange differences on hedge of net investment in foreign operations	49,060	(19,692)	–	–
Translation differences arising on consolidation of foreign operations	(48,361)	18,779	–	–
Net increase/(decrease) in other reserves	4,398	(3,419)	3,699	(2,506)
Unitholders' funds at end of year	1,434,707	1,183,615	1,341,820	1,049,161

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

Portfolio statements
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Singapore									
The Mount Elizabeth Hospital Property (1)	Leasehold	67	53	3 Mount Elizabeth, Singapore 228510	Hospital and medical centre	883,000	751,000	61.5	63.4
The Gleneagles Hospital Property (1)	Leasehold	75	61	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500	Hospital and medical centre	503,000	395,000	35.1	33.4
The Parkway East Hospital Property (1)	Leasehold	75	61	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990	Hospital and medical centre	86,000	67,800	6.0	5.7
						1,472,000	1,213,800	102.6	102.5

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan									
Bon Sejour Yokohama Shin-Yamashita (2)	Freehold	N.A.	N.A.	2-12-55 Shin Yamashita, Naka-Ku, Yokohama City, Kanagawa Prefecture, Japan	Nursing home with care service	20,434	21,649	1.4	1.8
More Habitation Akashi (2)	Freehold	N.A.	N.A.	486, Yagi, Okubo-cho, Akashi City, Hyogo Prefecture, Japan	Nursing home with care service	20,196	23,442	1.4	2.0
More Habitation Suma (2)	Freehold	N.A.	N.A.	1-5-23, Chimori-cho, Suma-ku, Kobe City, Hyogo Prefecture, Japan	Nursing home with care service	11,999	13,963	0.8	1.2
Senior Chonaikai Makuhari Kan (2)	Freehold	N.A.	N.A.	5-370-4, Makuhari-cho, Hanamigawa-ku, Chiba City, Chiba Prefecture, Japan	Nursing home with care service	22,216	23,955	1.5	2.0
Balance carried forward						74,845	83,009	5.1	7.0

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						74,845	83,009	5.1	7.0
Smiling Home Medis Musashi Urawa (2)	Freehold	N.A.	N.A.	5-5-6, Shikatebukuro, Minami-ku, Saitama City, Saitama Prefecture, Japan	Nursing home with care service	9,813	10,581	0.7	0.9
Smiling Home Medis Koshigaya Gamo (2)	Freehold	N.A.	N.A.	2-2-5, Gamonishimachi, Koshigaya City, Saitama Prefecture, Japan	Nursing home with care service	19,483	21,008	1.4	1.8
Sompo no le Nakasyo (2)	Freehold	N.A.	N.A.	923-1 Aza Miyata, Hirata, Kurashiki City, Okayama Prefecture, Japan	Nursing home with care service	8,708	9,095	0.6	0.8
Maison des Centenaire Ishizugawa (2)	Freehold	N.A.	N.A.	2-1-9, Hamadera Ishizuchonishi, Nishi-Ku,Sakai City, Osaka Prefecture, Japan	Nursing home with care service	11,262	11,939	0.8	1.0
Maison des Centenaire Haruki (2)	Freehold	N.A.	N.A.	12-20, Haruki-Miyakawacho, Kishiwada City, Osaka Prefecture, Japan	Nursing home with care service	8,542	9,210	0.6	0.8
Balance carried forward						132,653	144,842	9.2	12.3

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						132,653	144,842	9.2	12.3
Hapine Fukuoka Noke (2)	Freehold	N.A.	N.A.	4-35-9, Noke, Sawara-ku, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	10,823	11,491	0.8	1.0
Fiore Senior Residence Hirakata (2)	Freehold	N.A.	N.A.	4-10, Higashikori-Shinmachi, Hirakata City, Osaka Prefecture, Japan	Nursing home with care service	6,320	6,700	0.4	0.6
Iyashi no Takatsuki Kan (2)	Freehold	N.A.	N.A.	3-19, Haccho-Nishimachi, Takatsuki City, Osaka Prefecture, Japan	Nursing home with care service	20,552	22,161	1.4	1.9
Sawayaka Obatake Ichibankan (2)	Freehold	N.A.	N.A.	3-3-51 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	10,015	10,824	0.7	0.9
Sawayaka Sakurakan (2)	Freehold	N.A.	N.A.	126-2 Nakadomari, Nishi-nagano, Kakunodate-machi, Senboku City, Akita Prefecture, Japan	Nursing home with care service	10,870	11,696	0.8	1.0
Sawayaka Nogatakan (2)	Freehold	N.A.	N.A.	442-1 Yamabe-Oaza, Nogata City, Fukuoka Prefecture, Japan	Nursing home with care service	9,849	10,466	0.7	0.9
Balance carried forward						201,082	218,180	14.0	18.6

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						201,082	218,180	14.0	18.6
Sawayaka Shinmojikan [(2)]	Freehold	N.A.	N.A.	1543-1 Oaza Hata, Moji-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	12,830	13,707	0.9	1.2
Sawayaka Obatake Nibankan [(2)]	Freehold	N.A.	N.A.	1-6-26 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Short stay/Day care home	4,800	5,188	0.3	0.4
Sawayaka Fukufukukan [(2)]	Freehold	N.A.	N.A.	1-24-4 Fukuyanagi, Tobata-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	8,863	9,595	0.6	0.8
As Heim Nakaurawa [(2)]	Freehold	N.A.	N.A.	2-21-9 Nishibori, Sakura-ku, Saitama Prefecture, Japan	Nursing home with care service	13,424	14,219	0.9	1.2
Hanadama no le Nakahara [(2)]	Freehold	N.A.	N.A.	5-14-25 Shimo Kotanaka Nakahara-ku, Kawasaki, Kanagawa Prefecture, Japan	Nursing home with care service	10,930	11,772	0.8	1.0
Balance carried forward						251,929	272,661	17.5	23.2

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						251,929	272,661	17.5	23.2
Sawayaka Higashikagurakan (2)	Freehold	N.A.	N.A.	2-351-4 Kitaichijo Higashi, Higashikagura-cho Kamikawa-gun, Hokkaido Prefecture, Japan	Nursing home with care service	12,474	13,451	0.9	1.1
Happy Life Toyonaka (2)	Freehold	N.A.	N.A.	15-14, Kozushima 2-chome, Toyonaka City, Osaka Prefecture, Japan	Nursing home with care service	6,593	6,994	0.5	0.6
More Habitation Shin-Kobe (2)	Freehold	N.A.	N.A.	13-7, Kanocho 2-chome, Chuo-ku, Kobe City, Hyogo Prefecture, Japan	Nursing home with care service	19,008	21,265	1.3	1.8
Sawayaka Seaside Toba (2)	Freehold	N.A.	N.A.	300-73 Aza Hamabe, Ohamacho Toba City, Mie Prefecture, Japan	Nursing home with care service	19,127	20,624	1.3	1.7
Balance carried forward						309,131	334,995	21.5	28.4

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						309,131	334,995	21.5	28.4
Sawayaka Niihamakan (2)	Freehold	N.A.	N.A.	Otsu 11-77, Higashida 3-chome, Niihama City, Ehime Prefecture, Japan	Nursing home with care service	18,295	19,599	1.3	1.7
Sawayaka Mekari Nibankan (2)	Freehold	N.A.	N.A.	2720-2, Okubo 1-chome, Mojiku, Kitakyushushi City, Fukuoka Prefecture, Japan	Nursing home with care service	4,027	4,176	0.3	0.4
Sawayaka Kiyotakan (2)	Freehold	N.A.	N.A.	16-7, Kiyota 3-chome, Yahatahigashi-ku, Kitakyushushi, Fukuoka Prefecture, Japan	Nursing home with care service	12,355	13,066	0.9	1.1
Sawayaka Minatokan (2)	Freehold	N.A.	N.A.	5155-3 Jyusanbancho, Furumachidori, Chuo-ku, Niigata City, Niigata Prefecture, Japan	Nursing home with care service	9,231	9,812	0.6	0.8
Maison des Centenaire Hannan (2)	Freehold	N.A.	N.A.	8-423-29 Momonokidai, Hannan City, Osaka Prefecture, Japan	Nursing home with care service	23,998	25,748	1.7	2.2
Balance carried forward						377,037	407,396	26.3	34.6

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						377,037	407,396	26.3	34.6
Maison des Centenaire Ohhama (2)	Freehold	N.A.	N.A.	3-11-18 Ohhama Kitamachi Sakai-Ku, Sakai City, Osaka Prefecture, Japan	Nursing home with care service	8,969	9,659	0.6	0.8
Sunhill Miyako (2)	Freehold	N.A.	N.A.	8-423-30 Momonokidai, Hannan City, Osaka Prefecture, Japan	Extended stay lodging facility	11,227	12,118	0.8	1.0
Habitation Jyosui (2)	Freehold	N.A.	N.A.	4-1-26 Yakuin, Chuo-ku Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	46,094	49,318	3.2	4.2
Ocean View Shonan Arasaki (2)	Freehold	N.A.	N.A.	5-25-1 Nagai, Yokosuka City, Kanagawa Prefecture, Japan	Nursing home with care service	25,661	26,389	1.8	2.2
Habitation Hakata I, II and III (2)	Freehold	N.A.	N.A.	23-10 Kanenokuma 3-chome Hakata-ku, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	48,352	51,624	3.4	4.4
Excellent Tenpaku Garden Hills (2)	Freehold	N.A.	N.A.	141-3 Tsuchihara 2-chome, Tenpaku-ku, Nagoya City, Aichi Prefecture, Japan	Nursing home with care service	22,453	23,827	1.6	2.0
Balance carried forward						539,793	580,331	37.7	49.2

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						539,793	580,331	37.7	49.2
Liverari Shiroishi Hana Ichigo-kan (2)	Freehold	N.A.	N.A.	1-18 Kitago 3jyo, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	4,562	4,740	0.3	0.4
Liverari Shiroishi Hana Nigo-kan (2)	Freehold	N.A.	N.A.	5-10 Kitago 2jyo 5-chome, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	2,245	2,370	0.2	0.2
Sunny Spot Misono (2)	Freehold	N.A.	N.A.	4-24 Misono 7jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan	Group home with care service	2,471	2,652	0.2	0.2
Silver Heights Hitsujigaoka (Ichibankan and Nibankan) (2)	Freehold	N.A.	N.A.	6-1 Fukuzumi, 3jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	14,137	15,116	1.0	1.3
Habitation Wakaba (2)	Freehold	N.A.	N.A.	1763-12 Oguramachi Wakabaku, Chiba City, Chiba Prefecture, Japan	Nursing home with care service	26,136	28,182	1.8	2.4
Habitation Hakusho (2)	Freehold	N.A.	N.A.	301 Hijikai, Yachimata City, Chiba Prefecture, Japan	Nursing home with care service	19,958	21,521	1.4	1.8
Balance carried forward						609,302	654,912	42.6	55.5

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						609,302	654,912	42.6	55.5
Group Home Hakusho [(2)]	Freehold	N.A.	N.A.	1345-16 Toyoma, Yachimata City, Chiba Prefecture, Japan	Group home with care service	1,247	1,345	0.1	0.1
Kikuya Warakuen [(2)]	Freehold	N.A.	N.A.	1404-10 Nishitoyoi, Oaza, Kudamatsu City, Yamaguchi Prefecture, Japan	Nursing home with care service	10,336	11,093	0.7	0.9
Sanko [(2)]	Freehold	N.A.	N.A.	4-16-16 Mizuhomachi, Kudamatsu City, Yamaguchi Prefecture, Japan	Nursing home with care service	6,594	7,122	0.5	0.6
Konosu Nursing Home Kyoseien [(2)]	Freehold	N.A.	N.A.	3409-1 Shimoya, Konosu, Saitama Prefecture, Japan	Nursing rehabilitation facility	20,552	21,905	1.4	1.9
Haru no Sato [(2)]	Freehold	N.A.	N.A.	1-2-23 Hajima, Shunan, Yamaguchi Prefecture, Japan	Nursing rehabilitation facility	16,157	16,397	1.1	1.4
Hodaka no Niwa [(2)]	Freehold	N.A.	N.A.	205 Hitoegane, Okuhida Onsengo, Takayama, Gifu Prefecture, Japan	Nursing rehabilitation facility	16,394	17,806	1.1	1.5
Orange no Sato [(2)]	Leasehold	99	97	522 Yoshiwara, Aridagawa-machi, Arida, Wakayama Prefecture, Japan	Nursing rehabilitation facility	14,731	16,141	1.0	1.4
Habitation Kamagaya[(5)]	Freehold	N.A.	N.A.	12-1 Shin-Kamagaya 4-Chome, Kamagaya City, Chiba Prefecture, Japan	Nursing home with care service	20,790	22,161	1.4	1.9
						716,103	768,882	49.9	65.2

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Japan (cont'd)									
Balance brought forward						716,103	768,882	49,.9	65.2
Will-Mark Kashiihama [5]	Freehold	N.A.	N.A.	2-1 Kashiihama 3-chome, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	38,135	–	2.7	–
Crea Adachi [5]	Freehold	N.A.	N.A.	19-10 Iriya 2-chome Adachi City, Tokyo Prefecture, Japan	Nursing home with care service	15,087	–	1.1	–
Habitation Kisarazu Ichibankan [6]	Freehold	N.A.	N.A.	11-1, Kaneda Higashi 4-chome, Kisarazu City, Chiba, Japan	Nursing home with care service	40,867	–	2.8	–
						810,192	768,882	56.5	65.2

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Group									
Malaysia									
MOB Specialist Clinics, Kuala Lumpur (3)	Freehold	N.A.	N.A.	282, Jalan Ampang 50450 Kuala Lumpur, Malaysia	Medical Centre	6,462	6,218	0.5	0.5
Total investment properties						2,288,654	1,988,900	159.6	168.2
Investment property classified as asset held for sale									
Japan									
P-Life Matsudo(4)	Freehold	N.A.	N.A.	357 Matsuhidai, Matsudo City, Chiba Prefecture, Japan	Pharmaceutical product distributing and manufacturing facility	–	30,872	–	2.6
Total investment properties and asset held for sale, at valuation						2,288,654	2,019,772	159.6	170.8
Other assets and liabilities (net)						(853,947)	(836,157)	(59.6)	(70.8)
Net assets						1,434,707	1,183,615	100.0	100.0

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

Portfolio statements (cont'd)
As at 31 December 2021

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation 2021 $'000	At valuation 2020 $'000	Percentage of net assets 2021 %	Percentage of net assets 2020 %
Trust									
Singapore									
The Mount Elizabeth Hospital Property [1]	Leasehold	67	53	3 Mount Elizabeth, Singapore 228510	Hospital and medical centre	883,000	751,000	65.8	71.6
The Gleneagles Hospital Property [1]	Leasehold	75	61	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500	Hospital and medical centre	503,000	395,000	37.5	37.6
The Parkway East Hospital Property [1]	Leasehold	75	61	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990	Hospital and medical centre	86,000	67,800	6.4	6.5
Investment properties, at valuation						1,472,000	1,213,800	109.7	115.7
Other assets and liabilities (net)						(130,180)	(164,639)	(9.7)	(15.7)
Net assets						1,341,820	1,049,161	100.0	100.0

(1) These properties are leased to Parkway Hospitals Singapore Pte. Ltd., a related corporation of the Manager and the Trust under separate master lease agreements, which are renewed under the terms of the New Master Lease Agreements from 23 August 2022 to 31 December 2042 with an option to extend the lease of each of these properties for a further term of 10 years. The appraised value of these properties under the terms of the New Master Lease Agreements were determined by CBRE Pte. Ltd., using direct capitalisation and discounted cash flow methods.

(2) On 31 December 2021, independent valuations of these properties were undertaken by CBRE K.K., Enrix Co., Ltd, Cushman & Wakefield K.K. and JLL Morii Valuation & Advisory K.K. using the discounted cash flow method.

(3) On 31 December 2021, the appraised value of the property was determined by Knight Frank Malaysia Sdn Bhd, using the direct capitalisation method and supported by comparison approach.

(4) Classified as asset held for sale as at 31 December 2020. The property was divested on 29 January 2021.

(5) On 30 June 2021, the Group entered into a Tokumei Kumiai agreement as an investor in relation to the acquisition of two nursing homes located in Japan for a purchase price of JPY4.1 billion (approximately $50.4 million). The acquisition of the properties was completed on 9 July 2021. The appraised value of the properties as at 31 December 2021 was determined by Enrix Co., Ltd using discounted cash flow method.

(6) On 10 December 2021, the Group entered into a Tokumei Kumiai agreement as an investor in relation to the acquisition of one nursing home located in Japan for a purchase price of JPY3.2 billion (approximately $38.5 million). The acquisition of the property was completed on 17 December 2021. The appraised value of the property as at 31 December 2021 was determined by CBRE K.K. using discounted cash flow method.

The Manager 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.

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

Consolidated statement of cash flows
Year ended 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000
Operating activities			
Total return before income tax		340,752	96,389
Adjustments for:			
Interest income		–	(7)
Finance costs	19	4,683	5,237
Net change in fair value of financial derivatives		(4,161)	823
Net change in fair value of investment properties	4	(239,206)	(7,428)
Gain on disposal of asset held for sale	9	(5,113)	–
Deferred income recognised		(251)	(257)
Allowance for doubtful debts	16	1,028	–
Operating income before working capital changes		97,732	94,757
Changes in working capital:			
Trade and other receivables		4,237	(6,048)
Trade and other payables		(7,615)	5,880
Security deposits		1,033	788
Cash generated from operations		95,387	95,377
Income tax paid		(5,525)	(5,065)
Cash flows generated from operating activities		89,862	90,312
Investing activities			
Interest received		–	7
Capital expenditure on investment properties		(11,692)	(4,579)
Cash outflow on purchase of investment properties (including acquisition related costs) (Note A)		(99,207)	(24,003)
Net proceeds from sale of investment property (including divestment related costs)		35,911	–
Cash flows used in investing activities		(74,988)	(28,575)
Financing activities			
Borrowing costs paid		(934)	(1,650)
Interest paid		(3,842)	(5,101)
Distributions to Unitholders		(85,184)	(82,038)
Proceeds from loans and borrowings		482,124	128,191
Repayment of loans and borrowings		(402,114)	(100,834)
Repayment of lease liabilities		(31)	(32)
Cash flows used in financing activities		(9,981)	(61,464)
Net increase in cash and cash equivalents		4,893	273
Cash and cash equivalents at beginning of year		22,658	21,870
Effects of exchange differences on cash balances		(1,758)	515
Cash and cash equivalents at end of year	8	25,793	22,658

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

Consolidated statement of cash flows (cont'd)
Year ended 31 December 2021

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	
	2021	**2020**
	$'000	**$'000**
Investment properties	88,853	21,203
Acquisition related costs	10,354	2,800
Cash outflow/cash consideration paid	99,207	24,003

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 22 February 2022.

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 by the First Supplemental Deed dated 12 November 2009, Second Supplemental Deed dated 30 March 2010, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020) (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 and 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.

For financial reporting purposes, the Group is regarded as a subsidiary of Parkway Investments Pte. Ltd., a company incorporated in the Republic of Singapore. Accordingly, the ultimate holding company is IHH Healthcare Berhad, a company incorporated in Malaysia.

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 seek 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.

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 set out in accordance with the Trust Deed. 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. With effect from 1 January 2016, the performance fee is paid annually in arrears, regardless of whether it is paid in the form of cash and/or units.

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

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

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

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 services commission in the country where the real estate is located.

(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 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.

(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. Units representing the divestment fee or any part thereof will be issued at an issue price on a similar basis as management fees. 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.

(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), 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 Investment Funds* 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"). The changes to significant accounting policies are described in Note 2.5.

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 judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of policies and the 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 prospectively.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 4 – fair value determination of investment properties; and
- Note 25 – valuation of financial instruments.

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – fair value determination of investment properties; and
- Note 25 – valuation of financial instruments.

2.5 Changes in accounting policies

The Group has applied the following new FRSs, interpretations and amendments for the first time for the annual period beginning on 1 January 2021:

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39 and FRS 107, FRS 104 and FRS 116)*

The application of amendment relating to the interest rate benchmark reform – Phase 2 Amendments, does not have a material effect on the financial statements.

The Group applied the Phase 2 amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening equity balances as a result of retrospective application.

<u>Specific policies applicable from 1 January 2021 for interest rate benchmark reform</u>

The Phase 2 amendments provide practical relief from certain requirements in FRS Standards. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

– the change is necessary as a direct consequence of the reform; and
– the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

Finally, the Phase 2 amendments provide a series of temporary exceptions from certain hedge accounting requirements when a change required by interest rate benchmark reform occurs to a hedged item and/or hedging instrument that permit the hedge relationship to be continued without interruption. The Group applies the following reliefs as and when uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument:

– the Group amends the designation of a hedging relationship to reflect changes that are required by the reform without discontinuing the hedging relationship; and
– when a hedged item in a cash flow hedge is amended to reflect the changes that are required by the reform, the amount accumulated in the cash flow hedge reserve is deemed to be based on the alternative benchmark rate on which the hedged future cash flows are determined.

Where uncertainty persists in the timing or amount of the interest rate benchmark-based cash flows of the hedged item or hedging instrument, the Group continues to apply the existing accounting policies disclosed in Note 3.5. See also Note 25 for related disclosures about risks, financial assets and financial liabilities indexed to inter-bank lending rates (IBOR) and hedge accounting.

3 Significant accounting policies

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

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

Business combinations and property acquisitions

Where a property is acquired, the Manager considers the substance of the assets and activities of the acquired entity in determining whether the acquisition represents the acquisition of a business.

The Group accounts for an acquisition as business combination where the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a ‘concentration test’ that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

When acquisition of an asset or a group of assets does not constitute a business combination, it is treated as property acquisition. In such cases, the individual identifiable assets acquired and liabilities assumed are recognised. The acquisition cost shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition. Such a transaction does not give rise to goodwill.

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group.

Transactions eliminated on consolidation

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

Accounting for subsidiaries by the Trust

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 the 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 translated to the functional currency at the exchange rate at that 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 year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

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

Foreign currency differences arising on translation are recognised in the statement of total return, except for differences arising on the translation 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, which are recognised in the Unitholders' funds.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, 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.

Foreign currency differences are recognised in the foreign currency translation reserve. 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.

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 initially recognised at cost and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair value of investment properties 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 Assets held for sale

Investment properties that are highly probable to be recovered primarily through sale rather than through continued use, are classified as assets held for sale and accounted for as current assets. These investment properties are measured at fair value and any increase or decrease on fair valuation is credited or charged directly to the Statement of Total Return as a net change in fair value of investment properties.

3.5 Financial instruments

Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, or minus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Manager. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Manager; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of total return. Any gain or loss on derecognition is recognised in statement of total return.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as other financial liabilities and are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of total return. These financial liabilities comprised loans and borrowings, trade and other payables and security deposits.

Derecognition

Financial assets

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

Transferred assets are not derecognised when the Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets.

Financial liabilities

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

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

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, cash collateral received is excluded.

Derivative financial instruments and hedge accounting

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

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in statement of total return, unless it is designated in a hedge relationship that qualifies for hedge accounting.

The Group designates certain derivatives and non-derivative financial instruments as hedging instruments in qualifying hedging relationships. At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Hedges directly affected by interest rate benchmark reform

Phase 1 amendments: Prior to interest rate benchmark reform – when there is uncertainty arising from Interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged items and the hedging instruments, the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

For a cash flow hedge of a forecasted transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform.

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument (i) to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of contractual cash flows of the respective item or instrument or (ii) when the hedging relationship is discontinued. For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

Phase 2 amendments: Replacement of benchmark interest rates – when there is no longer uncertainty arising from interest rate benchmark reform

When the basis for determining the contractual cash flows of the hedged item or the hedging instrument changes as a result of interest rate benchmark reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the change(s) required by interest rate benchmark reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

For this purpose, the hedge designation is amended only to make one or more of the following changes:

- designating an alternative benchmark rate as the hedged risk;
- updating the description of hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met:

- it makes a change required by interest rate benchmark reform by changing the basis for determining the contractual cash flows of the hedging instrument or using another approach that is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group amends the formal hedge documentation by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship.

If changes are made in addition to those changes required by interest rate benchmark reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by interest rate benchmark reform as mentioned above.

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in OCI for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based.

Cash flow hedges

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Unitholders' funds and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in Unitholders' funds is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of total return.

The Group designates only the change in intrinsic value of interest rate cap contracts as the hedging instrument in cash flow hedging relationships. The change in time value of interest rate cap contracts is separately accounted for as a cost of hedging and recognised in a cost of hedging reserve within Unitholders' funds.

For all hedge transactions, the amount accumulated in the hedging reserve is reclassified to the statement of total return in the same period or periods during which the hedged expected future cash flows affect the statement of total return.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve and the cost of hedging reserve remains in Unitholders' funds until, for a hedge of a transaction resulting in recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to statement of total return in the same period or periods as the hedged expected future cash flows affect total return.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve and the cost of hedging reserve are immediately reclassified to statement of total return.

Net investment hedges

The Group designates certain derivatives and non-derivative financial liabilities as hedges of foreign exchange risk on a net investment in a foreign operation.

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in Unitholders' funds and presented in the translation reserve within Unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in statement of total return. The amount recognised in Unitholders' funds is fully or partially reclassified to statement of total return as a reclassification adjustment on disposal or partial disposal of the foreign operation, respectively.

3.6 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses, except for right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 4.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in statement of total return if the carrying amount of the right-of-use asset has been reduced to zero.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

The Group presents right-of-use assets in investment property and lease liabilities as a separate caption in the statement of financial position. There are no right-of-use assets that do not meet the definition of investment property.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

3.7 Impairment

Non-derivative financial assets

The Group recognises loss allowances for expected credit loss ("ECL") on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

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

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

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

The Group considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being more than 90 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

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 of disposal. 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.

3.8 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.

(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.

3.9 Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis.

(ii) Management fees

Management fees comprise 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 are recognised as an expense in the statement of total return with 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, settlement on financial derivatives, amortisation of borrowings related transactions costs and security deposits and interests on lease liabilities.

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.

3.10 Government grants

Grants that are received by the Group on behalf of the end-tenants in relation to rental rebate and assistance are disbursed to the eligible tenants in full and not recognised in the statement of total return.

3.11 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. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

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, and reflects uncertainty related to income taxes, if any.

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.

Deferred tax assets are recognised for unused tax losses, unused 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 used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. 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; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

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 2005 to 31 December 2025 or foreign funds during the period from 1 July 2019 to 31 December 2025, 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;
- 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);
- An international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145); or
- A real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment.

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 to acquire the units in that REIT are not obtained from that operation.

A foreign fund refers to one that qualifies for tax exemption under section 13D, 13U or 13V of the Income Tax Act ("ITA") that is not a resident of Singapore for income tax purposes and:

- does not have any permanent establishment in Singapore (other than a fund manager in Singapore); or
- carries on any operation through a permanent establishment in Singapore (other than a fund manager in Singapore), where the funds used by that qualifying fund to acquire the units in that REIT are not obtained from that operation.

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 with 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.

3.12 Distribution policy

The Trust has a distribution policy to distribute at least 90.0% of its taxable income and net overseas income with the actual level of distribution to be determined at the Manager's discretion, other than gains from the sale of real estate properties that are determined by IRAS to be trading gains. 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.

3.13 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.

3.14 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the 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.

3.15 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the Group's consolidated financial statements and the Trust's statement of financial position:

- FRS 117 *Insurance Contracts* and Amendments to *FRS 117 Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to FRS 1)
- *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to FRS 116)
- *Reference to the Conceptual Framework* (Amendments to FRS 103)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to FRS 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to FRS 37)
- *Annual Improvements to FRSs 2018 – 2020*
- *Disclosure of Accounting Policies* (Amendments to FRS 1 and FRS Practice Statement 2)
- *Definition of Accounting Estimates* (Amendments to FRS 8)
- *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* (Amendments to FRS 12)

4 Investment properties

	Note	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
At 1 January		1,991,019	1,966,140	1,213,800	1,210,700
Acquisition of investment properties		88,853	21,203	–	–
Acquisition related costs		11,235	2,644	–	–
Capital expenditure		12,514	4,440	9,259	1,230
Transfer to asset held for sale	9	–	(30,872)	–	–
Translation differences		(52,076)	20,036	–	–
		2,051,545	1,983,591	1,223,059	1,211,930
Net change in fair value of investment properties		239,206	7,428	248,941	1,870
At 31 December		2,290,751	1,991,019	1,472,000	1,213,800

Determination of fair value

Investment properties are stated at fair value based on valuations as at 31 December 2021 performed by independent professional valuers having appropriate recognised professional qualification and experience in the location and category of property being valued.

The independent external valuers have used capitalisation approach, comparison approach and discounted cash flow methods.

The capitalisation approach capitalises an income stream into a present value using revenue multipliers or single-year capitalisation rates. The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an appropriate rate of return.

The net change in fair value of the investment properties recognised in the statement of total return has been adjusted for amortisation of right-of-use assets as follows:

	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Gain on revaluation	239,228	7,450	248,941	1,870
Amortisation of right-of-use assets	(22)	(22)	–	–
Net change in fair value of investment properties recognised in statement of total return	239,206	7,428	248,941	1,870

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 determining the fair value, the valuers have used valuation methods which involved certain estimates. In assessing the fair value measurements, the Manager reviews the valuation methodologies and evaluates the assessments made by the valuers. The Manager exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions. The valuation reports are prepared in accordance with recognised appraisal and valuation standards.

Fair value hierarchy

The fair value measurement for investment properties of the Group and the Trust have been categorised as Level 3 fair values based on inputs to the valuation technique used.

Reconciliations from the beginning balances to the ending balances for fair value measurements of Level 3 investment properties are set out in the above table.

	2021 $'000	**2020 $'000**
Fair value of investment properties (based on valuation)	2,288,654	1,988,900
Add: Carrying amount of lease liabilities	2,097	2,119
Carrying amount of investment properties	2,290,751	1,991,019

Significant unobservable inputs

The following table shows the key unobservable inputs used in the valuation model, including investment property classified as asset held for sale (see Note 9):

Type	**Key unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Capitalisation method	• Capitalisation rates range from 4.7% to 6.7% (2020: 4.8% to 6.7%).	The estimated fair value would increase/(decrease) if the capitalisation rates were lower/(higher).
Discounted cash flow method	• Risk-adjusted discount rates range from 4.5% to 7.0% (2020: 4.6% to 7.0%). • Terminal yield rates range from 4.8% to 6.8% (2020: 4.9% to 6.8%).	The estimated fair value would increase/(decrease) if: • the risk-adjusted discount rates were lower/(higher); or • the terminal yield rates were lower/(higher).

Key unobservable inputs correspond to:

- Capitalisation rate corresponds to a rate of return on investment properties on the expected annual 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.
- Terminal yield rate is the estimated capitalisation rate at maturity of the holding period.

5 Interests in subsidiaries

	Trust	
	2021	**2020**
	$'000	**$'000**
Equity investments, at cost	635,021	599,130
Amount due from subsidiary (non-trade)	4,075	4,075
Allowance for impairment loss	(505)	–
	638,591	603,205

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 and hence the amount due from subsidiary is classified as non-current and is stated at amortised cost.

Impairment of investment in subsidiaries

The Company recognised impairment losses at a level considered adequate to provide for potential non-recoverability of investments in subsidiaries. The level of allowance is evaluated by the Company on the basis of factors that affect the recoverability of the investments. These factors include, but not limited to, the activities and financial position of the entities and market factors. The Company reviews and identifies balances that are to be impaired on a continuous basis. The amount and timing of recorded expenses for any period would differ if the Company made different judgement or utilised different estimates.

The Company assessed the carrying amount of its investments in subsidiaries for indicators of impairment or reversal of impairment. The recoverable amount of the subsidiary was estimated taking into consideration the fair value of the underlying assets and liabilities of the subsidiary.

In the current financial year, the Company recognised an impairment loss of $0.5 million in one of its subsidiaries which holds the investment property divested during the year. This impairment loss is determined after taking into the consideration of the gains recognised from the divestment of the investment property less off the remaining liabilities held by the subsidiary.

Ownership interests

The Group does not hold any ownership interest in the special purpose entities ("SPEs") in Japan listed below. The SPEs were established under terms that impose strict limitations on the decision-making powers of the SPE's management, resulting in the Group receiving the majority of the benefits related to the SPE's 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 risk related to the SPEs of their assets. Consequently, the SPEs are regarded as subsidiaries of the Group.

Details of the subsidiaries are as follows:

	Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2021 %	2020 %
*	Matsudo Investment Pte. Ltd.	Investment holding	Singapore	100	100
	** Godo Kaisha Phoebe	Special purpose entity - Investment in real estate	Japan	–	100
*	Parkway Life Japan2 Pte. Ltd.	Investment holding	Singapore	100	100
	** Godo Kaisha Del Monte	Special purpose entity - Investment in real estate	Japan	100	100
	** Godo Kaisha Tenshi 1	Special purpose entity - Investment in real estate	Japan	100	100
	** Godo Kaisha Tenshi 2	Special purpose entity - Investment in real estate	Japan	100	100
	** G.K. Nest	Special purpose entity - Investment in real estate	Japan	100	100
*	Parkway Life Japan3 Pte. Ltd.	Investment holding	Singapore	100	100
	** Godo Kaisha Healthcare 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
	** Godo Kaisha Healthcare 4	Special purpose entity - Investment in real estate	Japan	100	100
	** Godo Kaisha Healthcare 5	Special purpose entity - Investment in real estate	Japan	100	100

	Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2021 %	2020 %
*	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	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	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	Special purpose entity - Investment in real estate	Japan	100	100
**	Godo Kaisha Samurai 8	Special purpose entity - Investment in real estate	Japan	100	100
**	Godo Kaisha Samurai 9	Special purpose entity - Investment in real estate	Japan	100	100
**	Godo Kaisha Samurai 10	Special purpose entity - Investment in real estate	Japan	100	100
**	Godo Kaisha Samurai 11	Special purpose entity - Investment in real estate	Japan	100	100
**	Godo Kaisha Samurai 12	Special purpose entity - Investment in real estate	Japan	100	100
**	Godo Kaisha Samurai 13	Special purpose entity - Investment in real estate	Japan	100	100

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group 2021 %	2020 %
** Godo Kaisha Samurai 14	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 15	Special purpose entity - Investment in real estate	Japan	100	-
** Godo Kaisha Samurai 16	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
* Parkway Life MTN Pte. Ltd.	Provision of financial and treasury services	Singapore	100	100

* Audited by KPMG Singapore.
** Not required to be audited under the laws of country of incorporation.
\# Audited by KPMG Malaysia.

For consolidation purposes, the SPEs are audited by KPMG Singapore.

6 Financial derivatives

	Group and Trust 2021 $'000	2020 $'000
Current derivative assets	558	–
Non-current derivative assets	15,337	4,362
Total derivative assets	15,895	4,362
Current derivative liabilities	–	(2,266)
Non-current derivative liabilities	(153)	(261)
Total derivative liabilities	(153)	(2,527)
Total derivative assets (net)	15,742	1,835

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	%	**%**	**%**	**%**
Percentage of derivative assets to unitholders' funds	1.1	0.4	1.2	0.4
Percentage of derivative liabilities to unitholders' funds	–*	(0.2)	–*	(0.2)

**Amount immaterial*

Interest rate swaps

The Group manages its exposure to interest rate movement on its floating rate loans and borrowings by entering into interest rate swaps. As at the reporting date, the Group has interest rate swaps with a total notional principal of approximately $52.3 million (2020: $104.0 million) to provide fixed rate funding up to 2024 (2020: up to 2024) at a weighted average effective interest rate of 0.16% (2020: 0.13%) per annum.

As at 31 December 2021, 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 $136,000 gain (2020: $15,000 loss) was recognised in the hedging reserve.

In prior year, where hedge accounting was discontinued or not practised, changes in fair value of interest rate swaps amounting to $47,000 gain was recognised in the statement of total return, and an amount amounting to $43,000 loss was reclassified from hedging reserve to the statement of total return.

Interest rate caps

Apart from interest rate swaps, the Group also manages its exposure to interest rate movement on its floating rate loans and borrowings by entering into interest rate caps. As at the reporting date, the Group has interest rate caps with a notional principal of JPY23,580 million (approximately $280.1 million) (2020: JPY23,580 million (approximately $302.1 million)).

These instruments are designated as hedging instruments. As at 31 December 2021, a change of time value of the interest rate caps of $0.1 million loss (2020: $0.1 million gain) was recognised in the cost of hedging reserve. There was no intrinsic value recognised in the hedging reserve during the year.

Forward 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 exchange contracts to provide a hedge to the distribution of income from its investments in Japan, net of Japanese Yen financing costs.

At the reporting date, the Group has outstanding forward exchange contracts with aggregate notional amounts of approximately $76.6 million (2020: $83.7 million). The change in fair value of $4.2 million gain (2020: $0.2 million loss) was charged to the statement of total return.

Cross currency interest rate swaps

At the reporting date, the Group has cross currency interest rate swaps ("CCIRS") with notional principal of $81.9 million (2020: $131.9 million) to manage its foreign currency risk and interest rate risk arising from the financing of Japan properties using Singapore dollar loan facilities. To maintain a natural hedge, the Group utilised CCIRS to realign the Singapore dollar denominated loans back into effective Japanese Yen denominated loans to match its underlying Japanese Yen denominated assets.

The Group had in-substance bifurcated the CCIRS and applied hedge accounting for net investment hedge and cash flow hedge, where the changes in fair value of $6.2 million gain (2020: $2.1 million loss) and $3.6 million gain (2020: $2.6 million loss) were recognised in the foreign currency translation reserve and hedging reserve, respectively.

Offsetting financial assets and financial liabilities

The Group's derivative transactions are entered into under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements, the amounts owed by each counterparty in respect of the same transactions outstanding in the same currency under the agreement are aggregated into a single net amount that is payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all outstanding transactions.

The above agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. 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 in its normal course of business.

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements:

Group and Trust	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statements of financial position $'000	Net amounts of financial instruments included in the statements of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
31 December 2021					
Financial assets					
Forward exchange contracts	6,373	–	6,373	–	6,373
Interest rate caps used for hedging	696	–	696	–	696
Cross currency interest rate swap used for hedging	8,826	–	8,826	–	8,826
Total	15,895	–	15,895	–	15,895
Financial liabilities					
Interest rate swap used for hedging	(153)	–	(153)	–	(153)
Total	(153)	–	(153)	–	(153)
31 December 2020					
Financial assets					
Forward exchange contracts	2,212	–	2,212	–	2,212
Interest rate caps used for hedging	883	–	883	–	883
Cross currency interest rate swaps used for hedging	1,267	–	1,267	(1,267)	–
Total	4,362	–	4,362	(1,267)	3,095
Financial liabilities					
Cross currency interest rate swaps used for hedging	(2,238)	–	(2,238)	1,267	(971)
Interest rate swaps used for hedging	(289)	–	(289)	–	(289)
Total	(2,527)	–	(2,527)	1,267	(1,260)

7 Trade and other receivables

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables	12	503	–	–
Amounts due from related party (trade)	11,005	10,694	11,005	10,694
Amounts due from related party (non-trade)	–	5,612	–	5,612
Advances to subsidiary	–	–	42,498	23,387
Other receivables	129	163	–	–
	11,146	16,972	53,503	39,693
Prepayments	1,551	1,088	356	8
	12,697	18,060	53,859	39,701

The non-trade amounts due from related party in prior year is related to the Small and Medium Enterprises (SMEs) cash grants receivable from the master lessee, in which the excess amount would be refunded to the government (see Note 10). The non-trade amount from related party amounts and advances to subsidiary are unsecured, interest-free and receivable within 12 months.

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

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Nursing homes	7	496	–	–
Hospitals and medical centres	11,010	10,701	11,005	10,694
	11,017	11,197	11,005	10,694

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 party of the Manager and the Trust. Accordingly, the Group's most significant outstanding trade receivable amounted to $11,005,000 (2020: $10,694,000) is due from PHS as at the reporting date. These trade receivables are in accordance with the payment schedule as set out in the lease agreements entered with PHS.

As at 31 December 2021, the Trust has in its possession a bankers' guarantee in its favour amounting to $7.5 million (2020: $7.5 million). It is 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.

Impairment

During the year, the Group has made an allowance for doubtful debts of $1.0 million due to default on the rental receivables by a previous operator for 3 of the nursing home properties in Japan (see Note 16).

The ageing of trade receivables that were not impaired at the reporting date was:

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Neither past due nor impaired	11,012	10,994	11,005	10,694
Past due 1 - 30 days	4	4	–	–
Past due 31 - 180 days	1	199	–	–
	11,017	11,197	11,005	10,694

8 Cash and cash equivalents

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Cash and cash equivalents in the statement of financial position and the cash flow statement	25,793	22,658	1,594	1,487

9 Asset held for sale

In November 2020, the Group entered into a non-binding Memorandum of Understanding to sell P-Life Matsudo located in Chiba, Japan. Accordingly, the investment property, with a carrying value of $30.9 million had been classified as asset held for sale in the statement of financial position as at 31 December 2020.

The carrying amount of the asset held for sale as at 31 December 2020 was based on an independent valuation undertaken by Enrix Co., Ltd using the discounted cash flow method. The independent valuer had appropriate recognised professional qualification and experience in the location and category of property being valued. In determining the fair value, the valuer had used a valuation method which involved certain estimates. In assessing the fair value measurements, the Manager reviewed the valuation methodology and evaluated the assessment made by the valuer. The Manager was of the view that the valuation method and estimates were reflective of the market conditions as at 31 December 2020.

On 29 January 2021, the Group entered into a sale and purchase agreement to sell P-Life Matsudo property in Chiba, Japan for approximately $37.1 million. The sale of the property was completed on the same day and the Group recognised a gain on disposal (net of disposal costs and before withholding tax) of approximately $5.1 million.

10 Trade and other payables

	Group		Trust	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Trade payables and accrued operating expenses	8,329	7,258	5,053	4,551
Amounts due to related parties:				
- the Manager (trade)	5,997	5,985	5,995	5,980
- related parties (non-trade)	–	135	–	135
- the Trustee (trade)	62	57	62	57
- related corporation (non-trade)	–	36	–	36
Interest payable	461	471	461	471
Other payables	–	5,613	–	5,613
	14,849	19,555	11,571	16,843
Advance rent received	7,068	7,312	2,500	2,500
	21,917	26,867	14,071	19,343

The non-trade amounts due to the Manager, related parties and related corporation are unsecured, interest-free, and repayable on demand.

The other payables in prior year related to the Small and Medium Enterprises (SMEs) cash grants to be disbursed to eligible lessee, which was being administered by the master lessee (see Note 7), in which any excess amounts would be refunded to the government.

11 Loans and borrowings

	Group and Trust	
	2021	2020
	$'000	$'000
Current liabilities		
Unsecured bank loans	94,719	163,093
Unamortised transaction costs	–	(71)
	94,719	163,022
Non-current liabilities		
Unsecured bank loans	593,598	479,661
Unsecured medium term notes	140,184	151,158
Unamortised transaction costs	(2,606)	(2,317)
	731,176	628,502

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	2021 Face value $'000	2021 Carrying amount $'000	2020 Face value $'000	2020 Carrying amount $'000
S$ variable rate loan	Bank's cost of fund	2021	–	–	2,850	2,850
JPY variable rate loans	Bank's cost of fund	2021	–	–	26,978	26,978
S$ floating rate loan	SOR + margin	2021	–	–	50,000	49,973
JPY floating rate loan	LIBOR + margin	2021	–	–	83,265	83,221
S$ floating rate loan	SOR + margin	2022	–	–	75,000	74,866
JPY floating rate loan	LIBOR + margin	2022	–	–	112,728	112,616
JPY medium term notes	0.58%	2022	–	–	42,273	42,262
JPY variable rate loans	Bank's cost of fund	2022	94,719	94,719	–	–
JPY medium term notes	0.57%	2023	59,400	59,383	64,050	64,021
S$ floating rate loan	SORA + margin	2024	86,700	86,417	–	–
JPY medium term notes	0.65%	2024	41,580	41,566	44,835	44,815
JPY floating rate loan	LIBOR + margin	2024	52,273	52,135	56,364	56,167
JPY floating rate loans	LIBOR + margin	2025	142,536	142,055	153,694	152,185
S$ floating rate loan	SORA + margin	2026	81,875	81,623	81,875	81,570
JPY floating rate loan	LIBOR + margin	2026	104,544	103,997	–	–
JPY medium term notes	0.51%	2027	39,204	39,141	–	–
JPY floating rate loans	LIBOR + margin	2027	125,670	124,859	–	–
			828,501	825,895	793,912	791,524

SOR denotes Singapore Dollar Swap Offer Rate
SORA denotes Singapore Overnight Rate Average
LIBOR denotes London Interbank Offered Rate

The loans and borrowings comprise the following:

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

As at the reporting date, the Group has utilised various long term unsecured term loans and revolving credit facilities totalling JPY35,776 million (approximately $425.0 million) and $168.6 million (2020: JPY25,198 million (approximately $322.8 million) and $156.9 million) (the "Long Term Facilities"). The Long Term Facilities are committed, unsecured and rank *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT. Interest on the Long Term Facilities is subject 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.

Interest rate was largely hedged as the Group entered into interest rate swaps, CCIRS and interest rate caps to manage the interest rate exposures for the above Long Term Facilities. Details of these hedging initiatives are set out in Note 6.

(2) Unsecured Debt Issuance

Parkway Life REIT, through its wholly-owned subsidiary, Parkway Life MTN Pte. Ltd. ("PLife MTN"), has put in place a $500 million Multicurrency Debt Issuance Programme to provide Parkway Life REIT with the flexibility to tap various types of capital market products including issuance of perpetual securities when needed.

Under the Debt Issuance Programme, PLife MTN is able to issue notes while HSBC Institutional Trust Services (Singapore) Limited (in its capacity as trustee of Parkway Life REIT) (the "Parkway Life REIT Trustee") is able to issue perpetual securities.

All sums payable in respect of the notes issued by PLife MTN are unconditionally and irrevocably guaranteed by Parkway Life REIT Trustee.

As at 31 December 2021, there were three series of outstanding fixed rate notes issued under the Debt Issuance Programme amounting to JPY11,800 million (approximately $140.2 million) with maturity dates between 2023 to 2027 (2020: JPY11,800 million (approximately $151.2 million)).

(3) Short Term Facilities

The Trust has two unsecured and uncommitted short-term multi-currency facilities (the "Short Term Facilities") amounting to $195.0 million (2020: $120.0 million) for general working capital purposes. Interest on the Short Term Facilities is based on the bank's cost of fund.

As at 31 December 2021, a total of JPY7,973 million (2020: JPY2,106 million) (approximately $94.7 million (2020: $27.0 million) and $2.8 million) was drawn down via Short Term Facilities for working capital up to 3 months (2020: 4 months).

On 29 December 2021, the Group has put in place a 5-year committed and unsecured loan facility which will be drawn down to term out the above short term loans amounting to JPY7,710 million (approximately $91.6 million) when they fall due in March 2022.

Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	1 January 2021 $'000	Financing cash flows $'000	Foreign exchange movement $'000	Interest expense $'000	Transaction costs related to loans and borrowings $'000	Other changes $'000	31 December 2021 $'000
Loans and borrowings	791,524	79,076[1]	(45,421)	–	716	–	825,895
Interest payable (Note 10)	471	(3,842)	–	3,832	–	–	461
Lease liabilities	2,127	(31)	–	17	–	(1)	2,112
Cross currency interest rate swaps used for hedging –liabilities	971	–	–	–	–	(9,797)	(8,826)
Interest rate caps used for hedging - (assets)	(883)	–	–	–	–	187	(696)
Interest rate swaps used for hedging - liabilities	289	–	–	–	–	(136)	153
Forward exchange contracts (net) – liabilities/(assets)	(2,212)	–	(2,120)	–	–	(2,041)	(6,373)

[1] Net proceeds from loans and borrowings, includes repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings.

			Non-cash changes				
	1 January 2020 $'000	Financing cash flows $'000	Foreign exchange movement $'000	Interest expense $'000	Transaction costs related to loans and borrowings $'000	Other changes $'000	31 December 2020 $'000
Loans and borrowings	740,033	26,054[2]	24,814	–	623	–	791,524
Interest payable	1,085	(5,101)	–	4,487	–	–	471
Lease liabilities	2,141	(32)	1	17	–	–	2,127
Cross currency interest rate swaps used for hedging –liabilities	2,970	–	–	–	–	(1,999)	971
Interest rate caps used for hedging - (assets)	(570)	(347)	–	–	–	34	(883)
Interest rate swaps used for hedging - liabilities	322	–	–	–	–	(33)	289
Forward exchange contracts (net) – liabilities/(assets)	(2,455)	–	(91)	–	–	334	(2,212)

[2] Net proceeds from loans and borrowings, includes repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings but excludes premium paid on interest rate cap.

12 Deferred tax liabilities

	At 1 January $'000	Recognised in statement of total return (Note 21) $'000	Translation differences $'000	At 31 December $'000
Group				
2021				
Deferred tax liabilities				
Investment properties	37,658	3,493	(2,820)	38,331
2020				
Deferred tax liabilities				
Investment properties	32,598	3,992	1,068	37,658

13 Unitholders' funds

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Unitholders' contribution	619,138	632,326	619,138	632,326
Revenue reserve	809,930	550,048	722,175	420,027
Hedging reserve	199	(3,569)	199	(3,569)
Cost of hedging reserve	308	377	308	377
Foreign currency translation reserve	5,132	4,433	–	–
	1,434,707	1,183,615	1,341,820	1,049,161

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; and

(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.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments used to hedge against cash flow variability arising from interest payments on floating rate loans.

Cost of hedging reserve

The cost of hedging reserve reflects gain or loss on the portion excluded from the designated hedging instrument that relates to the time value element of interest rate cap contracts.

14 Units in issue

	Trust	
	2021	**2020**
	('000)	**('000)**
Units in issue:		
Balance at beginning and end of year	605,002	605,002

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.

15 Gross revenue

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Property rental income	120,220	120,505	70,392	69,457
Dividend income from subsidiaries	–	–	20,074	19,718
Other income	485	387	–	–
	120,705	120,892	90,466	89,175

16 Property expenses

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Operations and maintenance expenditure	5,104	5,039	3,243	3,159
Property tax	3,269	3,289	–	–
Property and lease management fees	9	9	–	–
Marketing services commission	45	8	45	–
Allowance for doubtful debts	1,028	–	–	–
Others	16	19	–	–
	9,471	8,364	3,288	3,159

An allowance for doubtful debts of $1.0 million due to default on the rental receivables by a previous operator for 3 of the nursing home properties in Japan was provided in 2021.

17 Management fees

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Base fees	6,420	6,148	6,420	6,148
Performance fees	5,006	5,064	5,006	5,064
Divestment fees	–	–	184	–
Asset management fees	1,426	1,435	–	–
	12,852	12,647	11,610	11,212

18 Trust expenses

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Trustee fees	350	339	350	339
Valuation fees	234	254	234	254
Auditors' remuneration:				
- audit fees	283	261	249	227
- non-audit fees	64	67	53	57
Professional fees	2,090	2,536	1,430	1,952
Other expenses	352	282	109	120
	3,373	3,739	2,425	2,949

19 Finance costs

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Interest paid and payable				
- bank loans	3,901	5,064	3,901	5,064
- financial derivatives	(322)	(836)	(322)	(836)
	3,579	4,228	3,579	4,228
Amortisation of transaction costs relating to debt facilities	716	623	716	623
Financial liabilities measured at amortised cost – interest expense	269	274	–	–
Others	119	112	119	112
	4,683	5,237	4,414	4,963

20 Other expenses

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
COVID-19 related relief measures to tenants	–	1,218	–	1,218
Impairment loss on investment in subsidiary	–	–	505	–
	–	1,218	505	1,218

21 Income tax expense

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Current tax expense				
Withholding tax	5,362	5,171	–	–
Income tax expense	19	2	–	–
	5,381	5,173	–	–
Deferred tax expense				
Movement in temporary differences	3,493	3,992	–	–
Total	8,874	9,165	–	–

Reconciliation of effective tax rate

	Group 2021 $'000	Group 2020 $'000	Trust 2021 $'000	Trust 2020 $'000
Total return for the year before income tax	340,752	96,389	374,144	47,283
Income tax using Singapore tax rate of 17% (2020: 17%)	57,928	16,386	63,604	8,038
Effect of different tax rate in foreign jurisdictions	1,232	1,714	–	–
Income not subject to tax	(41,923)	(1,307)	(54,052)	(2,270)
Non-tax deductible items	1,599	2,024	410	3,884
Tax transparency	(9,962)	(9,652)	(9,962)	(9,652)
	8,874	9,165	–	–

22 Earnings per unit

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

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Total return before income tax and distribution	340,752	96,389	374,144	47,283
Less: Income tax expense	(8,874)	(9,165)	–	–
Total return after income tax, before distribution	331,878	87,224	374,144	47,283

	Group and Trust	
	2021 Number of Units ('000)	2020 Number of Units ('000)
Weighted average number of units in issue	605,002	605,002

	Group		Trust	
	2021	2020	2021	2020
Basic earnings per unit (cents)	54.86	14.42	61.84	7.82

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

23 Commitments

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Capital commitments:				
- contracted but not provided for	12,487	13,725	11,140	12,910
- authorised but not contracted for	154,389	1,552	153,989	–
	166,876	15,277	165,129	12,910

Operating lease commitments

Operating lease rental receivable

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

	Group		Trust	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Operating leases under FRS 116				
Less than one year	116,213	116,379	71,653	69,977
One to two years	117,959	88,821	74,738	44,670
Two to three years	117,310	43,216	76,980	–
Three to four years	114,079	39,150	79,290	–
Four to five years	131,830	33,252	99,151	–
More than five years	1,904,228	142,566	1,728,246	–
Total	2,501,619	463,384	2,130,058	114,647

Since August 2007, the Group leases out its investment properties in Singapore to PHS, a related party of the Manager and the Trust, under separate master lease agreements for a period of fifteen years. On 13 October 2021, the Group has entered into new master lease agreements with PHS for the 3 investment properties for another approximately 20 years, commencing on 23 August 2022.

As at 31 December 2021, the Group leased out some of its strata titled units/lots within MOB Specialist Clinics, Kuala Lumpur to Gleneagles Hospital Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.), a related corporation of the Manager and the Trust.

Operating lease rental payable

Leases as lessee (FRS 116)

The Group pays land rent for a leasehold property in Japan, which has a land lease period of 99 years.

Right-of-use assets related to leased property are presented as part of investment properties (see Note 4).

The Group pays land rent for its leasehold properties in Singapore, with remaining land lease periods of 53 – 61 years. These leases are of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Amounts recognised in statement of total return

	2021 **$'000**	**2020** **$'000**
Interest on lease liabilities	17	17
Net change in fair valuation of investment properties	22	22
Expenses relating to leases of low-value assets	*	*

Amounts recognised in statement of cash flows

	2021 **$'000**	**2020** **$'000**
Total cash outflow for leases	31	32

* *Less than $1,000*

24 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related 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.

	Group		Trust	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Related corporations of the Manager				
Rental income received/receivable	70,505	69,579	70,392	69,457
Other income received/receivable	41	42	–	–
COVID-19 related relief measure paid/payable	–	1,200	–	1,200
Funding of capital improvement works at Gleneagles Hospital and Parkway East Hospital	2,200	–	2,200	–
The Manager				
Manager's management fees paid/payable	11,426	11,212	11,426	11,212
Acquisition fees paid/payable to the Manager[1]	889	212	889	212
Divestment fees paid/payable to the Manager	184[2]	–	184	–
Travelling expenses reimbursed/reimbursable to the Manager	–	51	–	51
Property and lease management fees paid/payable to the Manager	9	9	–	–
Marketing services commission paid/payable to the Manager	45	8	45	–
The Trustee				
Trustee's fees paid/payable	350	339	350	339

[1] Included in acquisition related costs, capitalised as part of investment properties (note 4)
[2] Included as part of gain on disposal of asset held for sale at Group

25 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 risks, 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.

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 and the Trust. The investment properties in Japan are leased to several nursing home operators and a lessee in respect to the pharmaceutical product distributing and manufacturing facility which was divested on 29 January 2021. 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.

Expected credit loss assessment as at 31 December

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual customers. Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off and are based on actual credit loss over the past three years. An allowance for doubtful debts of $1.0 million due to default on the rental receivables by a previous operator for 3 of the nursing home properties in Japan was provided in 2021 (see Note 16). The Manager believes that no further allowance of impairment is necessary in respect of the trade receivable as these receivables relate mainly to lessees that have a good record with the Group or have sufficient security deposits as collateral, and hence ECL is not material.

At the reporting date, except as disclosed in Note 7, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value on the statement of financial position.

Movements in allowance for impairment in respect of trade receivables

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

	Group		Trust	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 January	–	–	–	–
Impairment loss recognised	1,028	–	–	–
Amounts written off	(1,028)	–	–	–
Balance at 31 December	–	–	–	–

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Derivatives

The derivatives are entered only with bank counterparties that are regulated and at least investment grade as per internationally recognised credit rating agencies (Moody's Investors Service, Fitch Ratings and Standard & Poor's).

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. In addition, the Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

As at 31 December 2021, the Group has a remaining committed short term credit facilities of $3.3 million (2020: Nil) that can be drawn down to meet short term financing needs. The Manager has forecasted the cash positions, net projected cashflows, including capital expenditure and undrawn committed facilities for the next 12 months and concluded that there is no going concern issue.

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

			<------------ Cash flow ------------>		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**
Group					
2021					
Non-derivative financial liabilities					
S$ unsecured bank loans	168,040	(172,718)	(1,072)	(171,646)	–
JPY unsecured bank loans	517,765	(530,385)	(99,564)	(304,838)	(125,983)
JPY medium term notes	140,090	(142,327)	(820)	(102,254)	(39,253)
Lease liabilities	2,112	(3,050)	(31)	(126)	(2,893)
Security deposits	20,161	(21,197)	(1,208)	(4,771)	(15,218)
Trade and other payables^	14,849	(14,849)	(14,849)	–	–
	863,017	(884,526)	(117,544)	(583,635)	(183,347)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(6,373)				
- inflow		76,565	24,605	51,960	–
- outflow		(70,040)	(22,439)	(47,601)	–
Cross currency interest rate swap (gross-settled)	(8,826)				
- inflow		91,869	2,714	89,155	–
- outflow		(82,869)	(270)	(82,599)	–
Interest rate swap used for hedging (net-settled)	153	(156)	(73)	(83)	–
Interest rate caps used for hedging (net-settled)	(696)	–	–	–	–
	(15,742)	15,369	4,537	10,832	–
	847,275	(869,157)	(113,007)	(572,803)	(183,347)

	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000 (Cash flow)	1 to 5 years $'000 (Cash flow)	More than 5 years $'000 (Cash flow)
Group					
2020					
Non-derivative financial liabilities					
S$ unsecured bank loans	209,259	(213,522)	(53,831)	(159,691)	–
JPY unsecured bank loans	431,167	(436,939)	(111,581)	(325,358)	–
JPY medium term notes	151,098	(153,296)	(914)	(152,382)	–
Lease liabilities	2,127	(2,958)	(32)	(126)	(2,800)
Security deposits	20,548	(23,785)	(868)	(2,931)	(19,986)
Trade and other payables^	19,555	(19,555)	(19,555)	–	–
	833,754	(850,055)	(186,781)	(640,488)	(22,786)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(2,212)				
- inflow		83,711	31,540	52,171	–
- outflow		(81,420)	(30,780)	(50,640)	–
Cross currency interest rate swaps (gross-settled)	971				
- inflow		132,740	50,248	82,492	–
- outflow		(133,734)	(50,533)	(83,201)	–
Interest rate swaps used for hedging (net-settled)	289	(296)	(113)	(183)	–
Interest rate caps used for hedging (net-settled)	(883)	–	–	–	–
	(1,835)	1,001	362	639	–
	831,919	(849,054)	(186,419)	(639,849)	(22,786)
Trust					
2021					
Non-derivative financial liabilities					
S$ unsecured bank loans	168,040	(172,718)	(1,072)	(171,646)	–
JPY unsecured bank loans	517,765	(530,385)	(99,564)	(304,838)	(125,983)
JPY medium term notes	140,090	(142,327)	(820)	(102,254)	(39,253)
Trade and other payables^	11,571	(11,571)	(11,571)	–	–
	837,466	(857,001)	(113,027)	(578,738)	(165,236)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(6,373)				
- inflow		76,565	24,605	51,960	–
- outflow		(70,040)	(22,439)	(47,601)	–
Cross currency interest rate swap (gross-settled)	(8,826)				
- inflow		91,869	2,714	89,155	–
- outflow		(82,869)	(270)	(82,599)	–
Interest rate swap used for hedging (net-settled)	153	(156)	(73)	(83)	–
Interest rate caps used for hedging (net-settled)	(696)	–	–	–	–
	(15,742)	15,369	4,537	10,832	–
	821,724	(841,632)	(108,490)	(567,906)	(165,236)

			<------------ Cash flow ------------>		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**1 to 5 years $'000**	**More than 5 years $'000**
Trust					
2020					
Non-derivative financial liabilities					
S$ unsecured bank loans	209,259	(213,522)	(53,831)	(159,691)	–
JPY unsecured bank loans	431,167	(436,939)	(111,581)	(325,358)	–
JPY medium term notes	151,098	(153,296)	(914)	(152,382)	–
Trade and other payables^	16,843	(16,843)	(16,843)	–	–
	808,367	(820,600)	(183,169)	(637,431)	–
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(2,212)				
- inflow		83,711	31,540	52,171	–
- outflow		(81,420)	(30,780)	(50,640)	–
Cross currency interest rate swaps (gross-settled)	971				
- inflow		132,740	50,248	82,492	–
- outflow		(133,734)	(50,533)	(83,201)	–
Interest rate swaps used for hedging (net-settled)	289	(296)	(113)	(183)	–
Interest rate caps used for hedging (net-settled)	(883)	–	–	–	–
	(1,835)	1,001	362	639	–
	806,532	(819,599)	(182,807)	(636,792)	–

^ Excludes advance rent received

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 hedge. These borrowings are designated as net investment hedges;

- 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 swap 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 JPY from its investment properties located in Japan and its net investment in foreign operations denominated in JPY. The Manager limits the Group's exposure to adverse movements in foreign currency exchange rates by using forward exchange contracts to hedge the distribution of net income from its investments in Japan. In addition, the Group borrows loans denominated in JPY and utilised CCIRS to realign the Singapore dollar denominated loan back into effective JPY denominated loan to create a natural hedge for its JPY denominated investments and that are designated as net investment hedge.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assesses the effectiveness of each hedging relationship by comparing changes in the carrying amount of the debt that is due to a change in the spot rate with changes in the investment in the foreign operation due to movements in the spot rate (the offset method).

In these hedge relationships, the main sources of ineffectiveness are:

- the effect of the counterparty and the Group's own credit risk on the fair value of the forward exchange contracts or cross currency swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in exchange rates; and
- changes in the timing of the hedged transactions.

The Group's exposure to various foreign currencies (excluding the JPY denominated loans, JPY medium term notes and Singapore dollar denominated loans which were overlaid with cross currency interest rate swaps to realign it into effective JPY loans that are designated as hedge of the Group's net investment in Japan) are shown in Singapore dollar, translated using the spot rate as at 31 December as follows:

	JPY $'000	**MYR $'000**	**Total $'000**
Group			
2021			
Cash and cash equivalents	260	5	265
Trade and other payables	(458)	–	(458)
Forward exchange contracts	(69,617)	–	(69,617)
Net exposure	(69,815)	5	(69,810)
2020			
Cash and cash equivalents	608	5	613
Trade and other payables	(470)	–	(470)
Forward exchange contracts	(80,754)	–	(80,754)
Net exposure	(80,616)	5	(80,611)

The Trust's exposure to various foreign currencies which relates primarily to its use of financial instruments are shown in Singapore dollar, translated using the spot rate as at 31 December as follows:

	JPY $'000	MYR $'000	Total $'000
Trust			
2021			
Cash and cash equivalents	260	5	265
Trade and other payables	(458)	–	(458)
Loans and borrowings	(659,926)	–	(659,926)
Forward exchange contracts	(69,617)	–	(69,617)
Net exposure	(729,741)	5	(729,736)
2020			
Cash and cash equivalents	608	5	613
Trade and other payables	(470)	–	(470)
Loans and borrowings	(584,187)	–	(584,187)
Forward exchange contracts	(80,754)	–	(80,754)
Net exposure	(664,803)	5	(664,798)

Sensitivity analysis

A 5% (2020: 10%) strengthening of the Singapore dollar against the following currencies at the reporting date would have increased/(decreased) the total return by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Statement of total return	
	2021 $'000	2020 $'000
Group		
JPY	3,491	8,062
MYR	*	*
Trust		
JPY	36,487	66,480
MYR	*	*

* *Less than $1,000*

In respect to the Group, a 5% (2020: 10%) strengthening or weakening of Singapore dollar against Japanese Yen would have less significant impact than to the Trust as the Group issues Japanese Yen fixed rate notes, borrows loans denominated in Japanese Yen and Singapore dollar denominated loans which were overlaid with cross currency interest rate swaps to realign it into effective JPY loans, and designated this as a net investment hedge. For the year ended 31 December 2021, the effective portion of the net investment hedge charged to the Unitholders' funds amounted to $49.1 million gain (2020: $19.7 million loss).

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.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from interest rate benchmark reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform. The Group's policy is for the critical terms of the interest rate swaps and interest rate caps to align with the hedged borrowings.

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because the uncertainty about when and how replacement may occur for the relevant hedged item and hedging instrument due to the interest rate benchmark reform transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. The Group anticipates that interest rate benchmark reform will impact its existing risk management practice and application of hedge accounting.

The Group's main IBOR exposure pertaining to its loans and borrowings as well as derivatives at 31 December 2021 was indexed to Japanese Yen LIBOR. The Manager monitors and manages the Group's transition of LIBOR to alternative rates. The Manager evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of interest rate benchmark reform and how to manage communication about interest rate benchmark reform with counterparties.

Derivatives

The Group holds interest rate swaps, interest rate caps and cross currency interest rate swap for risk management purposes that are designated in cash flow hedging relationships. The interest rate swaps have floating legs that are indexed to LIBOR or SOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements.

The Group has agreed and completed the revised derivatives trade confirmations with the counterparties for LIBOR and SOR indexed exposures and specific changes have been incorporated into all its existing derivative contracts as at 31 December 2021, except for an interest rate swap contract that was indexed to LIBOR that was subsequently finalised in January 2022.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by interest rate benchmark reform as at 31 December 2021. As the last loan repricing took place on 15 November 2021, the Group's hedged items and hedging instruments continue to be indexed to Japanese Yen LIBOR.

As at the reporting date, the Manager has completed supplementary loan agreement for all bank loans at no increase in loan interest and finalised the key term of the derivatives instrument arising from the IBORs reform with the respective counterparties. The interest bearing loans and derivatives (hedging instruments) will be transited on the same date and to the same benchmark indexes to avoid any ineffectiveness in relation to the application of the hedge accounting. Including the revised interest rate swap trade confirmation that was finalised in January 2022, the transition for all loans and derivatives instruments shall be effective from the next interest repricing on 15 February 2022. The hedging relationships were not affected arising from this transition.

The Group's exposure to Japanese Yen LIBOR or Singapore-dollar SOR designated in hedging relationships is approximately $332.4 million and $81.9 million nominal amount at 31 December 2021, respectively, representing both the nominal amount of the derivative financial instruments and the principal amount of the Group's hedged JPY-denominated and SGD-denominated committed bank loan liabilities maturing in 2024 to 2027.

Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to interest rate benchmark reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language at 31 December 2021. The amounts of derivatives are shown at their nominal amounts.

	LIBOR	
	Total amount of unreformed contracts $'000	**Amount with appropriate fallback clause $'000**
Group and Trust		
31 December 2021		
Derivatives		
Interest rate swap	52,272	52,272

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

	Group and Trust Nominal amount 2021 $'000	2020 $'000
Fixed rate instrument		
Medium term notes	(140,184)	(151,158)
Variable rate instruments		
Interest rate swaps	52,272	103,992
Interest rate caps	280,130	302,060
Cross currency interest rate swaps	81,875	131,875
Loans and borrowings	(688,317)	(642,754)
	(274,040)	(104,827)

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 statement of total return and Unitholders' funds.

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) the 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 $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group and Trust				
31 December 2021				
Loans and borrowings	(6,883)	6,883	–	–
Interest rate swap	523	(523)	977	(28)
Interest rate caps	1,512	–	6,602	(82)
Cross currency interest rate swap	819	(819)	2,703	(2,815)
Cash flow sensitivity (net)	(4,029)	5,541	10,282	(2,925)
31 December 2020				
Loans and borrowings	(6,428)	6,428	–	–
Interest rate swaps	1,040	(1,040)	1,419	(337)
Interest rate caps	1,631	–	8,666	(101)
Cross currency interest rate swaps	1,319	(1,319)	4,107	(4,307)
Cash flow sensitivity (net)	(2,438)	4,069	14,192	(4,745)

Hedge accounting

Cash flow hedges

At 31 December 2021, the Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity	
	Within 1 year	**More than 1 year**
Interest rate risk		
Cross currency interest rate swap		
Net exposure ($'000)	–	81,875
Fixed interest rate	–	0.36%
Interest rate swap		
Net exposure ($'000)	–	52,272
Fixed interest rate	–	0.16%
Interest rate caps		
Net exposure ($'000)	–	280,130
Fixed interest cap rate	–	0.25%

At 31 December 2020, the Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity	
	Within 1 year	**More than 1 year**
Interest rate risk		
Cross currency interest rate swaps		
Net exposure ($'000)	50,000	81,875
Fixed interest rate	0.54%	0.36%
Interest rate swaps		
Net exposure ($'000)	47,628	56,364
Fixed interest rate	0.10%	0.16%
Interest rate caps		
Net exposure ($'000)	–	302,060
Fixed interest cap rate	–	0.25%

The amounts at the reporting date relating to items designated as hedged items were as follows:

	Change in value used for calculating hedge ineffectiveness $'000	Cash flow hedge reserve $'000	Cost of hedging reserve $'000	Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied $'000
31 December 2021				
Interest rate risk				
Variable-rate instruments	–	(199)	(308)	–
31 December 2020				
Interest rate risk				
Variable-rate instruments	–	3,569	(377)	–

The following table provides a reconciliation of Unitholders' funds resulting from cash flow hedge accounting.

	Hedging reserve $'000	Cost of hedging reserve $'000
Balance at 1 January 2020	987	(301)
Cash flow hedges		
Changes in fair value	2,625	(76)
Amounts reclassified to statement of total return	(43)	–
Balance at 31 December 2020	3,569	(377)
Balance at 1 January 2021	3,569	(377)
Cash flow hedges		
Changes in fair value	(3,768)	69
Balance at 31 December 2021	(199)	(308)

The amounts relating to items designated as hedging instruments were as follows:

	2021					**During the period - 2021**			
	Nominal amount	**Carrying amount**		**Line item in the statement of financial position where**		**Changes in the value of the hedging instrument recognised in Unitholders' funds**	**Hedge ineffectiveness recognised in statement of total return**	**Cost of hedging recognised in Unitholders' funds**	**Line item in statement of total return that includes hedge ineffectiveness**
	$'000	**Assets $'000**	**Liabilities $'000**	**the hedging instrument is included**	**the hedged item is included**	**$'000**	**$'000**	**$'000**	
Interest rate risk									
Cross currency interest rate swap	81,875	8,826	–	Financial derivatives	Loans and borrowings	3,632	–	–	Net change in fair value of financial derivatives
Interest rate swap	52,272	–	(153)	Financial derivatives	Loans and borrowings	136	–	–	Net change in fair value of financial derivatives
Interest rate caps	280,130	696	–	Financial derivatives	Loans and borrowings	–	–	69	Net change in fair value of financial derivatives

	2020					During the period - 2020			
	Nominal amount	**Carrying amount**		**Line item in the statement of financial position where**		**Changes in the value of the hedging instrument recognised in Unitholders' funds**	**Hedge ineffectiveness recognised in statement of total return**	**Cost of hedging recognised in Unitholders' funds**	**Line item in statement of total return that includes hedge ineffectiveness**
	$'000	**Assets $'000**	**Liabilities $'000**	**the hedging instrument is included**	**the hedged item is included**	**$'000**	**$'000**	**$'000**	
Interest rate risk									
Cross currency interest rate swaps	131,875	1,267	(2,238)	Financial derivatives	Loans and borrowings	(2,610)	584	–	Net change in fair value of financial derivatives
Interest rate swaps	103,992	–	(289)	Financial derivatives	Loans and borrowings	(15)	43	–	Net change in fair value of financial derivatives
Interest rate caps	302,060	883	–	Financial derivatives	Loans and borrowings	–	–	(76)	Net change in fair value of financial derivatives

Net investment hedges

The amounts related to items designated as hedging instruments were as follows:

	2021				During the period - 2021		
	Nominal amount	**Carrying amount**		**Line item in the statement of financial position where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in Unitholders' funds**	**Hedge ineffectiveness recognised in statement of total return**	**Line item in statement of total return that includes hedge ineffectiveness**
		Assets	**Liabilities**				
	$'000	**$'000**	**$'000**		**$'000**	**$'000**	
Foreign currency denominated loans and borrowings	659,926	–	657,855	Loans and borrowings	49,060	–	N.A.

	2020				During the period - 2020		
	Nominal amount	**Carrying amount**		**Line item in the statement of financial position where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in Unitholders' funds**	**Hedge ineffectiveness recognised in statement of total return**	**Line item in statement of total return that includes hedge ineffectiveness**
		Assets	**Liabilities**				
	$'000	**$'000**	**$'000**		**$'000**	**$'000**	
Foreign currency denominated loans and borrowings	716,062	–	(713,808)	Loans and borrowings	(19,692)	–	N.A.

The amounts related to items designated as hedged items were as follows:

	2021		
	Change in value used for calculating hedge ineffectiveness $'000	**Foreign currency translation reserve $'000**	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied $'000**
Net investment in SPEs with JPY functional currency	(48,512)	(52,542)	–

	2020		
	Change in value used for calculating hedge ineffectiveness $'000	**Foreign currency translation reserve $'000**	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied $'000**
Net investment in SPEs with JPY functional currency	19,720	(4,030)	–

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 acquisitions and asset enhancement projects.

The objectives of the Manager are to:

(a) maintain a strong financial position 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 and deferred payments (the "Aggregate Leverage") of a property fund should not exceed 50% of the fund's Deposited Property.

The Aggregate Leverage of the Group as at 31 December 2021 was 35.4% (2020: 38.5%) of the Group's Deposited Property. This complied with the stipulated Aggregate Leverage limit. The interest coverage ratio is 21.5 times at of 31 December 2021.

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

Determination of fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

		Carrying amount					Fair value			
	Note	**Amortised cost $'000**	**Mandatorily at FVTPL $'000**	**Other financial liabilities $'000**	**Fair value – hedging instruments $'000**	**Total carrying amount $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group										
31 December 2021										
Financial assets measured at fair value										
Forward exchange contracts	6	–	6,373	–	–	6,373	–	6,373	–	6,373
Interest rate caps used for hedging	6	–	–	–	696	696	–	696	–	696
Cross currency interest rate swap used for hedging	6	–	–	–	8,826	8,826	–	8,826	–	8,826
		–	6,373	–	9,522	15,895				
Financial assets not measured at fair value										
Trade and other receivables*	7	11,146	–	–	–	11,146				
Cash and cash equivalents	8	25,793	–	–	–	25,793				
		36,939	–	–	–	36,939				
Financial liabilities measured at fair value										
Interest rate swap used for hedging	6	–	–	–	(153)	(153)	–	(153)	–	(153)
		–	–	–	(153)	(153)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(685,805)	–	(685,805)				
- Medium term notes		–	–	(140,090)	–	(140,090)	–	(140,859)	–	(140,859)
Security deposits		–	–	(20,161)	–	(20,161)				
Trade and other payables^	10	–	–	(14,849)	–	(14,849)				
		–	–	(860,905)	–	(860,905)				

* Excludes prepayments
^ Excludes advance rent received

	Note	Carrying amount					Fair value			
		Amortised cost $'000	**Mandatorily at FVTPL $'000**	**Other financial liabilities $'000**	**Fair value – hedging instruments $'000**	**Total carrying amount $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group										
31 December 2020										
Financial assets measured at fair value										
Forward exchange contracts	6	–	2,212	–	–	2,212	–	2,212	–	2,212
Interest rate caps used for hedging	6	–	–	–	883	883	–	883	–	883
Cross currency interest rate swaps used for hedging	6	–	–	–	1,267	1,267	–	1,267	–	1,267
		–	2,212	–	2,150	4,362				
Financial assets not measured at fair value										
Trade and other receivables*	7	16,972	–	–	–	16,972				
Cash and cash equivalents	8	22,658	–	–	–	22,658				
		39,630	–	–	–	39,630				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging	6	–	–	–	(2,238)	(2,238)	–	(2,238)	–	(2,238)
Interest rate swaps used for hedging	6	–	–	–	(289)	(289)	–	(289)	–	(289)
		–	–	–	(2,527)	(2,527)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(640,426)	–	(640,426)				
- Medium term notes		–	–	(151,098)	–	(151,098)	–	(150,667)	–	(150,667)
Security deposits		–	–	(20,548)	–	(20,548)				
Trade and other payables^	10	–	–	(19,555)	–	(19,555)				
		–	–	(831,627)	–	(831,627)				

* Excludes prepayments
^ Excludes advance rent received

		Carrying amount					Fair value			
Trust	**Note**	**Amortised cost $'000**	**Mandatorily at FVTPL $'000**	**Other financial liabilities $'000**	**Fair value – hedging instruments $'000**	**Total carrying amount $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
31 December 2021										
Financial assets measured at fair value										
Forward exchange contracts	6	–	6,373	–	–	6,373	–	6,373	–	6,373
Interest rate caps used for hedging	6	–	–	–	696	696	–	696	–	696
Cross currency interest rate swap used for hedging	6	–	–	–	8,826	8,826	–	8,826	–	8,826
		–	6,373	–	9,522	15,895				
Financial assets not measured at fair value										
Amount due from subsidiary	5	4,075	–	–	–	4,075				
Trade and other receivables*	7	53,503	–	–	–	53,503				
Cash and cash equivalents	8	1,594	–	–	–	1,594				
		59,172	–	–	–	59,172				
Financial liabilities measured at fair value										
Interest rate swap used for hedging	6	–	–	–	(153)	(153)	–	(153)	–	(153)
		–	–	–	(153)	(153)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(685,805)	–	(685,805)				
- Medium term notes		–	–	(140,090)	–	(140,090)	–	(140,859)	–	(140,859)
Trade and other payables^	10	–	–	(11,571)	–	(11,571)				
		–	–	(837,466)	–	(837,466)				

* Excludes prepayments
^ Excludes advance rent received

	Note	Carrying amount: Amortised cost $'000	Carrying amount: Mandatorily at FVTPL $'000	Carrying amount: Other financial liabilities $'000	Carrying amount: Fair value – hedging instruments $'000	Carrying amount: Total carrying amount $'000	Fair value: Level 1 $'000	Fair value: Level 2 $'000	Fair value: Level 3 $'000	Fair value: Total $'000
Trust										
31 December 2020										
Financial assets measured at fair value										
Forward exchange contracts	6	–	2,212	–	–	2,212	–	2,212	–	2,212
Interest rate caps used for hedging	6	–	–	–	883	883	–	883	–	883
Cross currency interest rate swaps used for hedging	6	–	–	–	1,267	1,267	–	1,267	–	1,267
		–	2,212	–	2,150	4,362				
Financial assets not measured at fair value										
Amount due from subsidiary	5	4,075	–	–	–	4,075				
Trade and other receivables*	7	39,693	–	–	–	39,693				
Cash and cash equivalents	8	1,487	–	–	–	1,487				
		45,255	–	–	–	45,255				
Financial liabilities measured at fair value										
Cross currency interest rate swaps used for hedging	6	–	–	–	(2,238)	(2,238)	–	(2,238)	–	(2,238)
Interest rate swaps used for hedging	6	–	–	–	(289)	(289)	–	(289)	–	(289)
		–	–	–	(2,527)	(2,527)				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(640,426)	–	(640,426)				
- Medium term notes		–	–	(151,098)	–	(151,098)	–	(150,667)	–	(150,667)
Trade and other payables^	10	–	–	(16,843)	–	(16,843)				
		–	–	(808,367)	–	(808,367)				

* Excludes prepayments
^ Excludes advance rent received

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Key unobservable inputs
Group and Trust		
Derivatives: interest rate swaps, interest rate caps, forward exchange contracts and cross currency interest rate swaps	*Market comparison technique:* The fair values are based on valuations provided by the financial institutions that are the counterparties to the transactions. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the reporting date.	Not applicable.

Financial instruments not measured at fair value

Type	Valuation technique	Key unobservable inputs
Group and Trust		
Medium term notes	The fair value is estimated taking into consideration of the quoted price	Not applicable
Security deposits	Discounted cash flows	Discount rate – 1.02% (2020: 0.95%)

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings which reprice within three months) are assumed to approximate their fair values because of the short period to maturity or repricing.

(ii) Transfer between Level 1 and Level 2

During the financial year ended 31 December 2021, there were no transfers between Level 1 and Level 2.

26 Financial ratios

	2021	2020
	%	%
Ratio of expenses to weighted average net assets [1]		
- excluding performance component of Manager's fees	0.86	1.06
- including performance component of Manager's fees	1.24	1.49
Portfolio turnover rate [2]	2.35	–

[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.

27 Operating segments

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

The Group is engaged in a single business of investing in investment properties in the healthcare and/or healthcare-related sector, namely hospital and medical centres, nursing homes and pharmaceutical manufacturing and distributing facility. The pharmaceutical manufacturing and distributing facility was divested on 29 January 2021. During the financial year, the Group had three reportable geographical segments in Singapore, Japan and Malaysia.

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.

	Hospitals and Medical Centres		Nursing Homes		Pharmaceutical Manufacturing and Distribution Facility		Total	
	2021	2020	2021	2020	2021	2020	2021	2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Revenue and expenses								
Gross revenue	70,688	69,766	49,889	49,401	128	1,725	120,705	120,892
Net property income	67,261	66,456	43,852	44,456	121	1,616	111,234	112,528
Interest income	–	7	–	–	–	–	–	7
Foreign exchange (loss)/gain	(399)	35	1,573	53	772	2	1,946	90
Non-property expenses	(8,993)	(10,337)	(6,997)	(6,968)	(211)	(275)	(16,201)	(17,580)
Finance costs	(566)	(791)	(4,049)	(4,226)	(68)	(220)	(4,683)	(5,237)
Total return before changes in fair value of financial derivatives, investment properties and gain on disposal of asset held for sale	57,303	55,370	34,379	33,315	614	1,123	92,296	89,808
Net change in fair value of financial derivatives	–	–	4,161	(785)	–	(38)	4,161	(823)
Net change in fair value of investment properties	249,068	1,361	(9,862)	6,205	–	(138)	239,206	7,428
Gain on disposal of asset held for sale	–	–	–	–	5,113	–	5,113	–
Total return before income tax	306,371	56,731	28,678	38,735	5,727	947	340,776	96,413
Income tax expense	(52)	29	(7,990)	(8,959)	(832)	(234)	(8,874)	(9,164)
Total return after income tax	306,319	56,760	20,688	29,776	4,895	713	331,902	87,249
Assets and liabilities								
Reportable segment assets	1,449,586	1,215,304	895,465	819,852	53	31,788	2,345,104	2,066,944
Reportable segment liabilities	96,024	92,258	814,382	752,792	16	38,295	910,422	883,345
Other segment information								
Capital expenditure	9,259	1,230	3,255	3,120	–	90	12,514	4,440

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

	2021 $'000	2020 $'000
Revenue		
Total revenue for reportable segments	120,705	120,892
Total return before income tax		
Total return for reportable segments	340,776	96,413
Unallocated amounts:		
- Other corporate expenses	(24)	(24)
Consolidated return before income tax	340,752	96,389
Assets		
Total assets for reportable segments	2,345,104	2,066,944
Other unallocated amounts	32	27
Consolidated total assets	2,345,136	2,066,971
Liabilities		
Total liabilities for reportable segments	910,422	883,345
Other unallocated amounts	7	11
Consolidated total liabilities	910,429	883,356

Geographical information

	2021 $'000	2020 $'000
Revenue		
Singapore	70,393	69,457
Japan	50,017	51,126
Malaysia	295	309
	120,705	120,892
Non-current assets*		
Singapore	1,472,000	1,213,800
Japan	812,289	771,001
Malaysia	6,462	6,218
	2,290,751	1,991,019

* Non-current assets presented consist of investment properties

28 Subsequent events

On 24 January 2022, the Manager declared a distribution of 3.57 cents per unit in respect of the period 1 October 2021 to 31 December 2021 which is payable on 28 February 2022.