



**First Real Estate Investment Trust**

**(Constituted in the Republic of Singapore pursuant to  
a trust deed dated 19 October 2006 (as amended))**

Annual Report  
Year ended 31 December 2021

## **Report of the Trustee**

Perpetual (Asia) Limited (the “Trustee”) is under a duty to take into custody and hold the assets of First 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), its subsidiary legislation and the Code on Collective Investment Schemes (collectively referred to as the “laws and regulations”), the Trustee shall monitor the activities of First REIT Management Limited (formerly known as Bowsprit Capital Corporation Limited) (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 19 October 2006 (subsequently amended by First Supplemental Deed dated 6 September 2007, Second Supplemental Deed dated 19 April 2010, Third Supplemental Deed dated 26 April 2011, Fourth Supplemental Deed dated 1 April 2013, First Amending and Restating Deed dated 23 March 2016, Supplement Deed of Retirement and Appointment of Trustee dated 1 November 2017, Fifth Supplemental Deed dated 22 May 2018, Sixth Supplemental Deed dated 30 April 2019, Seventh Supplemental Deed dated 7 April 2020 and Eight Supplemental Deed dated 25 February 2022) (the “Trust Deed”) between the Manager and the Trustee in each annual financial reporting year 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 financial reporting year covered by these financial statements, set out on pages FS1 to FS78, 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,  
Perpetual (Asia) Limited

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**Ms. Sin Li Choo**  
*Director*

25 February 2022

## **Statement by the Manager**

In the opinion of the directors of First REIT Management Limited (the “Manager”), the accompanying financial statements of First Real Estate Investment Trust (the “Trust”) and its subsidiaries (the “Group”) set out on pages FS1 to FS78 comprising the statements of financial position, statements of total return, statements of distribution, statements of movements in unitholders’ funds, statements of portfolio of the Group and the Trust, the consolidated statement of cash flows of the Group and notes to the financial statements, are drawn up so as to present fairly, in all material respects, the financial position and portfolio of the Group and of the Trust as at 31 December 2021, the total return, distributions, movements in unitholders’ funds and cash flows of the Group and the total return, distributions, movements in unitholders’ funds of the Trust for the year ended 31 December 2021, in accordance with the provisions of the Trust Deed and the recommendations of Statement of Recommended Accounting Practice 7 “*Reporting Framework for Unit Trusts*” issued by the Institute of Singapore Chartered Accountants. 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,  
First REIT Management Limited

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**Mr. Tan Kok Mian Victor**  
*Executive Director and Chief Executive Officer*

25 February 2022



**KPMG LLP**  
16 Raffles Quay #22-00  
Hong Leong Building  
Singapore 048581

Telephone +65 6213 3388  
Fax +65 6225 0984  
Internet [www.kpmg.com.sg](http://www.kpmg.com.sg)

## **Independent auditors' report**

Unitholders of First Real Estate Investment Trust  
(Constituted under a Trust Deed dated 19 October 2006 (as amended) in the Republic of Singapore)

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of First Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the statements of financial position and statements of portfolio of the Group and of the Trust as at 31 December 2021, and the statement of total return, statement of distribution, statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, statement of distribution and statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including significant accounting policies, set out on pages FS1 to FS78.

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

#### **Basis for opinion**

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

## **Other matters**

The financial statements of the Group and the Trust for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those financial statements on 24 March 2021.

## **Key audit matters**

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

## **Valuation of investment properties**

(Refer to note 4 to the financial statements)

### *Risks*

The Group has a portfolio of investment properties mainly in Singapore and Indonesia with a carrying value of \$962.4 million as at 31 December 2021. Investment properties represent the most significant asset item on the statement of financial position. The Group's accounting policy is to state the investment properties at their fair values, which are based on independent external valuations.

The valuation process involves significant judgement in determining the valuation methods to be used and estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions applied and a change in key assumptions could have a significant impact to the valuations

The valuation reports obtained from the external valuers for certain properties in December 2021 also highlighted that the real estate market had been impacted by the uncertainty caused by COVID-19 and thus, less certainty and a higher degree of caution should be attached to their valuations than would normally be the case.

### *Our response*

We evaluated the competency and objectivity of the external valuers and made enquiries of the valuers to understand their valuation approach and basis of valuation.

We considered the valuation methods used, which included the discounted cash flow method, capitalisation method and direct comparison method, against those applied for similar property types. We also involved our internal valuation specialists for the review of properties in Indonesia.

For the underlying assumptions, we tested the integrity of the projected cash flows used in the valuations to supporting leases and other documents. When a growth rate is assumed in the projected cash flows, we assessed the reasonableness by comparing against historical trend and available industry data. We also assessed the price per square metre, discount rates, terminal capitalisation rates and capitalisation rates, against historical trends and available industry data, taking into consideration comparability and market factors, as well as understand how the implications of the COVID-19 pandemic were considered in the valuations.

We also considered the adequacy of the disclosures in the financial statements in respect of estimation uncertainty and judgment applied.

#### *Our findings*

We are satisfied with the competency and objectivity of the external valuers. The valuers are members of professional bodies for valuers and have considered their own independence in carrying out their work.

The valuation methods and key assumptions used by the valuers were comparable to the methods and key assumptions used for similar property types by other valuers and within the range of available industry data. Where the assumptions were outside the expected range, the additional factors considered by the valuers were consistent with other corroborative evidence.

We also found the disclosures in the financial statements to be appropriate in their description of judgement inherent in the key assumptions used in the valuations, including the inter-relationship between the key unobservable inputs and their fair values.

#### **Other information**

First REIT Management Limited, the Manager of the Trust (“the Manager”), is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors’ report thereon.

We have obtained the Report of the Trustee and Statement by the Manager prior to the date of this auditors’ report. All other information in 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 and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed 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 and, 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 Manager for the financial statements**

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

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

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

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

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



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

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

**KPMG LLP**  
*Public Accountants and*  
*Chartered Accountants*

**Singapore**  
25 February 2022

**Statements of financial position**  
**As at 31 December 2021**

	Note	Group		Trust	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Assets</b>					
Plant and equipment		28	41	–	–
Investment properties	4	962,447	939,670	33,200	33,800
Investments in subsidiaries	5	–	–	669,173	661,867
Loan to a subsidiary	6	–	–	25,465	30,288
<b>Non-current assets</b>		<u>962,475</u>	<u>939,711</u>	<u>727,838</u>	<u>725,955</u>
Trade and other receivables	7	32,488	45,028	12,772	10,388
Loan to a subsidiary	6	–	–	4,191	4,191
Other assets	8	3,369	877	3,120	40
Cash and cash equivalents	9	51,203	19,292	35,137	10,738
<b>Current assets</b>		<u>87,060</u>	<u>65,197</u>	<u>55,220</u>	<u>25,357</u>
<b>Total assets</b>		<u>1,049,535</u>	<u>1,004,908</u>	<u>783,058</u>	<u>751,312</u>
<b>Liabilities</b>					
Deferred tax liabilities	10	20,601	19,968	–	–
Borrowings	11	249,953	293,660	249,953	293,660
Derivative financial instruments	12	–	3,866	–	3,866
<b>Non-current liabilities</b>		<u>270,554</u>	<u>317,494</u>	<u>249,953</u>	<u>297,526</u>
Income tax payable		1,198	676	–	–
Trade and other payables	13	18,888	17,316	29,002	25,437
Borrowings	11	99,258	195,345	99,258	195,345
Other liabilities	14	7,144	10,107	2,103	2,062
Derivative financial instruments	12	673	–	673	–
<b>Current liabilities</b>		<u>127,161</u>	<u>223,444</u>	<u>131,036</u>	<u>222,844</u>
<b>Total liabilities</b>		<u>397,715</u>	<u>540,938</u>	<u>380,989</u>	<u>520,370</u>

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

**Statements of financial position (cont'd)**  
**As at 31 December 2021**

	Note	Group		Trust	
		2021	2020	2021	2020
		\$'000	\$'000	\$'000	\$'000
Represented by:					
<b>Net assets attributable to unitholders</b>		591,145	403,092	341,394	170,064
Perpetual securities holders	15	60,675	60,878	60,675	60,878
<b>Total net assets</b>		<u>651,820</u>	<u>463,970</u>	<u>402,069</u>	<u>230,942</u>
<b>Units in issue ('000)</b>	16	<u>1,613,028</u>	<u>807,206</u>	<u>1,613,028</u>	<u>807,206</u>
<b>Net asset value per unit in cents attributable to unitholders</b>	16	<u>36.65</u>	<u>49.94</u>	<u>21.16</u>	<u>21.07</u>

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

**Statements of total return**  
**Year ended 31 December 2021**

	Note	Group		Trust	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Rental and other income</b>	17	102,346	79,619	39,787	33,197
Property operating expenses	18	(2,130)	(2,154)	(233)	(46)
<b>Net property and other income</b>		100,216	77,465	39,554	33,151
Interest income		146	1,436	1,238	1,262
Manager's management fees	19	(9,110)	(9,410)	(9,066)	(9,366)
Trustee fees		(311)	(416)	(311)	(416)
Finance costs	20	(17,035)	(17,826)	(17,035)	(17,826)
Other expenses	21	(2,244)	(5,705)	(2,229)	(5,687)
<b>Net income</b>		71,662	45,544	12,151	1,118
Net fair value losses on investment properties	4	(4,520)	(401,387)	(764)	(912)
Gain on disposal of an investment property		1,607	–	–	–
Gain on disposal of a subsidiary		1,106	–	–	–
Reversal of impairment losses on other receivables from subsidiaries		–	–	567	–
Reversal of/(recognised) impairment losses on investments in subsidiaries	5	–	–	34,779	(75,457)
Net fair value gains/(losses) of derivative financial instruments		3,193	(2,391)	3,193	(2,391)
Net foreign exchange gains		2,762	2	169	325
<b>Total return/(loss) for the year before income tax</b>		75,810	(358,232)	50,095	(77,317)
Income tax (expenses)/benefit	22	(12,697)	5,822	–	(1,467)
<b>Total return/(loss) for the year after income tax</b>		63,113	(352,410)	50,095	(78,784)

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

**Statements of total return (cont'd)**  
**Year ended 31 December 2021**

	Note	Group		Trust	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Other comprehensive income:</b>					
<b>Items that may be reclassified subsequently to profit or loss:</b>					
Exchange differences on translating foreign operations, net of tax		3,705	(164)	–	–
<b>Total comprehensive income/(loss) for the year</b>		<u>66,818</u>	<u>(352,574)</u>	<u>50,095</u>	<u>(78,784)</u>
<b>Total return/(loss) attributable to:</b>					
Unitholders of the Trust		59,908	(355,827)	46,890	(82,201)
Perpetual securities holders		3,205	3,417	3,205	3,417
		<u>63,113</u>	<u>(352,410)</u>	<u>50,095</u>	<u>(78,784)</u>
<b>Total comprehensive income/(loss) attributable to:</b>					
Unitholders of the Trust		63,613	(355,991)	46,890	(82,201)
Perpetual securities holders		3,205	3,417	3,205	3,417
		<u>66,818</u>	<u>(352,574)</u>	<u>50,095</u>	<u>(78,784)</u>
<b>Earnings per unit in cents</b>					
Basic and diluted	23	<u>4.00</u>	<u>(41.78)<sup>(1)</sup></u>		

(1) The earnings per unit in cents is calculated after taking into consideration the rights issue units.

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

**Statements of distribution**  
**Year ended 31 December 2021**

	Note	Group		Trust	
		2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Amount available for distribution to unitholders at beginning of the year		6,840	17,169	6,840	17,169
Total return/(loss) for the year after income tax		63,113	(352,410)	50,095	(78,784)
Adjustments for tax purposes (Note A)		(21,053)	385,854	(8,035)	112,228
<b>Amount available for distribution to unitholders</b>		48,900	50,613	48,900	50,613
Total distribution paid to unitholders	24	(38,168)	(43,773)	(38,168)	(43,773)
<b>Amount available for distribution to unitholders at end of the year</b>		10,732	6,840	10,732	6,840
<b>Distribution per unit (cents)</b>		2.61	4.15	2.61	4.15

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

**Statements of distribution (cont'd)**  
**Year ended 31 December 2021**

Note A - Adjustments for tax purposes:

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Manager's management fees settled in units	4,465	4,679	4,465	4,679
Change in fair values on investment properties, net of deferred tax	4,991	383,119	764	2,379
Adjustment on rental straight-lining	(22,703)	–	(74)	–
Net fair value (gains)/ losses of derivative financial instruments	(3,193)	2,391	(3,193)	2,391
(Reversal of)/Impairment losses on investments in subsidiaries	–	–	(34,779)	75,457
Capital repayment from subsidiaries:	–	–	32,296	21,618
- Redemption of preference shares	–	–	27,473	17,245
- Repayment of shareholder loans	–	–	4,823	4,373
Amount reserved for distribution to perpetual securities holders	(3,205)	(3,417)	(3,205)	(3,417)
Foreign exchange adjustment (gains)/losses	(168)	(325)	143	(325)
Gain on disposal of an investment property and a subsidiary	(2,713)	–	–	–
Adjustments of dividend income from subsidiaries	–	–	(5,116)	8,770
Other non-tax deductible items and adjustments	1,473	(593)	664	676
	<u>(21,053)</u>	<u>385,854</u>	<u>(8,035)</u>	<u>112,228</u>

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

**Statements of movements in unitholders' funds**  
**Year ended 31 December 2021**

	← Unitholders' funds →			Subtotal \$'000	Perpetual securities \$'000	Total \$'000
	Issued equity \$'000	Retained earnings \$'000	Foreign exchange reserve \$'000			
<b>Group</b>						
<b>Operations</b>						
<b>At 1 January 2021</b>	353,466	48,510	1,116	403,092	60,878	463,970
Total return for the year	–	63,113	–	63,113	–	63,113
Less: Amount reserved for distribution to perpetual securities holders	–	(3,205)	–	(3,205)	3,205	–
<b>Net increase in net assets resulting from operations</b>	–	59,908	–	59,908	3,205	63,113
<b>Transactions with unitholders and perpetual securities holders</b>						
Proceeds from rights issue, net of related costs	157,702	–	–	157,702	–	157,702
Manager's management fees settled in units	4,906	–	–	4,906	–	4,906
Change in net assets resulting from creation of units	162,608	–	–	162,608	–	162,608
Distributions to unitholders	(34,624)	(3,544)	–	(38,168)	–	(38,168)
Distributions to perpetual securities holders	–	–	–	–	(3,408)	(3,408)
<b>Net increase/(decrease) in net assets resulting from transactions with unitholders and perpetual securities holders</b>	127,984	(3,544)	–	124,440	(3,408)	121,032
<b>Foreign exchange reserve</b>						
Exchange differences on translating foreign operations, net of tax	–	–	3,705	3,705	–	3,705
<b>At 31 December 2021</b>	481,450	104,874	4,821	591,145	60,675	651,820

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



**Statements of movements in unitholders' funds (cont'd)**  
**Year ended 31 December 2021**

	← Unitholders' funds →			Subtotal \$'000	Perpetual securities \$'000	Total \$'000
	Issued equity \$'000	Retained earnings \$'000	Foreign exchange reserve \$'000			
<b>Group</b>						
<b>Operations</b>						
<b>At 1 January 2020</b>	368,318	425,238	1,280	794,836	60,878	855,714
Total loss for the year	–	(352,410)	–	(352,410)	–	(352,410)
Less: Amount reserved for distribution to perpetual securities holders	–	(3,417)	–	(3,417)	3,417	–
<b>Net (decrease)/increase in net assets resulting from operations</b>	–	(355,827)	–	(355,827)	3,417	(352,410)
<b>Transactions with unitholders and perpetual securities holders</b>						
Manager's management fees settled in units	8,020	–	–	8,020	–	8,020
Change in net assets resulting from creation of units	8,020	–	–	8,020	–	8,020
Distributions to unitholders	(22,872)	(20,901)	–	(43,773)	–	(43,773)
Distributions to perpetual securities holders	–	–	–	–	(3,417)	(3,417)
<b>Net decrease in net assets resulting from transactions with unitholders and perpetual securities holders</b>	(14,852)	(20,901)	–	(35,753)	(3,417)	(39,170)
<b>Foreign exchange reserve</b>						
Exchange differences on translating foreign operations, net of tax	–	–	(164)	(164)	–	(164)
<b>At 31 December 2020</b>	353,466	48,510	1,116	403,092	60,878	463,970

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

**Statements of movements in unitholders' funds (cont'd)**  
**Year ended 31 December 2021**

	← Unitholders' funds →			Perpetual securities \$'000	Total \$'000
	Issued equity \$'000	Accumulated losses \$'000	Subtotal \$'000		
<b>Trust</b>					
<b>Operations</b>					
<b>At 1 January 2021</b>	353,466	(183,402)	170,064	60,878	230,942
Total return for the year	–	50,095	50,095	–	50,095
Less: Amount reserved for distribution to perpetual securities holders	–	(3,205)	(3,205)	3,205	–
<b>Net increase in net assets resulting from operations</b>	–	46,890	46,890	3,205	50,095
<b>Transactions with unitholders and perpetual securities holders</b>					
Proceeds from rights issue, net of related costs	157,702	–	157,702	–	157,702
Manager's management fees settled in units	4,906	–	4,906	–	4,906
Change in net assets resulting from creation of units	162,608	–	162,608	–	162,608
Distributions to unitholders	(34,624)	(3,544)	(38,168)	–	(38,168)
Distributions to perpetual securities holders	–	–	–	(3,408)	(3,408)
<b>Net increase/(decrease) in net assets resulting from transactions with unitholders and perpetual securities holders</b>	127,984	(3,544)	124,440	(3,408)	121,032
<b>At 31 December 2021</b>	481,450	(140,056)	341,394	60,675	402,069

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

**Statements of movements in unitholders' funds (cont'd)**  
**Year ended 31 December 2021**

	← Unitholders' funds →			Perpetual securities \$'000	Total \$'000
	Issued equity \$'000	Retained earnings \$'000	Subtotal \$'000		
<b>Trust</b>					
<b>Operations</b>					
<b>At 1 January 2020</b>	368,318	(80,300)	288,018	60,878	348,896
Total loss for the year	–	(78,784)	(78,784)	–	(78,784)
Less: Amount reserved for distribution to perpetual securities holders	–	(3,417)	(3,417)	3,417	–
<b>Net (decrease)/increase in net assets resulting from operations</b>	–	(82,201)	(82,201)	3,417	(78,784)
<b>Transactions with unitholders and perpetual securities holders</b>					
Manager's management fees settled in units	8,020	–	8,020	–	8,020
Change in net assets resulting from creation of units	8,020	–	8,020	–	8,020
Distributions to unitholders	(22,872)	(20,901)	(43,773)	–	(43,773)
Distributions to perpetual securities holders	–	–	–	(3,417)	(3,417)
<b>Net decrease in net assets resulting from transactions with unitholders and perpetual securities holders</b>	(14,852)	(20,901)	(35,753)	(3,417)	(39,170)
<b>At 31 December 2020</b>	353,466	(183,402)	170,064	60,878	230,942

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	2020 \$'000
<b>Cash flows from operating activities</b>			
Total return/(loss) for the year after income tax		63,113	(352,410)
Adjustments for:			
Interest income		(146)	(1,436)
Interest expense		11,819	14,713
Depreciation expenses		13	14
Net foreign exchange adjustment gains		–	(325)
Amortisation of transaction costs		5,216	3,113
Impairment losses on trade receivables		632	–
Losses on disposal of quoted shares		3	6
Net fair value losses on investment properties		4,520	401,387
Adjustment on rental straight-lining		(22,703)	–
Net fair value (gains)/losses of derivative financial instruments		(3,193)	2,391
Gains on disposal of a subsidiary		(1,106)	–
Gains on disposal of an investment property		(1,607)	–
Manager's management fees settled in units		4,465	2,750
Income tax expenses/(benefit)		12,697	(5,822)
Operating cash flows before changes in working capital		73,723	64,381
Trade and other receivables		5,539	3,770
Other non-financial assets		(2,492)	2,144
Trade and other payables		(3,182)	6,762
Other non-financial liabilities		(2,963)	(12,936)
Net cash flows from operating activities		70,625	64,121
Income taxes paid		(4,421)	(13,721)
<b>Net cash flows from operating activities</b>		<b>66,204</b>	<b>50,400</b>

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

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

	Note	Group	
		2021 \$'000	2020 \$'000
<b>Cash flows from investing activities</b>			
Additions to investment properties		(662)	(425)
Proceeds from disposal of a subsidiary, net of cash		40	–
Proceeds from disposal of an investment property		6,114	–
Interest received		126	1,451
Investments in quoted shares		(570)	(268)
Disposals of quoted shares		567	262
<b>Net cash flows from investing activities</b>		5,615	1,020
<b>Cash flows from financing activities</b>			
Proceeds from right issue, net of related costs		157,702	–
Distribution to unitholders		(38,168)	(43,773)
Proceeds from borrowings		252,374	–
Repayment of borrowings		(393,152)	–
Payment of transaction costs related to borrowings		(4,779)	–
Interest paid		(10,646)	(17,918)
Distribution to perpetual securities holders		(3,408)	(3,417)
<b>Net cash flows used in financing activities</b>		(40,077)	(65,108)
<b>Net increase/(decrease) in cash and cash equivalents</b>		31,742	(13,688)
Cash and cash equivalents at beginning of the year		19,292	32,980
Effect of exchange rate fluctuations on cash held		169	–
<b>Cash and cash equivalents at 31 December</b>	9	51,203	19,292

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

**Statements of portfolio**  
**As at 31 December 2021**

	<b>Carrying value as at 31/12/2021 \$'000</b>	<b>Percentage of net assets attributable to unitholders as at 31/12/2021 %</b>	<b>Carrying value as at 31/12/2020 \$'000</b>	<b>Percentage of net assets attributable to unitholders as at 31/12/2020 %</b>
<b>Group</b>				
Investment properties in Singapore	33,200	5.62	33,800	8.39
Investment properties in Indonesia	929,247	157.19	901,771	223.70
Investment property in South Korea	–	–	4,099	1.02
Portfolio of investment properties at valuation – total	962,447	162.81	939,670	233.11
Other net liabilities	(310,627)	(52.55)	(475,700)	(118.01)
Net assets attributable to holders	651,820	110.26	463,970	115.10
Perpetual securities holders	(60,675)	(10.26)	(60,878)	(15.10)
Net assets attributable to unitholders	591,145	100.00	403,092	100.00
<b>Trust</b>				
Investment properties in Singapore	33,200	9.72	33,800	19.87
Portfolio of investment properties at valuation – total	33,200	9.72	33,800	19.87
Investments in subsidiaries	669,173	196.01	661,867	389.19
Other net liabilities	(300,304)	(87.96)	(464,725)	(273.26)
Net assets attributable to holders	402,069	117.77	230,942	135.80
Perpetual securities holders	(60,675)	(17.77)	(60,878)	(35.80)
Net assets attributable to unitholders	341,394	100.00	170,064	100.00

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

**Statements of portfolio (cont'd)**  
**As at 31 December 2021**

**By Geographical Area**

Description of property / Location / Acquisition date / Type of property / Land title type / Term of lease <sup>(a)</sup> / Remaining term of lease <sup>(b)</sup>	Gross floor area in square meters	Carrying value as at 31/12/2021 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2021 %	Carrying value as at 31/12/2020 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2020 %
<b><u>Singapore</u></b>					
Pacific Healthcare Nursing Home @ Bukit Merah 6 Lengkok Bahru, Singapore 159051 11 April 2007, Nursing Home 30 years leasehold from 2002 10+10 years/ 6 years	3,593	8,800	1.49	9,100	2.26
Pacific Healthcare Nursing Home II @ Bukit Panjang 21 Senja Road, Singapore 677736 11 April 2007, Nursing Home 30 years leasehold from 2003 10+10 years/ 6 years	3,563	9,200	1.56	9,400	2.33
The Lentor Residence 51 Lentor Avenue, Singapore 786876 8 June 2007, Nursing Home 99 years leasehold from 1938 10+10 years/ 16 years	4,005	15,200	2.57	15,300	3.80
Portfolio of investment properties held by the Trust at valuation – Sub-total		33,200	5.62	33,800	8.39

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

**Statements of portfolio (cont'd)**  
**As at 31 December 2021**

**By Geographical Area**

Description of property / Location / Acquisition date / Type of property / Land title type / Term of lease <sup>(a)</sup> / Remaining term of lease <sup>(b)</sup>	Gross floor area in square meters	Carrying value as at 31/12/2021 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2021 %	Carrying value as at 31/12/2020 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2020 %
<b>Indonesia</b>					
Siloam Hospitals Lippo Village	32,696	172,782	29.23	164,008	40.69
Jalan Siloam No. 6 Lippo Karawaci 1600, Tangerang, Banten, Indonesia 11 December 2006, Hospital Hak Guna Bangunan ("HGB") 15+15 years/ 29 years					
Siloam Hospitals Kebon Jeruk Jalan Raya Perjuangan Kav. 8 Kebon Jeruk, West Jakarta 11530, Indonesia 11 December 2006, Hospital HGB 15+15 years/ 29 years	20,268	77,784	13.16	73,800	18.31
Siloam Hospitals Surabaya Jalan Raya Gubeng No. 70, Gubeng Surabaya, East Java, 60281, Indonesia 11 December 2006, Hospital HGB 15+15 years/ 29 years	9,065	40,868	6.91	40,266	9.99
Imperial Aryaduta Hotel & Country Club Jalan Boulevard Jendral Sudirman, Kav. 401, Lippo Village 1300, Tangerang, Banten, Indonesia 11 December 2006, Hotel & Country Club HGB 1 year 21 days + 1 year/2 years	17,926	32,240	5.45	41,400	10.27

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



**Statements of portfolio (cont'd)**  
**As at 31 December 2021**

**By Geographical Area**

Description of property / Location / Acquisition date / Type of property / Land title type / Term of lease <sup>(a)</sup> / Remaining term of lease <sup>(b)</sup>	Gross floor area in square meters	Carrying value as at 31/12/2021 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2021 %	Carrying value as at 31/12/2020 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2020 %
<b>Indonesia (cont'd)</b>					
Mochtar Riady Comprehensive Cancer Centre Jalan Garnisun Dalam No. 2-3, Semanggi, Central Jakarta 12930, Indonesia 30 December 2010, Hospital HGB 15+15 years/ 29 years	37,933	133,650	22.61	126,859	31.47
Siloam Hospitals Lippo Cikarang Jalan Mohammad Husni Thamrin Kav. 105, Lippo Cikarang, Bekasi, Indonesia 17550 31 December 2010, Hospital HGB 15+15 years/ 19 years	13,256	49,800	8.42	49,800	12.35
Siloam Hospitals Manado & Hotel Aryaduta Manado Jalan Sam Ratulangi No. 22, Komplek Boulevard Center and Jalan Piere Tendean No. 1, Manado, North Sulawesi Indonesia 95111	36,051	79,617	13.47	77,460	19.22
Siloam Hospitals Manado 30 November 2012, Hospital HGB 15+15 years/ 29 years					
Hotel Aryaduta Manado 30 November 2012, Hotel HGB 15+15 years/ 21 years					

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

**Statements of portfolio (cont'd)**  
**As at 31 December 2021**

**By Geographical Area**

Description of property / Location / Acquisition date / Type of property / Land title type / Term of lease <sup>(a)</sup> / Remaining term of lease <sup>(b)</sup>	Gross floor area in square meters	Carrying value as at 31/12/2021 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2021 %	Carrying value as at 31/12/2020 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2020 %
<b>Indonesia (cont'd)</b>					
Siloam Hospitals Makassar Jalan Metro Tanjung Bunga Kav 3-5, Makassar City, South Sulawesi, Indonesia 30 November 2012, Hospital HGB 15+15 years/ 29 years	14,307	69,563	11.77	66,024	16.38
Siloam Hospitals Bali Jalan Sunset Road No. 818, Kuta, Badung, Bali, Indonesia 13 May 2013, Hospital HGB 15+15 years/ 29 years	20,958	66,382	11.23	63,006	15.63
Siloam Hospitals TB Simatupang Jalan Letjend. TB Simatupang, Jalan R.A. Kartini No. 8, Cilandak, South Jakarta, Indonesia 22 May 2013, Hospital HGB 15+15 years/ 29 years	18,605	44,178	7.47	41,931	10.40
Siloam Hospitals Purwakarta Jalan Raya Bungursari No. 1, Purwakarta, West Java, Indonesia 28 May 2014, Hospital HGB 15+15 years/ 29 years	8,254	24,038	4.07	22,910	5.68

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

**Statements of portfolio (cont'd)**  
**As at 31 December 2021**

**By Geographical Area**

Description of property / Location / Acquisition date / Type of property / Land title type / Term of lease <sup>(a)</sup> / Remaining term of lease <sup>b</sup>	Gross floor area in square meters	Carrying value as at 31/12/2021 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2021 %	Carrying value as at 31/12/2020 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2020 %
<b>Indonesia (cont'd)</b>					
Siloam Sriwijaya Jalan POM IX, Komplek Palembang Square, Palembang, South Sumatra, Indonesia 29 December 2014, Hospital Strata Title on Build, Operate and Transfer scheme 15+15 years/ 29 years	15,709	25,527	4.32	24,687	6.12
Siloam Hospitals Kupang & Lippo Plaza Kupang Jalan Veteran, No. 4, Arena Pameran Fatululi, Kupang, East Nusa Tenggara, Indonesia 14 December 2015, Hospital Build, Operate and Transfer ("BOT") scheme 15+15 years/ 29 years	55,368	53,977	9.13	53,459	13.26
Lippo Plaza Kupang 14 December 2015, Mall BOT scheme 15+15 years/ 24 years					
Siloam Hospitals Labuan Bajo Jalan Gabriel Gampur, Labuan Bajo, East Nusa Tenggara, Indonesia 30 December 2016, Hospital HGB 15+15 years/ 29 years	7,604	12,002	2.03	11,178	2.77

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

**Statements of portfolio (cont'd)**  
**As at 31 December 2021**

**By Geographical Area**

Description of property / Location / Acquisition date / Type of property / Land title type / Term of lease <sup>(a)</sup> / Remaining term of lease <sup>(b)</sup>	Gross floor area in square meters	Carrying value as at 31/12/2021 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2021 %	Carrying value as at 31/12/2020 \$'000	Percentage of net assets attributable to unitholders as at 31/12/2020 %
<b>Indonesia (cont'd)</b>					
Siloam Hospitals Buton & Lippo Plaza Buton Jalan Sultan Hasanuddin No. 50, 52, 54 and 58 Bau, Sulawesi Tenggara, Indonesia	21,934	25,688	4.34	24,909	6.18
Siloam Hospitals Buton 10 October 2017, Hospital Build, Operate and Transfer ("BOT") scheme 15+15 years/ 29 years					
Lippo Plaza Buton 10 October 2017, Mall BOT Scheme 15+15 years/ 26 years					
Siloam Hospitals Yogyakarta Jalan Laksda Adi Sucipto No. 32-34 Yogyakarta, Indonesia 22 December 2017, Hospital HGB 15+15 years/ 29 years	12,474	21,151	3.58	20,074	4.98
<b>South Korea</b>					
Sarang Hospital No. 9 Bongsannam 3 <sup>rd</sup> Street, Yeosu City, Jeonranam-Do, South Korea 5 August 2011, Hospital Freehold 10+10 years/ Nil <sup>(1)</sup>	4,982	—	—	4,099	1.02
Portfolio of investment properties held by the Group at valuation – Total		962,447	162.81	939,670	233.11

Note 1: Sarang Hospital was disposed in August 2021.

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

**Statements of portfolio (cont'd)**  
**As at 31 December 2021**

Notes:

- (a): This refers to the entire tenure of the master lease terms on the basis that the underlying HGB Titles of each of the properties can be extended and renewed, except for Siloam Sriwijaya which is held on a strata title basis under a Build, Operate and Transfer (“BOT”) scheme, and Siloam Hospitals Kupang & Lippo Plaza Kupang and Siloam Hospitals Buton & Lippo Plaza Buton which are under BOT schemes.
- (b): This refers to the remaining tenure of the master lease terms as at 31 December 2021 on the basis that the underlying HGB Titles of each of the properties can be extended and renewed, except for Siloam Sriwijaya which is held on a strata title basis under BOT scheme, and Siloam Hospitals Kupang & Lippo Plaza Kupang and Siloam Hospitals Buton & Lippo Plaza Buton which are under BOT schemes.

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

**(a) Hak Guna Bangunan (“HGB”) Title**

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

**(b) Build, Operate and Transfer Scheme (“BOT Scheme”)**

This scheme is a structure in Indonesia for the construction of commercial buildings where Indonesia government owns the relevant land (“BOT land”). Under the BOT scheme, the Indonesia government which owns BOT land (“BOT grantor”) agrees to grant certain rights over the BOT land to another party (“BOT grantee”).

The BOT grantee can develop the site, subject to the relevant approvals and then operate the buildings constructed on the BOT land for a particular period of time as stipulated in the BOT agreement, including obtaining Strata title certificates on the BOT land. A BOT scheme is granted for an initial period of 20 to 30 years and is extendable upon agreement of both the grantor and grantee. Upon expiration of the term of the BOT agreement, the BOT grantee must return the land, together with any buildings and fixtures on top of the land, without either party providing any form of compensation to the other.

**(c) Strata Title**

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

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 on 25 February 2022.

### **1 General**

First Real Estate Investment Trust (the “Trust”) is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 19 October 2006 (subsequently amended by a first supplemental deed dated 6 September 2007, a second supplemental deed dated 19 April 2010, a third supplemental deed dated 26 April 2011, a fourth supplemental deed dated 1 April 2013, a first amending and restating deed dated 23 March 2016, a supplemental deed of retirement and appointment of trustee dated 1 November 2017, a fifth supplemental deed dated 22 May 2018, a sixth supplemental deed dated 30 April 2019, a seventh supplemental deed dated 7 April 2020 and an eight supplemental deed dated 25 February 2022) (the “Trust Deed”) between First REIT Management Limited (the “Manager”) and Perpetual (Asia) Limited (the “Trustee”), governed by the laws of Singapore.

The Trust is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The principal activity of the Trust and its subsidiaries is to invest in a portfolio of income producing real estate properties, which are primarily used for healthcare and healthcare related purposes. The primary objective is to deliver regular and stable distributions to unitholders and to achieve long-term growth in the net asset value per unit.

The consolidated financial statements relate to the Trust and its subsidiaries (together referred to as the “Group” and individually as “Group entities”).

The registered office of the Manager is 333 Orchard Road #33-02, Singapore 238867.

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

#### **Manager’s fees**

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

- (i) A base fee of 0.4% (2020: 0.4%) per annum of the value of the Deposited Property. Any increase in the rate of the base fee above the permitted limit or any change in the structure of the base fee shall be approved by an extraordinary resolution of a meeting of unitholders. The Manager may opt to receive the base fee in the form of units and/or cash.

- (ii) A performance fee fixed at 5.0% (2020: 5.0%) per annum of the Group's Net Property Income ("NPI") or the NPI of the relevant Special Purpose Companies ("SPCs") for each year. NPI in relation to a real estate in the form of land, whether directly held by the Trustee or indirectly held by the Trustee through a SPC, and in relation to any year or part thereof, means its property income less property operating expenses for such real estate for that year or part thereof. The Manager may opt to receive the performance fee in the form of units and/or cash. Based on the First Amending and Restating Deed dated 23 March 2016, the performance fees for the financial year is computed based on audited accounts relating to the relevant SPCs.
- (iii) Manager's acquisition fee determined at 1.0% (2020: 1.0%) of the value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).
- (iv) A divestment fee at 0.5% (2020: 0.5%) of the value or consideration as defined in the Trust Deed for any real estate or other investments (subject to there being no double-counting).

### **Trustee fees**

Under the Trust Deed, the Trustee is entitled to an annual fee not exceeding 0.1% (2020: 0.1%) of the value of the Deposited Property (as defined in the Trust Deed).

The actual fee payable will be determined between the Manager and the Trustee from time to time. The Trustee's fee is subject to review every three years.

## **2 Basis of preparation**

### **2.1 Going concern**

The Group has net current liabilities of \$40,101,000 as at 31 December 2021.

Notwithstanding the above, the Manager have prepared the financial statements on a going concern basis, having assessed the sources of liquidity and funding available to the Group. These include the ability to obtain refinancing for the \$100.0 million borrowings due in May 2022 and available funds from operations to the Group as at 31 December 2021. As of the date of this report, the Manager has commenced refinancing plans and is confident that the refinancing will be successfully completed and the Group can continue as a going concern for the foreseeable future.

### **2.2 Statement of compliance**

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

The changes to significant accounting policies are described in note 2.6.

### 2.3 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

### 2.4 Functional and presentation currency

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

### 2.5 Use of estimates and judgments

The preparation of the financial statements in conformity with RAP 7 requires the Manager to make judgments, estimates and assumptions that affect the application of accounting 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 in the period in which the estimate is revised and in any future periods affected.

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 note:

- Note 4 – valuation of investment properties
- Note 5 – determination of recoverable amounts of investment in subsidiaries

#### **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.

The Manager has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values; and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as property valuations, broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in the valuations should be classified.



When measuring the fair value of an asset or a liability, the Group uses observable market 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).
- 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 note 4 – investment properties.

## 2.6 Changes in accounting policies

### **New standards and amendments**

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

- *COVID-19-Related Rent Concessions (Amendments to FRS 116)*
- *Interest Rate Benchmark Reform – Phase 2 (Amendments to FRS 109, FRS 39 and FRS 107, FRS 104 and FRS 116)*

The application of these FRS, amendments to and interpretations of FRS does not have a material effect on the financial statements.

## 3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.6, which addresses changes in accounting policies.

### 3.1 Foreign currency

#### (i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at 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 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 generally recognised in profit or loss.

#### (ii) 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 unitholders' funds, and presented in the foreign currency translation reserve (translation reserve) in unitholders' funds. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss 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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in unitholders' funds, and are presented in the translation reserve in unitholders' funds.

### 3.2 Financial instruments

#### (i) 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.

**(ii) Classification, subsequent measurement and gains and losses**

**Non-derivative financial assets**

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

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.

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 profit or loss. Any gain or loss on derecognition is recognised in profit or loss .

***Financial assets at FVTPL***

All financial assets not classified as measured at amortised cost or fair value through other comprehensive income (“FVOCI”) are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss.

**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:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Manager;
- 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;
- how the Manager of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

### **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 liabilities: Classification, subsequent measurement and gains and losses**

Financial liabilities are classified as measured at amortised cost.

Financial liabilities 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 profit or loss .

**(iii) Derecognition**

**Financial assets**

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which 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 profit or loss.

**(iv) 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.

**(v) 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.

**(vi) Derivative financial instruments**

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

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

### 3.3 Plant and equipment

#### (i) **Recognition and measurement**

Items of plant and equipment are measured at cost, less accumulated depreciation and accumulated impairment losses.

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

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

#### (ii) **Depreciation**

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use.

The estimated useful lives for the current and comparative years are as follows:

- Office equipment 20%

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

### 3.4 Segment reporting

The Group discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

### 3.5 Basis of consolidation

#### (i) **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.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
  - the recognised amount of any non-controlling interests (“NCI”) in the acquiree; plus
  - if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,
- over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

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

NCI that are present ownership interests and entitle their holders to a proportionate share of the acquiree’s net assets in the event of liquidation are measured either at fair value or at the NCI’s proportionate share of the recognised amounts of the acquiree’s identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

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

Changes in the Group’s interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

**(ii) 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 when necessary to align them with the policies adopted by the Group. Losses applicable to the NCI in a subsidiary are allocated to the NCI even if doing so causes the NCI to have a deficit balance.

**(iii) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**(iv) Joint operations**

A joint operation is an arrangement in which the Group has joint control whereby the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement. The Group accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.

**(v) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

**(vi) Subsidiaries in the separate financial statements**

Investments in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

### 3.6 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

The cost of a purchased property comprises its purchase price and any directly attributable expenditure, including transaction costs. Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the CIS Code issued by the MAS.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

The investment properties are subject to continued maintenance and regularly revalued on the basis set out above. For income tax purposes, the Group may claim capital allowances on assets that qualify as plant and machinery under the Income Tax Act.



### 3.7 Unitholders' funds

Unitholders' funds are classified as equity.

Issue costs relate to expenses incurred in connection with the issue of units. The expenses are deducted directly against unitholders' funds.

### 3.8 Perpetual securities

The perpetual securities do not have a maturity date and distribution payment is optional at the discretion of the Trust. As the Trust does not have a contractual obligation to repay the principal nor make any distributions, the perpetual securities are classified as equity.

Any distributions made are directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

### 3.9 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 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'.

### 3.10 Impairment

#### **(i) Non-derivative financial assets**

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised costs.

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 or contract asset.

### ***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 debtor is unlikely to pay its credit obligations to 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 debtor;
- 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 debtor 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.

## **(ii) 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. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs 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 CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

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

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

### 3.11 Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss net of the related expenses on a systematic basis in the same periods in which the expenses are recognised, unless the conditions for receiving the grant are met after the related expenses have been recognised. In this case, the grant is recognised when it becomes receivables.

### 3.12 Rental and dividend income

#### (i) Rental income from operating leases

Rental income receivable under operating leases is recognised as 'revenue' 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.

#### (ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

### 3.13 Interest income and finance costs

Interest income is recognised using the effective interest method.

The Group's finance costs include:

- interest expense; and
- amortisation of transaction cost.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

### 3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *FRS 37 Provisions, Contingent Liabilities and Contingent Assets*.

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. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

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:

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

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax 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 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.

The Inland Revenue Authority of Singapore (“IRAS”) has issued the Tax Transparency Ruling and Foreign-Sourced Income Tax Exemption Ruling to the Trust.

### ***Tax Transparency Ruling***

Pursuant to the Tax Transparency Ruling issued by the IRAS, tax transparency treatment has been granted to the Trust in respect of certain taxable income (“Specified Taxable Income”). Subject to meeting the terms and conditions of the Tax Transparency Ruling, which includes a distribution of at least 90% of the Specified Taxable Income of the Trust, the Trust is not subject to tax on the Specified Taxable Income distributed to the Unitholders in the same year in which the Specified Taxable Income was derived. Instead, the Trustee and the Manager would undertake to deduct income tax at the prevailing corporate tax rate (currently at 17%) from distributions made to Unitholders out of such Specified Taxable Income, except:

- (i) Where the beneficial owners are Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting income tax; or
- (ii) Where the beneficial owners are Qualifying Foreign Non-individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made up to 31 December 2025, unless the concession is extended.
- (iii) Where the beneficial owners are Qualifying Foreign Non-Resident Fund, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions for the period from 1 July 2019 to 31 December 2025, unless the concession is extended.

A “Qualifying Unitholder” is 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 (excluding partnerships) incorporated or registered in Singapore, including:
  - (i) a charity registered under the Charities Act (Cap. 37) or established by any written law;
  - (ii) a town council;
  - (iii) a statutory board;
  - (iv) a co-operative society registered under the Co-operative Societies Act (Cap. 62); or
  - (v) 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 Qualifying Foreign Non-Individual Unitholder is a person other than an individual who is not resident in Singapore income tax purposes and who:

- does not have a permanent establishment in Singapore; or
- carries an operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire units of the Trust are not obtained from that operation.

A Qualifying Non-resident Fund is a non-resident fund that qualifies for tax exemption under Section 13CA, 13X or 13Y of the Income Tax Act (Cap.134) and who:

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

The Tax Transparency Ruling does not apply to gains or profits from the disposal of any properties such as immovable properties and shares that are determined by the IRAS to be revenue gains chargeable to tax and income derived by the Trust but not distributed to the Unitholders in the same year in which the income is derived. 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). Distribution made out of the after-tax amount will not be subject to any further tax. Where the disposal gains are regarded as capital in nature, they will not be subject to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

Any distributions made by the Trust to the Unitholders out of tax-exempt income and taxed income would be exempt from Singapore income tax in the hands of all Unitholders, regardless of their corporate or residence status.

### 3.15 New standards and interpretations not 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 application of these new FRSs, interpretations and amendments to FRSs are not expected to have a significant impact on the financial statements of the Group and the Trust.

## 4 Investment properties

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
At 1 January	939,670	1,340,780	33,800	34,500
Additions	939	425	90	212
Disposal	(4,219)	–	–	–
Adjustment on rental straight- lining (note 17)	22,703	–	74	–
Fair value losses recognised in profit or loss	(4,520)	(401,387)	(764)	(912)
Effects of movement in exchange rates	7,874	(148)	–	–
At 31 December	962,447	939,670	33,200	33,800

On 28 November 2020, the Trustee had entered into a memorandum of understanding with the tenants, PT Lippo Karawaci Tbk ("LPKR") and PT Metropolis Propertindo Utama ("MPU"), to restructure the master-lease agreements ("MLAs") for fourteen (14) hospital properties in Indonesia. The restructured MLAs were completed during 2021 and took effect from 1 January 2021. The valuation of these fourteen (14) hospital properties in 2020 took into consideration the terms of the restructured MLAs and resulted in fair value losses. The rental income from these hospital properties is denominated in Indonesia Rupiah ("IDR") with effect from 1 January 2021.

On 19 July 2021, the Group entered into conditional sale and purchase agreement in relation to the disposal of Sarang Hospital in South Korea for a consideration of US\$4,493,000 (approximately \$6,114,000). The disposal was completed in August 2021.

As at 31 December 2021, investment properties of the Group with carrying amounts of \$941,296,000 (2020: \$875,231,000) were pledged as security for related borrowings (see note 11).

### Measurement of fair value

#### *Fair value hierarchy*

The fair value of investment properties were determined by external independent valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. The independent valuers provide the fair value of the Group's investment property portfolio every year.

The fair values were derived based on the discounted cash flow, capitalisation and direct comparison methods. The valuation methods involve certain estimates including those relating to discount rate, terminal capitalisation rate, capitalisation rate and price per square metre. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations. The valuation technique(s) considered by valuers for each property is in line with market practices generally adopted in the jurisdiction in which the property is located.

The fair value measurement of all of the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.



## **4 Investment properties (cont'd)**

### *Valuation techniques and inputs used in Level 3 fair value measurements*

In 2021, the valuations were undertaken by the following independent professional valuers:

1. Four (4) Indonesia properties – Kantor Jasa Penilai Publik (“KJPP”) Willson dan Rekan in association with Knight Frank (2020: One (1))
2. Twelve (12) Indonesia properties – Cushman & Wakefield VHS Pte. Ltd. in conjunction with KJPP Firman, Suryantoro, Sugeng, Suzy, Hartomo & Rekan (2020: Fifteen (15))
3. Three (3) Singapore properties – Cushman & Wakefield VHS Pte. Ltd. (2020: Savills Valuation and Professional Services (S) Pte. Ltd.)

As at 31 December 2021, the valuation reports of all the Group’s properties in Singapore and a property in Indonesia included a “material valuation uncertainty” due to the disruption to the market at that date caused by the COVID-19 outbreak. The external valuers have stated in their valuation reports that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. Due to the unknown future impact that COVID-19 pandemic might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

## 4 Investment properties (cont'd)

### Measurement of fair value (cont'd)

#### *Valuation techniques and inputs used in Level 3 fair value measurements (cont'd)*

The following table shows the valuation techniques used in measuring the fair value of investment properties, as well as the significant unobservable inputs used.

Valuation techniques	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
	Singapore	Indonesia	
<i>Direct comparison method:</i> The direct comparison method involves the analysis of comparable sales of similar properties and adjusting the sales price to those reflective of the investment properties under development.	Not applicable	Price per square metre ("psm"): \$593 (2020: Not applicable)	The estimated fair value would increase (decrease) if price psm was higher (lower).
<i>Income capitalisation method:</i> The income capitalisation method capitalises an income stream into a present value using single-year capitalisation rates.	Capitalisation rates ranging from: 6.75% to 7.00% (2020: 6.75% to 7.00%)	Not applicable	The higher the capitalisation rate, the lower the fair value.
<i>Discounted cash flow method:</i> The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value.	Growth rate: 2.00% (2020: 2.00%)	Growth rate: Affected properties <sup>1</sup> : Note A Non-affected properties <sup>2</sup> : Note B	The higher the growth rate in rental income, the higher the fair value.
	Discount rate: 8.75% (2020: 8.75%)	Discount rate: Affected properties: 11.84% to 11.90% (2020: 11.70%)  Non-affected properties: 9.34% to 9.60% (2020: 9.50% to 9.56%)	The higher the discount rate, the lower the fair value.
	Terminal capitalisation rate <sup>3</sup> : Not applicable (2020: 7.25% to 7.00%)	Terminal capitalisation rate <sup>4</sup> : Affected properties: 9.00% to 9.25% (2020: 9.00% to 9.25%)  Non-affected properties: 9.25% to 9.75% (2020: 9.25% to 9.98%)	The higher the terminal capitalisation rate, the lower the fair value.

## **4 Investment properties (cont'd)**

### **Measurement of fair value (cont'd)**

#### *Valuation techniques and inputs used in Level 3 fair value measurements (cont'd)*

- 1 The affected Indonesia properties comprise Siloam Hospitals Lippo Village, Siloam Hospitals Kebon Jeruk, Siloam Hospitals Surabaya, Mochtar Riady Comprehensive Cancer Centre, Siloam Hospitals Manado (excluding Hotel Aryaduta Manado), Siloam Hospitals Makassar, Siloam Hospitals Bali, Siloam Hospitals TB Simatupang, Siloam Hospitals Purwakarta, Siloam Sriwijaya, Siloam Hospitals Kupang (excluding Lippo Plaza Kupang), Siloam Hospitals Labuan Bajo, Siloam Hospitals Buton (excluding Lippo Plaza Buton) and Siloam Hospitals Yogyakarta.
- 2 The non-affected Indonesia properties comprise Imperial Aryaduta Hotel & Country Club, Siloam Hospitals Lippo Cikarang, Hotel Aryaduta Manado (excluding Siloam Hospitals Manado), Lippo Plaza Kupang (excluding Siloam Hospitals Kupang) and Lippo Plaza Buton (excluding Siloam Hospitals Buton).
- 3 The direct discounting analysis is applied in 2021 with the cashflow period projected until the end of the leasehold term of respective properties. No terminal capitalisation rate was applied for all properties located in Singapore as the land together with buildings are expected to be returned to the government upon the expiration of the term of the leasehold land.
- 4 No terminal capitalisation rate was used for the valuation of Siloam Sriwijaya, Siloam Hospitals Kupang & Lippo Plaza Kupang and Siloam Hospitals Buton & Lippo Plaza Buton whose respective agreements with the provincial governments only allow for a fixed lease period each.

Note A – The growth rate for the base rents for the affected Indonesia properties were at 4.50% (2020: 4.50%) as agreed in the restructured master lease agreements. The performance-based rent is at 8.00% (2020: 8.00%) of the affected Indonesia properties preceding financial year's hospital gross operating revenue. The adopted annual rent shall be the higher of base or performance-based rents.

Note B – The growth rate for the base rents of the non-affected Indonesia properties were capped at 2.00% (2020: 2.00%) of the preceding 12 months' base rent depending on the Consumer Price Index of Singapore. The variable rent is the amount equivalent from 0.00% to 2.00% (2020: 0.00% to 2.00%) of the tenant's gross revenue for the preceding calendar year, depending on the tenant's gross revenue growth.

## 5 Investments in subsidiaries

	<b>Trust</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Movements during the year, at cost:		
At 1 January	661,867	754,569
Redemption of redeemable preference shares	(27,473)	(17,245)
Reversal/(Allowance) for impairment losses	34,779	(75,457)
At 31 December	669,173	661,867
Total cost comprising:		
Unquoted equity shares at cost	414,292	414,292
Redeemable preference shares at cost	303,695	331,168
Allowance for impairment losses	(48,814)	(83,593)
Total at cost	669,173	661,867

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

Details of the subsidiaries are included in note 30.

### **Allowance for impairment loss on investments in subsidiaries**

At each reporting date, the Trust carried out impairment assessment of its investments in subsidiaries to assess whether there is any indication of impairment. The Trust evaluates, amongst other factors, the future profitability of the subsidiaries, including factors such as industry performance, operational and financing cash flows. The recoverable amounts were estimated by taking into consideration the net assets of the subsidiaries which comprised predominantly investment properties whose recoverable amounts were estimated using external valuation report.

The recoverable amount of the investments could change significantly as a result of the changes in market conditions and the assumptions used in determining the recoverable amount. Based on this assessment, the Trust reversed impairment loss of \$34,779,000 (2020: recognised an impairment loss of \$75,457,000) on its investments in subsidiaries.

## 6 Loan to a subsidiary

	<b>Trust</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Loan to a subsidiary:		
Non-current portion	25,465	30,288
Current portion	4,191	4,191
<b>Total</b>	<b>29,656</b>	<b>34,479</b>

The non-current portion of the loan to a subsidiary is unsecured, interest-bearing ranging from 3.12% to 3.49% (2020: 3.12% to 3.49%) per annum and is repayable by quarterly instalments over 20 years from 30 December 2010.

The current-portion of the loan to a subsidiary is unsecured, interest-free and repayable on demand.

The exposure of the Trust to credit risk is disclosed in note 29.

## 7 Trade and other receivables

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables:				
- Third parties	–	8,169	–	24
- Related parties	1,381	11,678	8	8
Less impairment allowance	–	(5,050)	–	–
<b>Trade receivables – net</b>	<b>1,381</b>	<b>14,797</b>	<b>8</b>	<b>32</b>
Other receivables:				
- Third parties	361	3,196	265	381
- Subsidiaries	–	–	11,581	10,542
- Related party (a)	30,746	27,035	918	–
Less impairment allowance	–	–	–	(567)
<b>Other receivables – net</b>	<b>31,107</b>	<b>30,231</b>	<b>12,764</b>	<b>10,356</b>
<b>Total trade and other receivables</b>	<b>32,488</b>	<b>45,028</b>	<b>12,772</b>	<b>10,388</b>

## 7 Trade and other receivables (cont'd)

- (a) The amount comprises progress payments made to a related party, PT Saputra Karya (“PT SK”), interest income on progress payments, and professional fees, in relation to the development works of a new Siloam Hospitals Surabaya in prior years which was no longer progressing. In 2020, a termination notice was served to PT SK to terminate the development work agreement. Of the \$30,746,000, \$918,000 relates to project expenses incurred by the Trust on behalf of a wholly-owned subsidiary of the Trust, PT Tata Prima Indah (“PT TPI”).

On 7 December 2021, PT TPI entered into a progress payments settlement agreement with LPKR and PT SK, where PT SK shall make payment to PT TPI of the amount of the progress payments of IDR281,250,090,000 (equivalent to \$27.0 million) and the interest of IDR28,001,721,252 (equivalent to \$2.7 million) by monthly instalments from January 2022 to June 2022.

In addition, PT TPI has on 7 December 2021 entered into a project expenses settlement agreement with PT SK and the Trustee to make payment to the Trust of the aggregate amount of the project expenses of \$0.9 million incurred by the Trust on behalf of PT TPI.

On 28 January 2022, the Group has obtained approval from the independent unitholders of First REIT for both the progress payments and project expenses settlement agreements.

Of the \$30,746,000 receivable from PT SK, \$606,000 for the first instalment on progress payments settlement agreement and \$918,000 on project expenses respectively have been subsequently received by the Group and the Trust during January 2022.

The exposure of the Group and the Trust to credit risk, market risk and impairment loss for trade and other receivables, are disclosed in note 29.

## 8 Other assets

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Prepayments	3,120	42	3,120	40
Prepaid other taxes	249	835	–	–
	3,369	877	3,120	40

## 9 Cash and cash equivalents

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Cash at banks	51,203	19,292	35,137	10,738

The rate of interest for the cash on interest-earning accounts is 0.20% to 0.33% (2020: 0.12% to 1.65%) per annum.

## 10 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Investment properties	20,601	19,968	–	–

Movement in deferred tax liabilities of the Group during the year are as follows:

	<b>Investment properties</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
At 1 January	19,968	38,236
Recognised in profit or loss (note 22)	471	(18,268)
Exchange differences	162	–
At 31 December	<u>20,601</u>	<u>19,968</u>

## 11 Borrowings

	<b>Group and Trust</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>		
Bank loan A (secured)	–	195,345
Bank loan B (secured)	99,258	–
	<u>99,258</u>	<u>195,345</u>
<b>Non-current</b>		
Bank loan A (secured)	–	194,972
Bank loan B (secured)	–	98,688
Bank loan C (secured)	249,953	–
	<u>249,953</u>	<u>293,660</u>
<b>Total</b>	<u>349,211</u>	<u>489,005</u>

In May 2019, the Trust drew down Bank loan B under a \$100 million syndicated secured financing facilities to refinance a maturing bank loan. Bank loan B consists of a 3-year Singapore dollar term loan and the amount under Bank loan B is due in May 2022.

## 11 Borrowings (cont'd)

On 24 December 2020, the Trustee entered into a facility agreement with two of the existing lenders, Oversea-Chinese Banking Corporation Ltd (“OCBC”) and CIMB Bank Berhad (“CIMB”) in respect of a facility of up to \$260 million to partly refinance Bank loan A. In March 2021, the Trust drew down Bank loan C amounting to \$252,374,000 under this \$260 million syndicated secured financing facility. Bank loan C and approximately \$140 million of the proceeds from the rights issue (note 16 (a)) were used to repay Bank loan A. Bank loan C consists of a 2-year Singapore dollar term loan and a 2-year Singapore dollar revolving credit facility loan. The amounts under Bank loan C are due in March 2023.

The Trust has entered into interest rate swaps arrangements to manage the interest rate risk exposure arising from a portion of the bank loans with floating rates (note 12).

The carrying amount of the current and non-current borrowings, which are at floating variable market rates, approximate their fair values at reporting date.

### Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

	Currency	Nominal interest rate	Year of maturity	2021 \$'000	2020 \$'000
<b>Group and Trust</b>					
Secured bank loan A	SGD	1.63% - 4.39% (2020: 1.62% - 3.76%)	2021	–	371,916
Secured bank loan A	USD	1.64% - 1.66% (2020: 1.67% - 3.44%)	2021	–	18,401
Secured bank loan B	SGD	2.23% - 2.38% (2020: 2.23% - 2.38%)	2022	99,258	98,688
Secured bank loan C	SGD	2.65% - 4.39% (2020: N/A)	2023	249,953	–
				349,211	498,005

The bank loan agreements provide among other matters for the following:

- 1) Legal mortgage over all the properties of the Group except for Siloam Hospitals Yogyakarta (2020: Sarang Hospital, Siloam Hospitals Surabaya and Siloam Hospitals Yogyakarta).
- 2) Assignment to the banks of all of the Group’s rights, titles, interests and benefits under any leases, tenancies, sales proceeds and cash flows in respect of the Indonesia properties and the Singapore properties except for Siloam Hospitals Yogyakarta (2020: Siloam Hospitals Surabaya and Siloam Hospitals Yogyakarta).
- 3) Assignment to the banks of all of the Group’s rights, titles and interests under the insurance policies in respect of the Indonesia properties and the Singapore properties, with the bank named as a “loss payee” except for Siloam Hospitals Yogyakarta (2020: Siloam Hospitals Surabaya and Siloam Hospitals Yogyakarta).



## 11 Borrowings (cont'd)

- 4) A debenture containing first fixed and floating charges over all assets and undertakings of the Trust's Singapore subsidiaries and subsidiaries of Trust's Singapore subsidiaries except for Kalmore Investments Pte. Ltd. and Icon1 Holdings Pte. Ltd. (2020: Siloam Hospitals Surabaya and Siloam Hospitals Yogyakarta).
- 5) Charge of all of the Trust's shares in the Singapore subsidiaries and subsidiaries of Trust's Singapore subsidiaries except for Kalmore Investments Pte. Ltd. and Icon1 Holdings Pte. Ltd. (2020: Kalmore Investments Pte. Ltd., Surabaya Hospitals Investment Pte. Ltd. and Icon1 Holdings Pte. Ltd.).
- 6) Charge of all of the Singapore subsidiaries' shares in the Indonesia subsidiaries except for the Joint-operation company, PT Yogya Central Terpadu (2020: PT Tata Prima Indah and Joint-operation company PT Yogya Central Terpadu).
- 7) A debenture by the Group covering first fixed and floating charges over all assets and undertakings in respect of the Singapore properties.
- 8) OUE Lippo Healthcare Limited's interest in the Trust directly and indirectly is at least at 8%.
- 9) OUE Limited's interest in First REIT Management Limited directly and indirectly is at least at 40%.
- 10) Compliance with certain financial covenants (note 29).

### Reconciliation of movements of liabilities to cash flows arising from financing activities

	<b>Liabilities</b>		
	<b>Borrowings</b>	<b>Interest</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January 2021	489,005	1,280	490,285
<b>Changes from financing cash flows</b>			
Proceeds from borrowings	252,374	–	252,374
Payment of transaction costs related to borrowings	(4,779)	–	(4,779)
Repayment of borrowings	(393,152)	–	(393,152)
Interest paid	–	(10,646)	(10,646)
<b>Total changes from financing cash flows</b>	<b>(145,557)</b>	<b>(10,646)</b>	<b>(156,203)</b>
<b>The effect of changes in foreign exchange rates</b>	<b>547</b>	<b>–</b>	<b>547</b>
<b>Other changes</b>			
<b>Liability-related</b>			
Amortisation of transaction costs	5,216	–	5,216
Interest expense	–	11,819	11,819
<b>Total liability-related other changes</b>	<b>5,216</b>	<b>11,819</b>	<b>17,035</b>
<b>Balance at 31 December 2021</b>	<b>349,211</b>	<b>2,453</b>	<b>351,664</b>

## 11 Borrowings (cont'd)

### Reconciliation of movements of liabilities to cash flows arising from financing activities (con't)

	<b>Liabilities</b>		
	<b>Borrowings</b>	<b>Interest payable</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January 2020	486,410	4,485	490,895
<b>Changes from financing cash flows</b>			
Interest paid	–	(17,918)	(17,918)
<b>Total changes from financing cash flows</b>	–	(17,918)	(17,918)
<b>The effect of changes in foreign exchange rates</b>	(518)	–	(518)
<b>Other changes</b>			
<b>Liability-related</b>			
Amortisation of transaction costs	3,113	–	3,113
Interest expense	–	14,713	14,713
<b>Total liability-related other changes</b>	3,113	14,713	17,826
<b>Balance at 31 December 2020</b>	<b>489,005</b>	<b>1,280</b>	<b>490,285</b>

## 12 Derivative financial instruments

	<b>Notional amounts</b>		<b>Group and Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current</b>				
<i>Derivative liabilities</i>				
Interest rate swaps	196,831	–	673	–
<b>Non-current</b>				
<i>Derivative liabilities</i>				
Interest rate swaps	–	196,831	–	3,866

The Group uses interest rate swaps to manage its exposure to interest rate movements on floating rate interest-bearing bank loans by swapping the floating rates on the bank loans to fixed rates. The fair values of the derivatives are measured based on the quote from financial institutions (Level 2).

### 13 Trade and other payables

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Trade payables:				
- Third parties	186	199	94	112
- Related party	8,218	8,345	8,218	8,345
	8,404	8,544	8,312	8,457
Other payables:				
- Third parties	10,462	8,750	6,150	5,140
- Subsidiaries	–	–	14,540	11,840
- Related party	22	22	–	–
	10,484	8,772	20,690	16,980
Total trade and other payables	18,888	17,316	29,002	25,437

The exposure of the Group and the Trust to liquidity risk is disclosed in note 29.

### 14 Other liabilities

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Rental income received in advance from tenants	2,284	8,148	105	103
Security deposits	4,860	1,959	1,998	1,959
	7,144	10,107	2,103	2,062

### 15 Perpetual securities

In 2016, the Trust issued \$60 million of subordinated perpetual securities at a fixed rate of 5.68% per annum, with the first distribution rate reset on 8 July 2021 and subsequent resets occurring every five years thereafter. The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms and conditions of the securities. The distribution will be payable semi-annually at the discretion of the Trust and will be non-cumulative. The distribution rate applicable to the perpetual securities in respect of the period from the first reset date (being 8 July 2021) to the immediately following reset date (being 8 July 2026) shall be 4.9817%, being the prevailing five-year swap offer rate of 1.0567% per annum with respect to the relevant reset date plus the initial spread of 3.925%, in accordance with the terms and conditions of the perpetual securities.

## 15 Perpetual securities (con't)

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank *pari passu* with holders of preferred units (if any) and rank ahead of the unitholders of Trust but junior to the claims of all present and future creditors of the Trust.
- The Trust shall not declare or pay any distributions to the unitholders, or make redemption, unless the Trust declares or pays any distributions to the perpetual securities holders.

These perpetual securities are classified as equity. An amount of \$3,205,000 and \$3,417,000 were reserved for distribution to perpetual securities holders for each of the reporting years ended 31 December 2021 and 31 December 2020 respectively. Management has taken the view that as there is no contractual obligation to repay the principal or to pay any distributions, the perpetual securities do not meet the definition for classification as a financial liability under FRS 32 *Financial Instruments: Disclosure and Presentation*. The perpetual securities are presented within equity, and the distributions treated as dividends.

## 16 Units in issue and net assets value attributable to unitholders

	Note	Group and Trust	
		2021 '000	2020 '000
At 1 January		807,206	797,675
Issuance of new units for rights issue exercise	(a)	791,062	–
Issuance of new units as settlement of management fees	(b)	14,760	9,531
At 31 December		1,613,028	807,206

- (a) A total of 791,062,000 (2020: nil) new units at an issue price of \$0.20 per unit were issued in respect of the rights issue exercise.

The proceeds of the rights issue, which was completed on 24 February 2021, was mainly used for the purpose of (a) repaying part of the Bank loan A (note 11) and (b) payment of professional fees incurred by the Trust in connection to the loan refinancing exercise.

- (b) A total of 14,760,000 (2020: 9,531,000) new units at an issue price range from \$0.2358 to \$1.0013 (2020: \$0.4668 to \$1.0013) per unit were issued in respect of the settlement for the Manager's management fees to the Manager.

At the end of the reporting year, 3,303,000 (2020: 3,493,000) units were issuable as settlement for the Manager's management fees for the last quarter of the reporting year.

## 16 Units in issue and net assets value attributable to unitholders (cont'd)

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

The Trust does not hold any treasury units and there is no subsidiary holding as at the end of the current financial period and as at the end of the corresponding period of the immediately preceding financial year.

Under the Trust Deed, every unit carries the same voting rights. Each unit represents an equal and undivided beneficial interest in the assets of the Trust. Units have no conversion, retraction, redemption or pre-emptive 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 the annual report of the Trust; and
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust.

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

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

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

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

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net assets value attributable to unitholders	591,145	403,092	341,394	170,064
Net assets value per unit in cents attributable to unitholders	36.65	49.94	21.16	21.07

## 17 Rental and other income

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Rental income from investment properties	101,428	79,316	4,226	3,375
Government grant from rental relief framework	–	303	–	303
Other income	918	–	918	–
Dividend income from subsidiaries	–	–	34,643	29,519
	102,346	79,619	39,787	33,197

Included in rental income of the Group is variable rent of \$714,000 (2020: \$4,062,000) and adjustment on rental straight-lining of \$22,703,000 (2020: \$nil) (note 4).

In 2020, government grants were provided to property owners as rental relief which in turn provided the necessary rental relief to their eligible tenants of the prescribed properties under the rental relief framework in Singapore.

During the year, the Group has provided a total of \$699,000 (2020: \$38,547,000) COVID-19 pandemic relief measures as part of its tenants support measures via rental rebates to the affected tenants during the period.

## 18 Property operating expenses

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Property tax expense	202	–	202	–
Valuation expenses	320	242	31	35
Professional fees	747	860	–	–
Impairment allowance on trade and other receivables	632	842	–	–
Others	229	210	–	11
	2,130	2,154	233	46

## 19 Manager's management fees

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Base fees	4,145	5,552	4,101	5,508
Performance fees	4,965	3,858	4,965	3,858
	9,110	9,410	9,066	9,366

## 20 Finance costs

	<b>Group and Trust</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest expense	11,819	14,713
Amortisation of transaction costs	5,216	3,113
	17,035	17,826

## 21 Other expenses

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Handling and processing fees	274	287	274	287
Professional fees	766	455	677	455
Project expenses	965	4,795	965	4,795
Others	239	168	313	150
	2,244	5,705	2,229	5,687

Included in the professional fees are the following:

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Included in the professional fees are the following:				
Auditors of the Trust	537	250	397	136
Other auditors	136	214	–	–
	–	88	–	88
Non-audit fees paid/payable to:				
Auditors of the Trust	–	88	–	88
Other auditors	–	12	–	12
	–	12	–	12

## 22 Income tax expenses/(benefit)

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<b>Current tax expense</b>				
Current year	7,551	7,855	–	–
<b>Withholding tax</b>	4,675	4,591	–	–
<b>Deferred tax expense/ (income)</b>	471	(18,268)	–	1,467
<b>Total income tax expenses/(benefit)</b>	12,697	(5,882)	–	1,467

### Reconciliation of effective tax rate

	Group		Trust	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Total return/(loss) for the year the before income tax	75,810	(358,232)	50,095	(77,317)
Tax using Singapore tax rate of 17% (2020: 17%)	12,888	(60,899)	8,516	(13,144)
Effect of tax rates in foreign jurisdictions	(7,900)	46,370	–	–
Tax-exempt income	(461)	–	(11,898)	–
Non-deductible expenses	4,176	4,572	4,063	15,067
Foreign withholding tax	4,675	4,591	–	–
Tax transparency	(681)	(456)	(681)	(456)
	12,697	(5,822)	–	1,467



## 23 Earnings per unit

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
Total return/(loss) attributable to unitholders (\$'000)	59,908	(355,827)
Weighted average number of units during the year ('000)	1,499,382	802,634
Adjustment for effect of right issue <sup>1</sup> ('000)	–	49,090
Weighted average number of units during the year	1,499,382	851,724
Earnings per unit (in cents)		
Basic and diluted	4.00	(41.78) <sup>1</sup>

<sup>1</sup> The weighted average number of units in 2020 has been adjusted to reflect the bonus element in the new units pursuant to the issuance of rights units on 24 February 2021. Prior year comparative for earnings per unit was restated through retrospective application of a bonus factor to the weighted average number of units. The bonus factor is derived from the division of fair value per unit immediately before the exercise of rights by the theoretical ex-rights fair value.

There were no potential dilutive units for the years ended 31 December 2021 and 31 December 2020. As such, the total return/(loss) attributable to unitholders and the weighted average number of units used in the calculation of diluted earnings per unit are the same as those used in the calculation of basic earnings per unit.

## 24 Distributions to unitholders

	<b>Group and Trust</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Distribution of 0.84 cents per unit for the period from 1 October 2020 to 31 December 2020 (2.15 cents per unit for the period from 1 October 2019 to 31 December 2019)	6,780	17,200
Distribution of 0.65 cents per unit for the period from 1 January 2021 to 31 March 2021 (1.86 cents per unit for the period from 1 January 2020 to 31 March 2020)	10,443	14,880
Distribution of 0.65 cents per unit for the period from 1 April 2021 to 30 June 2021 (0.44 cents per unit for the period from 1 April 2020 to 30 June 2020)	10,460	3,540
Distribution of 0.65 cents per unit for the period from 1 July 2021 to 30 September 2021 (1.01 cents per unit for the period from 1 July 2020 to 30 September 2020)	10,485	8,153
	38,168	43,773
	38,168	43,773

On 10 February 2022, the Manager declared a distribution of 0.66 cents per unit, amounting to \$10,732,000, in respect of the period from 1 October 2021 to 31 December 2021.

Current distribution policy:

The Trust's current distribution policy is to distribute at least 90.0% (2020: 90.0%) of its taxable and tax-exempt income (after deduction of applicable expenses) and certain capital receipts. The capital receipts comprise amounts received by the Trust from redemption of redeemable preference shares and shareholder loans in the Singapore subsidiaries.

## 25 Financial ratios

	Group		Trust	
	2021	2020	2021	2020
Expenses to average net assets attributable to unitholders ratio - excluding performance related fees <sup>(1)</sup>	0.79%	1.95%	2.56%	5.07%
Expenses to average net assets attributable to unitholders ratio - including performance related fees <sup>(1)</sup>	1.79%	2.59%	4.50%	6.76%
Portfolio turnover ratio <sup>(2)</sup>	2.78%	N/M	N/M	N/M
Total operating expenses (\$'000) <sup>(3)</sup>	11,033	11,864	11,751	16,987
Total operating expenses to net asset value ratio <sup>(3)</sup>	(0.28%)	2.94%	3.44%	9.99%

<sup>(1)</sup> The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore dated 25 May 2005. The expenses used in the computation relate to expenses excluding any property related expenses, interest expenses, foreign exchange losses, tax deducted at source and costs associated with the purchase of investments.

<sup>(2)</sup> Turnover ratio means the number of times per year that a dollar of assets is reinvested. It is calculated based on the lesser of purchases or sales of underlying investments of a scheme expressed as a percentage of daily average net asset value.

<sup>(3)</sup> The revised CIS Code dated 16 April 2020 requires disclosure of the total operating expenses of the property fund, including all fees and charges paid to the Manager and interested parties (in both absolute terms, and as a percentage of the property fund's net asset value as at the end of the financial year) and taxation incurred in relation to the property fund's real estate assets.

N/M – Not meaningful as there was no sale of investment property during financial year ended 31 December 2020.

## 26 Leases

### Leases as lessor (FRS 116)

#### Operating lease

The Group and the Trust lease out its investment properties (note 4) under non-cancellable leases. The Group and the Trust have classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Information about the operating leases of investment properties are set out in statements of portfolio.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Less than one year	75,621	118,493	4,235	4,152
One to two years	76,280	88,016	4,312	4,235
Two to three years	79,270	88,101	4,414	4,320
Three to four years	82,236	88,187	4,495	4,406
Four to five years	81,179	88,275	4,584	4,495
More than five years	851,566	167,485	1,577	1,542
<b>Total</b>	<b>1,246,152</b>	<b>638,557</b>	<b>23,617</b>	<b>23,150</b>

## 27 Significant related party transactions

Other than disclosed elsewhere in the financial statements, the following significant transactions took place between the Group, the Trust and related parties at terms agreed between the parties during the financial year:

	<b>Note</b>	<b>Group</b>		<b>Trust</b>	
		<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Property rental income		90,807	57,360	–	–
<b>The Manager</b>					
Management fees		(9,110)	(9,410)	(9,066)	(9,366)
<b>The Trustee</b>					
Trustee fees		(311)	(416)	(311)	(416)

## **28 Operating segments**

### **Information about reportable segment profit or loss and assets**

The Group is engaged in a single business of investing in investment properties in the healthcare and/or healthcare related sector. As at 31 December 2021, the Group had two reportable operating segments: Indonesia operations and Singapore operations (2020: three operating segments: Indonesia operations, Singapore operations and South Korea operations). For management purposes the Group is organised into one major strategic operating segment that offers all the investment properties for healthcare and/or healthcare related purposes.

The geographical segment represents the Group's distinguishable components which provide products or services within a particular economic environment (location) and this component contains risks and returns that are different from those components which operate in other economic environments (locations). The liabilities are not analysed as the largest amount, namely the borrowings, are centrally managed.

There are no significant inter-segment transactions. The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies in note 3.4.

## 28 Operating segments (cont'd)

The management reporting system evaluates performances based on a number of factors. However the primary financial performance measurement is to evaluate the properties based on their returns and yields.

	<b>Indonesia</b> <b>\$'000</b>	<b>Singapore</b> <b>\$'000</b>	<b>South Korea<sup>1</sup></b> <b>\$'000</b>	<b>Total</b> <b>\$'000</b>
<b>2021</b>				
<b>Profit or loss reconciliation</b>				
Rental and other income	96,631	5,144	571	102,346
Impairment allowance on trade receivables	–	–	(632)	(632)
Net property income and other income	95,646	4,689	(119)	100,216
Interest income	124	22	–	146
Manager's management fees				(9,110)
Trustee fees				(311)
Finance costs	–	(17,035)	–	(17,035)
Other expenses				(2,244)
Net income				71,662
Net fair value losses on investment properties	(3,756)	(764)	–	(4,520)
Gains on disposal of an investment property	–	–	1,607	1,607
Gains on disposal of a subsidiary	–	–	1,106	1,106
Net fair value losses of derivative financial instruments				3,193
Net foreign exchange gains				2,762
Total return before income tax				75,810
Income tax expense	(12,697)	–	–	(12,697)
Total return after income tax				63,113
<b>Assets</b>				
Segment assets including investment properties	975,284	74,251	–	1,049,535
Total assets				1,049,535

<sup>1</sup> Disposed in August 2021.

## 28 Operating segments (con't)

	Indonesia \$'000	Singapore \$'000	South Korea \$'000	Total \$'000
<b>2020</b>				
<b>Profit or loss reconciliation</b>				
Rental and other income	75,129	3,678	812	79,619
Impairment allowance on trade receivables	–	–	(842)	(842)
Net property income and other income	74,249	3,353	(137)	77,465
Interest income	1,345	91	–	1,436
Manager's management fees				(9,410)
Trustee fees				(416)
Finance costs	–	(17,826)	–	(17,826)
Other expenses				(5,705)
Net income				45,544
Net fair value losses on investment properties	(396,641)	(912)	(3,834)	(401,387)
Net fair value losses of derivative financial instruments				(2,391)
Net foreign exchange gains				2
Total return before income tax				(358,232)
Income tax benefit/(expense)	6,961	(1,467)	328	5,822
Total return after income tax				(352,410)
<b>Assets</b>				
Segment assets including investment properties	953,431	45,102	6,375	1,004,908
Total assets				1,004,908

Income is attributed to countries on the basis of the location of the investment properties. The non-current assets comprises mainly of investment properties which are analysed by the geographical area in which the assets are located (see the statements of portfolio for the carrying value of these assets).

Income from the Group's top one and top two customers in Indonesia in aggregate amounted to \$90,807,000 and \$96,639,000 (2020: \$65,413,000 and \$75,128,000) respectively.

## **29 Financial instruments**

### **Financial risk management**

#### **Overview**

The Group has exposure to credit risk, liquidity risk and market risk arising from financial instruments.

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

#### **Risk management framework**

The Board of Directors of the Manager has overall responsibility for the establishment and oversight of the risk management framework of the Group. The Audit and Risk Committee of the Manager assists the Board of Directors and oversees how the Manager monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit and Risk Committee reports regularly to the Board of Directors on its activities.

#### **Credit risk**

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

The carrying amounts of financial assets in the statements of financial position represent the Group's and the Trust's maximum exposure to credit risk, before taking into account any collateral held. Security deposits are received, where appropriate, to reduce credit risk.

#### ***Trade and other receivables***

The Manager has established credit limits for tenants, obtained security deposits and/or bank guarantees (where applicable) and monitors their balances on an on-going basis. Credit evaluations are performed by the Manager before lease agreements are entered into with tenants.

One of the tenants in Singapore has provided a bank guarantee in lieu of security deposits of \$1,485,000 (2020: \$1,456,000). The lessees, LPKR and its subsidiaries, have provided bank guarantees of \$44,918,000 (2020: \$50,330,000) in lieu of security deposits for rental income from the properties. These guarantees which expired in 2021 have been renewed up to October and December 2022 as appropriate.



## 29 Financial instruments (cont'd)

### *Exposure to credit risk*

The exposure to credit risk for trade receivables at the reporting date by geographic region was as follows:

	<b>Group</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Indonesia	1,381	14,773
Singapore	–	24
	1,381	14,797

### *Expected credit loss assessment for trade receivables*

The Group uses an allowance matrix to measure the lifetime ECL of trade receivables from individual tenants. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates (including the impact of the COVID-19 pandemic) are analysed. The Group has only a few tenants and for which credit risk can be graded individually. Loss allowance will be recognised for receivables from tenants if there is a significant increase in credit risk since the initial recognition. The loss allowance for trade receivables as at 31 December 2021 is insignificant.

The following table provides information about the exposure to credit risk and ECLs for trade receivables:

	<b>Group</b>			
	<b>Gross</b>	<b>Impairment</b>	<b>Gross</b>	<b>Impairment</b>
	<b>carrying</b>		<b>carrying</b>	
	<b>amount</b>	<b>loss allowance</b>	<b>amount</b>	<b>loss allowance</b>
<b>2021</b>	<b>2021</b>	<b>2020</b>	<b>2020<sup>1</sup></b>	
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Past due less than 30 days	1,168	–	4,119	–
Past due 31 to 60 days	–	–	3,942	(162)
Past due 61 to 90 days	205	–	189	–
Past due over 90 days	8	–	11,597	(4,888)
	1,381	–	19,847	(5,050)

<sup>1</sup> The loss allowance of \$5,050,000 as at 31 December 2020 was due to the receivables from the tenant of Sarang Hospital, which was disposed in August 2021.

### *Non-trade amounts due from subsidiaries and loan to a subsidiary*

The Trust holds non-trade receivables from its subsidiaries of \$11,581,000 (2020: \$10,542,000) and loan to a subsidiary of \$29,656,000 (2020: \$34,479,000). These balances are amounts lent to subsidiaries to satisfy their funding requirements. Impairment on these balances has been measured on the 12-month expected credit loss basis. The amount of the allowance on non-trade receivables from its subsidiaries was negligible (2020: \$567,000) as at 31 December 2021.

## 29 Financial instruments (cont'd)

### *Exposure to credit risk (cont'd)*

Movement in allowance for impairment losses in respect of trade and other receivables during the year were as follows:

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 1 January	(5,050)	(4,324)	(567)	(567)
Impairment losses (recognised)/reversed	(632)	(842)	567	–
Utilised	5,682	–	–	–
Effect of movements in exchange rates	–	116	–	–
At 31 December	<u>–</u>	<u>(5,050)</u>	<u>–</u>	<u>(567)</u>

### *Derivatives*

Derivative are entered into with bank and financial institution counterparties with sound credit rating.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statement of financial position.

### *Cash and cash equivalents*

Cash and cash equivalents are held with bank and financial institution counterparties that have a sound credit rating.

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.

### **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.

As at 31 December 2021, the Group has \$100.0 million borrowings due in May 2022. The Manager has assessed the sources of funding available to the Group which include the ability to obtain refinancing and available funds from operations to the Group as at 31 December 2021 and is confident that the refinancing will be successfully completed.

## 29 Financial instruments (cont'd)

### Liquidity risk (cont'd)

The Manager monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

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

	<b>Carrying amount \$'000</b>	<b>Contractual cash outflows \$'000</b>	<b>Within 1 year \$'000</b>	<b>Within 2 to 5 years \$'000</b>
<b>Group</b>				
<b>2021</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	349,211	(365,283)	(107,109)	(258,174)
Trade and other payables	18,888	(18,888)	(18,888)	–
	<u>368,099</u>	<u>(384,171)</u>	<u>(125,997)</u>	<u>(258,174)</u>
<b>Derivative financial liabilities</b>				
Interest rate swaps (net-settled)	673	(673)	(673)	–
	<u>368,772</u>	<u>(384,844)</u>	<u>(126,670)</u>	<u>(258,174)</u>
<b>2020</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	489,005	(492,375)	(195,662)	(296,713)
Trade and other payables	17,316	(17,316)	(17,316)	–
	<u>506,321</u>	<u>(509,691)</u>	<u>(212,978)</u>	<u>(296,713)</u>
<b>Derivative financial liabilities</b>				
Interest rate swaps (net-settled)	3,866	(3,866)	–	(3,866)
	<u>510,187</u>	<u>(513,557)</u>	<u>(212,978)</u>	<u>(300,579)</u>

## 29 Financial instruments (cont'd)

### Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash outflows \$'000	Within 1 year \$'000	Within 2 to 5 years \$'000
<b>Trust</b>				
<b>2021</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	349,211	(365,283)	(107,109)	(258,174)
Trade and other payables	29,002	(29,002)	(29,002)	–
	<u>378,213</u>	<u>(394,285)</u>	<u>(136,111)</u>	<u>(258,174)</u>
<b>Derivative financial liabilities</b>				
Interest rate swaps (net-settled)	673	(673)	(673)	–
	<u>378,886</u>	<u>(394,958)</u>	<u>(136,784)</u>	<u>(258,174)</u>
<b>2020</b>				
<b>Non-derivative financial liabilities</b>				
Borrowings	489,005	(492,375)	(195,662)	(296,713)
Trade and other payables	25,437	(25,437)	(25,437)	–
	<u>514,442</u>	<u>(517,812)</u>	<u>(221,099)</u>	<u>(296,713)</u>
<b>Derivative financial liabilities</b>				
Interest rate swaps (net-settled)	3,866	(3,866)	–	(3,866)
	<u>518,308</u>	<u>(521,678)</u>	<u>(221,099)</u>	<u>(300,579)</u>

## 29 Financial instruments (cont'd)

### Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, will affect the Group's total return 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.

### Currency risk

The Group operates predominantly in Indonesia and Singapore. Entities in the Group regularly transact in currencies other than their respective functional currencies ("foreign currencies"). Currency risk arises within entities in the Group when transactions are denominated in foreign currencies other than the functional currencies of respective entity such as the US dollar ("USD") and Singapore dollar ("SGD").

The Group's exposures to various foreign currencies are shown in SGD, translated using the spot rate as at 31 December as follows:

	<b>Group</b>	<b>Trust</b>
	<b>Other payables</b>	<b>Secured bank loan</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>2021</b>		
SGD	263,790	–
<b>2020</b>		
USD	–	18,401

### Sensitivity analysis

A 5% strengthening of the functional currencies of the respective entity against the following currencies at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. A similar weakening would have the equal but opposite effect. This analysis assumes that all other variables, in particular interest rate, remain constant.

	<b>Profit or loss</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>		
SGD	13,190	–
USD	–	920
<b>Trust</b>		
USD	–	920

## 29 Financial instruments (cont'd)

### *Interest rate risk*

The Manager's strategy to manage the risk of potential interest rate volatility may be through the use of interest rate hedging instruments and/or fixed rate borrowings. The Manager will regularly evaluate the feasibility of putting in place the appropriate level of interest rate hedges, after taking into account the prevailing market conditions.

Derivative financial instruments are used to manage exposures to interest rate risks arising from financing activities. Derivative financial instruments are not used for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The Group's exposure to interest rate risk arises primarily from its variable-rate borrowings. The Group's policy is to obtain the most favourable interest rates available without increasing its interest risk exposure.

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

	<b>Group and Trust</b>	
	<b>Nominal amount</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Variable rate instruments</b>		
Effect of borrowings	(349,211)	(489,005)
Interest rate swaps	196,831	196,831
	(152,380)	(292,174)
	(152,380)	(292,174)

### *Fair value sensitivity analysis for fixed rate instruments*

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

## 29 Financial instruments (cont'd)

### *Interest rate risk (cont'd)*

#### *Sensitivity analysis for variable rate instruments*

For variable instruments, a change of 100 basis points in interest rates at the reporting date would impact profit or loss (before any tax effects) by the amount shown below. This analysis assumes that all other variables remain constant.

	<b>Profit or loss</b>	
	<b>100 bp increase \$'000</b>	<b>100 bp decrease \$'000</b>
<b>Group and Trust</b>		
<b>31 December 2021</b>		
Variable rate instruments	(1,524)	1,524
<b>31 December 2020</b>		
Variable rate instruments	(2,922)	2,922

### **Capital management**

The Manager's principal objectives are to deliver regular and stable distributions to Unitholders and to achieve sustainable long-term growth in distributions and in the net asset value per unit, while maintaining an appropriate capital structure. Capital consists of all components of equity of the Group.

The Group's capital funding objectives are to maintain a strong statement of financial position, manage the cost of debt financing, and potential refinancing or repayment risks, secure diversified funding sources and implement appropriate hedging strategies to manage interest rate volatility and foreign exchange exposure, after taking into account prevailing market conditions.

The Trust and its subsidiaries are subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS Code issued by the MAS. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% (2020: 45.0%) of its Deposited Property. The MAS had proposed for S-REITs to have a new minimum interest coverage ratio ("ICR") of 2.5 times before they are allowed to increase their leverage to beyond the prevailing 45% limit (up to 50%) with effective from 1 January 2022.

The Aggregate Leverage of the Group as at 31 December 2021 was 33.6% (2020: 49%) of its Deposited Property with an ICR of 5.4 times (2020: 3.6 times).

## 29 Financial instruments (cont'd)

The Manager monitors the level, nature of debt and leverage ratios, along with the compliance with financial covenants on quarterly basis to ensure that sufficient resources exist. The Group aims to maintain a healthy debt-to-adjusted capital ratio as part of its long-term policy of ensuring that the Group maintains a good credit rating and lowers its weighted average cost of capital. Net debt is calculated as total debt less cash and cash equivalents. Adjusted capital comprises all components of equity.

	<b>Group</b>		<b>Trust</b>	
	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Net debt:				
All external borrowings	349,211	489,005	349,211	489,005
Less: cash and cash equivalents	(51,203)	(19,292)	(35,137)	(10,738)
Net debt	<u>298,008</u>	<u>469,713</u>	<u>314,074</u>	<u>478,267</u>
Adjusted capital:				
Issued equity	481,450	353,466	481,450	353,466
Retained earnings/ (Accumulated losses)	104,874	48,510	(140,056)	(183,402)
Foreign exchange reserve	4,821	1,116	–	–
Perpetual securities	60,675	60,878	60,675	60,878
Adjusted capital	<u>651,820</u>	<u>463,970</u>	<u>402,069</u>	<u>230,942</u>
Debt-to-adjusted capital ratio	<u>45.72%</u>	<u>101.24%</u>	<u>78.11%</u>	<u>207.09%</u>

The only externally imposed capital requirement is that for the Trust to maintain its listing on the SGX-ST, it must have a free float of at least 10% of the units in issue. The Manager monitors the non-free float through reports provided by the registrar on a quarterly basis to ensure that the Trust has complied with the SGX-ST's 10% limit throughout the reporting year.



## 29 Financial instruments (cont'd)

### Accounting classifications and fair values

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

Group	Derivative financial instruments \$'000	Financial assets at amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>31 December 2021</b>								
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments								
– interest rate swaps	(673)	–	–	(673)	–	(673)	–	(673)
<b>31 December 2020</b>								
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments								
– interest rate swaps	(3,866)	–	–	(3,866)	–	(3,866)	–	(3,866)

## 29 Financial instruments (cont'd)

### Accounting classifications and fair values (cont'd)

Trust	Derivative financial instruments \$'000	Financial assets at amortised cost \$'000	Other financial liabilities \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>31 December 2021</b>								
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments								
– interest rate swaps	(673)	–	–	(673)	–	(673)	–	(673)
<b>31 December 2020</b>								
<b>Financial liabilities measured at fair value</b>								
Derivative financial instruments								
– interest rate swaps	(3,866)	–	–	(3,866)	–	(3,866)	–	(3,866)

## 30 Listing of entities in the Group

The following are the Group's subsidiaries:

Name of company	Principal activities	Country of incorporation	% of paid-up capital held by			
			The Trust		Subsidiaries	
			2021	2020	2021	2020
			%	%	%	%
<b>Subsidiaries</b>						
Rhuddlan Investments Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Globalink Investments Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Great Capital Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Finura Investments Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Sriwijaya Investment I Pte. Ltd.	Investment holding	Singapore	100	100	–	–
IAHCC Investment Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Surabaya Hospitals Investment Pte. Ltd.	Investment holding	Singapore	100	100	–	–
SHKP Investment I Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Icon1 Holdings Pte. Ltd.	Investment holding	Singapore	100	100	–	–
SHLB Investment I Pte. Ltd.	Investment holding	Singapore	100	100	–	–
SHButon Investment I Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Raglan Investment Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Gold Capital Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Platinum Strategic Investments Pte. Ltd.	Investment holding	Singapore	100	100	–	–
GOT Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Lovage International Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Henley Investments Pte Ltd.	Investment holding	Singapore	100	100	–	–
Primerich Investments Pte Ltd.	Investment holding	Singapore	100	100	–	–
Kalmore Investments Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Icon1 Holdings Pte. Ltd.	Investment holding	Singapore	100	100	–	–
Higrade Capital Pte. Ltd.	Investment holding	Singapore	–	–	100	100
Ultra Investments Pte. Ltd.	Investment holding	Singapore	–	–	100	100

## 30 Listing of entities in the Group (cont'd)

Name of company	Principal activities	Country of incorporation	% of paid-up capital held by			
			The Trust		Subsidiaries	
			2021	2020	2021	2020
			%	%	%	%
<b>Subsidiaries</b>						
Carmathen Investments Pte. Ltd.	Investment holding	Singapore	–	–	100	100
Caernarfon Investments Pte. Ltd.	Investment holding	Singapore	–	–	100	100
Glamis Investments Pte. Ltd.	Investment holding	Singapore	–	–	100	100
Sriwijaya Investment II Pte. Ltd.	Investment holding	Singapore	–	–	100	100
SHKP Investment II Pte. Ltd.	Investment holding	Singapore	–	–	100	100
SHButon Investment II Pte. Ltd.	Investment holding	Singapore	–	–	100	100
SHLB Investment II Pte. Ltd.	Investment holding	Singapore	–	–	100	100
Fortuna Capital Pte. Ltd.	Investment holding	Singapore	–	–	100	100
Key Capital Pte. Ltd.	Investment holding	Singapore	–	–	100	100
Kalmore (Korea) Limited <sup>(b)</sup>	Property holding – Sarang Hospital	South Korea	–	–	–	100
PT Bayutama Sukses <sup>(a)</sup>	Property holding – Siloam Hospitals Makassar	Indonesia	–	–	100	100
PT Graha Indah Pratama <sup>(a)</sup>	Property holding – Siloam Hospitals Kebon Jeruk	Indonesia	–	–	100	100
PT Graha Pilar Sejahtera <sup>(a)</sup>	Property holding – Siloam Hospitals Lippo Cikarang	Indonesia	–	–	100	100
PT Karya Sentra Sejahtera <sup>(a)</sup>	Property holding – Imperial Aryaduta Hotel & Country Club	Indonesia	–	–	100	100
PT Menara Abadi Megah <sup>(a)</sup>	Property holding – Siloam Hospitals Manado & Hotel Aryaduta Manado	Indonesia	–	–	100	100

### 30 Listing of entities in the Group (cont'd)

Name of company	Principal activities	Country of incorporation	% of paid-up capital held by			
			The Trust		Subsidiaries	
			2021	2020	2021	2020
			%	%	%	%
<b>Subsidiaries</b>						
PT Primatama Cemerlang <sup>(a)</sup>	Property holding – Mochtar Riady Comprehensive Cancer Centre	Indonesia	–	–	100	100
PT Sentra Dinamika Perkasa <sup>(a)</sup>	Property holding – Siloam Hospitals Lippo Village	Indonesia	–	–	100	100
PT Tata Prima Indah <sup>(a)</sup>	Property holding – Siloam Hospitals Surabaya	Indonesia	–	–	100	100
PT Dasa Graha Jaya <sup>(a)</sup>	Property holding – Siloam Hospitals Bali	Indonesia	–	–	100	100
PT Eka Dasa Parinama <sup>(a)</sup>	Property holding – Siloam Hospitals Purwakarta	Indonesia	–	–	100	100
PT Sriwijaya Mega Abadi <sup>(a)</sup>	Property holding – Siloam Sriwijaya	Indonesia	–	–	100	100
PT Nusa Bahana Niaga <sup>(a)</sup>	Property holding – Siloam Hospitals Kupang & Lippo Plaza Kupang	Indonesia	–	–	100	100
PT Buton Bangun Cipta <sup>(a)</sup>	Property holding – Siloam Hospitals Buton & Lippo Plaza Buton	Indonesia	–	–	100	100
PT Prima Labuan Bajo <sup>(a)</sup>	Property holding – Siloam Hospitals Labuan Bajo	Indonesia	–	–	100	100
PT Perisal Dunia Sejahtera <sup>(a)</sup>	Property holding – Siloam Hospitals TB Simatupang	Indonesia	–	–	100	100
<b>Joint operation held by subsidiary, Icon1 Holdings Pte. Ltd.</b>						
PT Yogya Central Terpadu <sup>(a)</sup> (Note A)	Property holding – Siloam Hospitals Yogyakarta	Indonesia	–	–	31%	31%

## **30 Listing of entities in the Group (cont'd)**

All subsidiaries are audited by KPMG LLP, Singapore except as indicated below:

- <sup>(a)</sup> RSM Indonesia, member firm of RSM International, is the statutory auditors of entities.
- <sup>(b)</sup> Disposed during 2021.

### Note A

In 2017, the Trust and Lippo Malls Indonesia Retail Trust entered into a joint venture deed (the “Deed”) to jointly own the Yogyakarta property through PT Yogya Central Terpadu (“PT YCT”) subsequent to the approval of the relevant licenses. Icon1 Holdings Pte. Ltd. (“Icon1”) transferred 18,850,000 of its existing Class A shares to Icon2 Investment Pte. Ltd. (“Icon2”). As a result, Icon1 holds 66,150,000,000 Class A shares and Icon2 holds 142,500,000,000 Class B shares in PT YCT. As holders of Class A shares, Icon1 has the exposure to all the economic rights, obligations, revenue, profits and dividends in respect of the hospital component. Icon2 has exposure to all the economic rights, obligations, revenue, profits and dividends in respect of the retail mall component.

Any non-property-related common expenses of the hospital and retail mall component are borne by Icon1 and Icon2 in the proportion of 31% and 69% respectively. All property-related common expenses of the hospital component are borne by Icon1.

## **31 Subsequent events**

There were the following events subsequent to the reporting date:

- (i) On 28 January 2022, the Group has obtained Unitholders’ approval for the proposed acquisition from a related party, OUE Lippo Healthcare Limited (“OUE LH”) of 100% of the issued and paid-up share capital of each of:
  - a) OUE Japan Medical Facilities Pte. Ltd. (“JMF”), which owns a 100% interest in 12 nursing homes located in Japan, for an aggregate purchase consideration of approximately \$163.2 million (subject to post-completion adjustments) (the “JMF Acquisition”); and
  - b) OUE LH Japan Medical Assets Pte. Ltd. for a purchase consideration of approximately \$0.3 million (subject to post-completion adjustments).

The Group has also obtained Unitholders’ approval on the proposed issue of 431,147,541 new units as partial consideration for the JMF Acquisition (the “Consideration Units”) to OLH Healthcare Investments Pte. Ltd., which has been nominated by OUE LH as the vendor of the 100% of the issued and paid-up share capital of JMF to receive the Consideration Units.

- (ii) On 17 February 2022, the Trust issued 1,570,030 new units at the issuance price of \$0.2985 per unit, amounting to \$469,000, to the Manager as partial payment of management base fee for the period from 1 October 2021 to 31 December 2021. The issue price was based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the quarter.

## **31 Subsequent events (cont'd)**

- (iii) On 17 February 2022, the Trust issued 1,732,556 new units at the issuance price of \$0.2848 per unit, amounting to \$493,000, to the Manager as payment of 50% of the management performance fee for the period from 1 October 2020 to 31 December 2020. The issue price was based on the volume weighted average traded price for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the quarter.

## **32 Comparative information**

The financial statements for the year ended 31 December 2020 were audited by another firm of Chartered Accountants whose report dated 24 March 2021 expressed an unmodified opinion on those statements.