STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group		Trust	
		2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current assets					
Plant and equipment	4	3,290	2,813	1,849	1,414
Investment properties	5	10,415,843	9,411,000	8,203,845	7,499,000
Investment properties under development	6	–	664,576	–	433,165
Subsidiaries	7	–	–	2,130,270	1,709,581
Associate and joint ventures	8	840,851	1,020,504	593,041	719,405
Equity instrument at fair value	9	214,742	–	214,742	–
Financial derivatives	10	25,001	26,619	–	–
Other non-current asset		3,343	137	1,927	137
		11,503,070	11,125,649	11,145,674	10,362,702
Current assets					
Trade and other receivables	11	26,391	27,518	32,990	30,235
Cash and cash equivalents	12	202,198	348,503	156,097	286,117
		228,589	376,021	189,087	316,352
Total assets		**11,731,659**	**11,501,670**	**11,334,761**	**10,679,054**
Current liabilities					
Financial derivatives	10	2,542	34,670	–	–
Trade and other payables	13	166,857	199,271	144,712	159,034
Current portion of security deposits		62,532	63,408	48,140	55,021
Interest-bearing borrowings	14	259,807	528,557	261,880	157,506
Lease liabilities	15	2,865	–	2,107	–
Provision for taxation		167	1,794	–	–
		494,770	827,700	456,839	371,561
Non-current liabilities					
Financial derivatives	10	31,137	27,733	775	–
Interest-bearing borrowings	14	3,301,070	3,099,260	3,278,070	3,070,129
Lease liabilities	15	8,457	–	8,217	–
Non-current portion of security deposits		128,986	117,677	105,294	89,247
		3,469,650	3,244,670	3,392,356	3,159,376
Total liabilities		**3,964,420**	**4,072,370**	**3,849,195**	**3,530,937**
Net assets		**7,767,239**	**7,429,300**	**7,485,566**	**7,148,117**
Represented by:					
Unitholders' funds	16	**7,767,239**	**7,429,300**	**7,485,566**	**7,148,117**
Units in issue ('000)	17	**3,688,804**	**3,686,902**	**3,688,804**	**3,686,902**
		$	**$**	**$**	**$**
Net asset value per unit		**2.11**	**2.02**	**2.03**	**1.94**

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Gross revenue	18	786,736	697,521	646,857	629,323
Property operating expenses	19	(228,521)	(203,973)	(189,604)	(183,746)
Net property income		**558,215**	**493,548**	**457,253**	**445,577**
Interest and other income	20	7,099	10,681	54,735	31,915
Investment income	21	–	–	110,991	98,757
Management fees	22	(50,236)	(44,579)	(40,331)	(39,524)
Professional fees		(492)	(267)	(383)	(224)
Valuation fees		(613)	(792)	(509)	(643)
Trustee's fees		(1,493)	(1,339)	(1,380)	(1,279)
Audit fees		(359)	(364)	(323)	(323)
Costs associated with acquisition of subsidiary		–	(8,981)	–	(8,981)
Finance costs	23	(118,491)	(98,170)	(112,155)	(96,719)
Other expenses		(1,018)	(1,297)	(1,025)	(1,306)
Net income before share of results of associate and joint ventures		**392,612**	**348,440**	**466,873**	**427,250**
Share of results (net of tax) of:					
– Associate[1]		18,388	13,593	–	–
– Joint ventures		70,835	115,359	–	–
Net income		**481,835**	**477,392**	**466,873**	**427,250**
Net change in fair value of investment properties		232,913	79,226	180,086	72,763
Net change in fair value of investment properties under development		–	(138)	–	(11,138)
Gain from change in ownership interest in a joint venture		–	–	–	6,067
Gain on disposal of investment property	24	–	119,734	–	119,734
Impairment loss written back on investments in subsidiary and joint venture		–	–	2,574	33,819
Dilution (loss)/gain on investment in associate		(217)	144	–	–
Net (loss)/gain on derecognition of investment in associate		(17,601)	–	50,768	–
Total return for the year before tax		**696,930**	**676,358**	**700,301**	**648,495**
Income tax refund	26	–	387	–	78
Total return for the year		**696,930**	**676,745**	**700,301**	**648,573**
Earnings per unit (cents)					
Basic and diluted	27	18.90	18.96	18.99	18.17

1 For year ended 31 December 2019, this relates to the Group's share of CapitaLand Retail China Trust's results before it was reclassified to equity instrument at fair value. Refer to Note 8.

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2019

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Amount available for distribution to Unitholders at beginning of the year	64,436	109,337	64,436	109,337
Net income before share of results of associate and joint ventures	392,612	348,440	466,873	427,250
Net tax adjustments (Note A)	(8,277)	(213)	(4,972)	2,109
Distribution income from:				
– Associate	13,645	7,632	–	–
– Joint ventures	62,658	71,775	–	–
Rollover adjustment	–	274	–	–
Net loss from subsidiaries	1,263	1,451	–	–
	461,901	429,359	461,901	429,359
Amount available for distribution to Unitholders	526,337	538,696	526,337	538,696
Distributions to Unitholders during the year:				
Distribution of 2.90 cents per unit for period from 01/10/2017 to 31/12/2017	–	(102,846)	–	(102,846)
Distribution of 2.78 cents per unit for period from 01/01/2018 to 31/03/2018	–	(98,638)	–	(98,638)
Distribution of 2.81 cents per unit for period from 01/04/2018 to 30/06/2018	–	(99,714)	–	(99,714)
Distribution of 2.92 cents per unit for period from 01/07/2018 to 30/09/2018	–	(103,629)	–	(103,629)
Distribution of 1.43 cents per unit for period from 01/10/2018 to 07/11/2018	–	(50,749)	–	(50,749)
Distribution of 1.56 cents per unit for period from 08/11/2018 to 31/12/2018	(57,516)	–	(57,516)	–
Distribution of 2.88 cents per unit for period from 01/01/2019 to 31/03/2019	(106,223)	–	(106,223)	–
Distribution of 2.92 cents per unit for period from 01/04/2019 to 30/06/2019	(107,703)	–	(107,703)	–
Distribution of 3.06 cents per unit for period from 01/07/2019 to 30/09/2019	(112,873)	–	(112,873)	–
	(384,315)	(455,576)	(384,315)	(455,576)
Amount retained for general corporate and working capital purposes (Note B)	(20,305)	(18,684)	(20,305)	(18,684)
Amount available for distribution to Unitholders at end of the year	**121,717**	**64,436**	**121,717**	**64,436**
Distribution per unit (cents)[1]	**11.97**	**11.50**	**11.97**	**11.50**

1 The Distribution per unit relates to the distributions in respect of the relevant financial year. The distribution relating to the last quarter of 2019 will be paid after 31 December 2019.

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

Note A – Net tax adjustments comprise:

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Non-tax deductible/(chargeable) items:				
– trustee's fees	1,457	1,282	1,380	1,279
– non-deductible interest expenses	2,594	2,208	2,571	2,313
– other items	(5,808)	11,355	(2,523)	13,135
Tax deductible items:				
– capital allowances/balancing allowances	(6,520)	(15,058)	(6,400)	(14,618)
Net tax adjustments	(8,277)	(213)	(4,972)	2,109

Note B

Amount retained for general corporate and working capital in financial year 2019 relates to the capital distribution and tax-exempt income received from CapitaLand Retail China Trust ("CRCT") of $13.6 million and capital distribution received from Infinity Office Trust ("IOT") of $6.7 million.

Amount retained for general corporate and working capital in financial year 2018 relates to the capital distribution and tax-exempt income received from CRCT of $7.6 million and capital distribution received from Infinity Mall Trust ("IMT") prior to the completion of its acquisition of $11.1 million respectively.

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2019

	Group		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Net assets at beginning of the year	**7,429,300**	**6,928,045**	**7,148,117**	**6,667,687**
Operations				
Total return for the year	696,930	676,745	700,301	648,573
Hedging reserves				
Effective portion of changes in fair value of cash flow hedges	19,998	(10,769)	(780)	–
Net change in fair value of cash flow hedges reclassified to Statement of Total Return	(18,635)	10,403	5	–
Share of movements in hedging reserves of associate and joint ventures	(1,260)	2,291	–	–
Movement in foreign currency translation reserves	8,372	(10,055)	–	–
Movement in general reserves	(5,389)	783	–	–
Movement in fair value reserves	17,766	–	17,766	–
Unitholders' transactions				
Creation of units				
– Units issued in respect of RCS Trust's management fees	4,472	5,686	4,472	5,686
– Units issued in respect of placement of 134,089,000 units ("Placement")	–	277,564	–	277,564
– Units issued for payment of acquisition fees in respect of the acquisition of the balance 70.0% units in Infinity Mall Trust	–	7,896	–	7,896
– Issue expense	–	(3,713)	–	(3,713)
Distributions to Unitholders	(384,315)	(455,576)	(384,315)	(455,576)
Net decrease in net assets resulting from Unitholders' transactions	(379,843)	(168,143)	(379,843)	(168,143)
Net assets at end of the year	**7,767,239**	**7,429,300**	**7,485,566**	**7,148,117**

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Group

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location
Investment properties and investment properties under development in Singapore				
Tampines Mall	Leasehold	99 years	72 years	4 Tampines Central 5, Singapore
Junction 8	Leasehold	99 years	71 years	9 Bishan Place, Singapore
Funan[1]	Leasehold	99 years	59 years	109 North Bridge Road, Singapore
IMM Building	Leasehold	60 years	29 years	2 Jurong East Street 21, Singapore
Plaza Singapura	Freehold	–	–	68 Orchard Road, Singapore
Bugis Junction	Leasehold	99 years	70 years	200 Victoria Street, Singapore
JCube	Leasehold	99 years	70 years	2 Jurong East Central 1, Singapore
Lot One Shoppers' Mall	Leasehold	99 years	73 years	21 Choa Chu Kang Avenue 4, Singapore
Bukit Panjang Plaza	Leasehold	99 years	74 years	1 Jelebu Road, Singapore
The Atrium@Orchard	Leasehold	99 years	88 years	60A & 60B Orchard Road, Singapore
Clarke Quay	Leasehold	99 years	69 years	3A/B/C/D/E River Valley Road, Singapore
Bugis+	Leasehold	60 years	46 years	201 Victoria Street, Singapore
Bedok Mall	Leasehold	99 years	91 years	311 New Upper Changi Road, Singapore
Westgate[2]	Leasehold	99 years	91 years	3 Gateway Drive, Singapore
Investment properties and investment properties under development, at valuation				
Investment properties – right-of-use assets				
Investments in associate, joint ventures and equity instrument (Note 8 and 9)				
Other assets and liabilities (net)				
Net assets				

Existing Use	Carrying Value		Percentage of Total Net Assets	
	2019	2018	2019	2018
	$'000	$'000	%	%
Commercial	1,085,000	1,059,000	14.0	14.3
Commercial	799,000	743,000	10.3	10.0
Commercial	775,000	664,576	10.0	8.9
Commercial Warehouse	675,000	649,000	8.7	8.7
Commercial	1,349,000	1,296,000	17.4	17.4
Commercial	1,106,000	1,089,000	14.2	14.7
Commercial	288,000	288,000	3.7	3.9
Commercial	537,000	536,000	6.9	7.2
Commercial	330,000	327,000	4.2	4.4
Commercial	764,000	757,000	9.8	10.2
Commercial	414,000	401,000	5.3	5.4
Commercial	357,000	354,000	4.6	4.8
Commercial	794,000	784,000	10.2	10.6
Commercial	1,131,000	1,128,000	14.6	15.2
	10,404,000	10,075,576	133.9	135.7
	11,843	–	0.2	–
	1,055,593	1,020,504	13.6	13.7
	11,471,436	11,096,080	147.7	149.4
	(3,704,197)	(3,666,780)	(47.7)	(49.4)
	7,767,239	7,429,300	100.0	100.0

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

PORTFOLIO STATEMENTS

As at 31 December 2019

Trust

Description of Property	Tenure of Land	Term of Lease	Remaining Term of Lease	Location
Investment properties and investment properties under development in Singapore				
Tampines Mall	Leasehold	99 years	72 years	4 Tampines Central 5, Singapore
Junction 8	Leasehold	99 years	71 years	9 Bishan Place, Singapore
Funan[1]	Leasehold	99 years	59 years	109 North Bridge Road, Singapore
IMM Building	Leasehold	60 years	29 years	2 Jurong East Street 21, Singapore
Plaza Singapura	Freehold	–	–	68 Orchard Road, Singapore
Bugis Junction	Leasehold	99 years	70 years	200 Victoria Street, Singapore
JCube	Leasehold	99 years	70 years	2 Jurong East Central 1, Singapore
Lot One Shoppers' Mall	Leasehold	99 years	73 years	21 Choa Chu Kang Avenue 4, Singapore
Bukit Panjang Plaza	Leasehold	99 years	74 years	1 Jelebu Road, Singapore
The Atrium@Orchard	Leasehold	99 years	88 years	60A & 60B Orchard Road, Singapore
Clarke Quay	Leasehold	99 years	69 years	3A/B/C/D/E River Valley Road, Singapore
Bugis+	Leasehold	60 years	46 years	201 Victoria Street, Singapore

Investment properties and investment properties under development, at valuation
Investment properties – right-of-use assets
Investments in subsidiaries, associate, joint ventures and equity instrument (Notes 7, 8 and 9)

Other assets and liabilities (net)
Net assets

NA Not Applicable
1 Funan was closed for redevelopment from 1 July 2016 and re-opened on 28 June 2019. The retail component of Funan is held through the Trust and the office components are held through Victory Office 1 Trust and Victory Office 2 Trust.
2 On 1 November 2018, the acquisition of the balance 70.0% of the units in Infinity Mall Trust ("IMT") which holds Westgate was completed. Upon acquisition, IMT became a wholly owned subsidiary.

Existing Use	Carrying Value 2019 $'000	Carrying Value 2018 $'000	Percentage of Total Net Assets 2019 %	Percentage of Total Net Assets 2018 %
Commercial	1,085,000	1,059,000	14.5	14.8
Commercial	799,000	743,000	10.7	10.4
Commercial	489,000	433,165	6.6	6.1
Commercial Warehouse	675,000	649,000	9.0	9.1
Commercial	1,349,000	1,296,000	18.0	18.1
Commercial	1,106,000	1,089,000	14.8	15.2
Commercial	288,000	288,000	3.8	4.0
Commercial	537,000	536,000	7.2	7.5
Commercial	330,000	327,000	4.4	4.6
Commercial	764,000	757,000	10.2	10.6
Commercial	414,000	401,000	5.5	5.6
Commercial	357,000	354,000	4.8	4.9
	8,193,000	7,932,165	109.5	110.9
	10,845	–	0.1	–
	2,938,053	2,428,986	39.2	34.0
	11,141,898	10,361,151	148.8	144.9
	(3,656,332)	(3,213,034)	(48.8)	(44.9)
	7,485,566	7,148,117	100.0	100.0

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

PORTFOLIO STATEMENTS

As at 31 December 2019

On 31 December 2019, independent valuations of Funan, Junction 8 and Clarke Quay were undertaken by CBRE Pte. Ltd. ("CBRE"), independent valuations of Tampines Mall, IMM Building, JCube, Lot One Shoppers' Mall, Bukit Panjang Plaza and Bedok Mall were undertaken by Knight Frank Pte Ltd ("Knight Frank"), independent valuations of Bugis Junction and Bugis+ were undertaken by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL") while the independent valuations of Plaza Singapura, The Atrium@Orchard and Westgate were undertaken by Colliers International Consultancy & Valuation (Singapore) Pte Ltd ("Colliers").

On 31 December 2018, independent valuations of Funan, Lot One Shoppers' Mall , Bukit Panjang Plaza and Clarke Quay were undertaken by CBRE, independent valuations of Junction 8, Tampines Mall, IMM Building, Bugis Junction, JCube, Bugis+ and Bedok Mall were undertaken by Knight Frank, while the independent valuations of Plaza Singapura, The Atrium@Orchard and Westgate were undertaken by Colliers.

The valuations were based on capitalisation, discounted cash flow and comparison approaches. The Manager believes that the independent valuers have appropriate professional qualifications and experience in the location and category of the properties being valued. The net change in fair value of the properties has been recognised in the Statement of Total Return.

Investment properties comprise commercial properties that are leased to external customers. Generally, the leases contain an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessees. Contingent rents recognised in the Statement of Total Return of the Group and the Trust is $35,739,000 (2018: $31,647,000) and $29,880,000 (2018: $29,709,000) respectively.

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash flows from operating activities				
Total return for the year	696,930	676,745	700,301	648,573
Adjustments for:				
Interest and other income	(7,099)	(10,681)	(54,735)	(31,915)
Investment income	–	–	(110,991)	(98,757)
Finance costs	118,491	98,170	112,155	96,719
Assets written off	6	28	3	28
Gain on disposal of plant and equipment	(5)	(1)	(4)	(1)
Depreciation and amortisation	1,726	519	1,498	493
Receivables (written back)/written off	(11)	29	(11)	27
Share of results of:				
– Associate	(18,388)	(13,593)	–	–
– Joint ventures	(70,835)	(115,359)	–	–
Income tax refund	–	(387)	–	(78)
Net change in fair value of investment properties	(232,913)	(79,226)	(180,086)	(72,763)
Net change in fair value of investment properties under development	–	138	–	11,138
Gain from change in ownership interest in a joint venture	–	–	–	(6,067)
Gain on disposal of investment property	–	(119,734)	–	(119,734)
Impairment loss written back on investments in subsidiary and joint venture	–	–	(2,574)	(33,819)
Dilution loss/(gain) on investment in associate	217	(144)	–	–
Net loss/(gain) on derecognition of investment in associate	17,601	–	(50,768)	–
Operating income before working capital changes	505,720	436,504	414,788	393,844
Changes in working capital:				
Trade and other receivables	(495)	5,305	(1,583)	1,888
Trade and other payables	(2,517)	5,580	(21)	5,556
Security deposits	10,433	8,296	9,166	5,395
Cash generated from operations	513,141	455,685	422,350	406,683
Income tax (paid)/refunded	(1,627)	227	–	(81)
Net cash generated from operating activities	511,514	455,912	422,350	406,602

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

STATEMENTS OF CASH FLOWS

Year ended 31 December 2019

	Group		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Cash flows from investing activities				
Interest received	6,948	5,131	6,153	4,986
Interest received from subsidiaries	–	–	48,418	22,282
Interest received from a joint venture[1]	–	3,861	–	3,861
Distributions received from:				
– Subsidiaries	–	–	31,951	18,088
– Associate	13,645	7,632	13,645	7,632
– Joint ventures	63,303	73,375	63,303	73,375
Net cash outflow on acquisition of subsidiary (including acquisition charges)	–	(357,663)	–	(399,183)
Capital expenditure on investment properties	(29,621)	(28,454)	(25,674)	(24,871)
Capital expenditure on investment properties under development	(96,120)	(172,792)	(72,904)	(113,276)
Investment in equity instrument	(15,372)	–	(15,372)	–
Purchase of plant and equipment	(974)	(259)	(896)	(248)
Proceeds from disposal of plant and equipment	6	14	4	14
Proceeds from divestment of investment property	–	242,909	–	242,909
Loan to a joint venture	–	(8,732)	–	(8,732)
Loans to subsidiaries	–	–	(432,457)	(213,578)
Repayment of loans received from subsidiaries	–	–	15,000	14,080
Net cash used in investing activities	(58,185)	(234,978)	(368,829)	(372,661)
Cash flows from financing activities				
Payment of issue and financing expenses	(4,037)	(5,938)	(3,685)	(5,938)
Proceeds from interest-bearing borrowings	908,800	1,486,591	908,800	1,486,591
Repayment of interest-bearing borrowings	(999,779)	(1,600,688)	(594,779)	(1,445,688)
Proceeds from issue of new Units	–	277,564	–	277,564
Payment of lease liabilities	(3,706)	–	(2,972)	–
Distributions to Unitholders	(384,315)	(455,576)	(384,315)	(455,576)
Interest paid	(116,597)	(97,129)	(106,590)	(96,648)
Cash flows used in financing activities	(599,634)	(395,176)	(183,541)	(239,695)
Net decrease in cash and cash equivalents	(146,305)	(174,242)	(130,020)	(205,754)
Cash and cash equivalents at beginning of the year	348,503	522,745	286,117	491,871
Cash and cash equivalents at end of the year (Note 12)	**202,198**	**348,503**	**156,097**	**286,117**

1 These relate to IMT when it was classified as a joint venture of the Group.

Note:

(A) Significant Non-Cash Transactions

- In 2019, 1,901,785 (2018: 2,696,929) units were issued to the Manager as payment for the management fees payable in units, amounting to a value of $4,472,000 (2018: $5,686,000).

- In 2018, 3,693,343 units were issued as payment for the acquisition fees of $7,896,000 in relation to the acquisition of IMT. Under the Property Funds Appendix, the acquisition fees paid in respect of transactions with interested parties will have to be in the form of units which shall not be sold within one year from the date of issuance of such units.

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 27 February 2020.

1. GENERAL

CapitaLand Mall Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 29 October 2001 (as amended) (the "Trust Deed") between CapitaLand Mall Trust Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 17 July 2002 ("Listing Date") and was included under the Central Provident Fund ("CPF") Investment Scheme on 13 September 2002.

The principal activity of the Trust is to invest in income producing real estate, which is used or substantially used for retail purposes with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth. The principal activities of the subsidiaries, associate and joint ventures are set out in Notes 7 and 8.

The consolidated financial statements relate to the Trust and its subsidiaries (the "Group") and the Group's interest in its associate and joint ventures.

For financial reporting purposes, with effect from 28 June 2019, the intermediate and ultimate holding companies of the Group are CapitaLand Limited and Temasek Holdings (Private) Limited respectively. The intermediate and ultimate holding companies are incorporated in Singapore. Prior to 28 June 2019, the ultimate holding company of the Group was CapitaLand Limited.

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

1.1 Property management fees

Under the property management agreement with CapitaLand Retail Management Pte Ltd (the "Property Manager"), property management fees are charged as follows:

(a) 2.00% per annum of the gross revenue of the properties;

(b) 2.00% per annum of the net property income of the properties; and

(c) 0.50% per annum of the net property income of the properties, in lieu of leasing commissions.

The property management fees are payable monthly in arrears.

1. GENERAL (continued)

1.2 Management fees

Pursuant to the Trust Deed, the management fees shall not exceed 0.70% per annum of the Deposited Property or such higher percentage as may be fixed by an Extraordinary Resolution at a meeting of Unitholders. Deposited Property refers to all the assets of the Trust, including all its Authorised Investments (as defined in the Trust Deed) for the time being held or deemed to be held upon the trusts of the Trust Deed. The management fees comprise:

(a) in respect of Authorised Investments which are in the form of real estate, a base component of 0.25% per annum of Deposited Property and a performance component of 4.25% per annum of net property income of the Trust for each financial year; and

(b) in respect of all other Authorised Investments which are not in the form of real estate, 0.5% per annum of the investment value of the Authorised Investment, unless such Authorised Investment is an interest in a property fund (either a real estate investment trust or private property fund) wholly managed by a wholly-owned subsidiary of CapitaLand Limited, in which case no management fee shall be payable in relation to such Authorised Investment.

In respect of all Authorised Investments which are in the form of real estate acquired by the Trust:

(a) the base component shall be paid to the Manager in the form of cash and/or Units (as the Manager may elect); and

(b) the performance component shall be paid to the Manager in the form of cash, in the form of Units or a combination of both (as the Manager may elect).

When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the management fee at the market price (as defined in the Trust Deed). The base and performance components of the management fees are payable quarterly and yearly in arrears respectively.

For all acquisitions or disposals of properties or investments, the Manager is entitled to receive acquisition fee of 1.0% of the purchase price and a divestment fee of 0.5% of the sale price.

1.3 Trustee's fees

Pursuant to the Trust Deed, the Trustee's fees shall not exceed 0.10% per annum of the Deposited Property (subject to a minimum sum of $15,000 per month) payable out of the Deposited Property of the Trust. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

The Trustee's fees are payable quarterly in arrears.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment properties, investment properties under development, derivative financial instruments and certain financial assets and financial liabilities which are measured at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

Information about critical judgement in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in the following note:

- Note 8 – Classification of associate and joint ventures
- Note 25 – Acquisition of subsidiary

Information about assumptions and estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 & 6 – Valuation of investment properties and investment properties under development

2. BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

Measurement of fair values

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

When measuring the fair value of an asset or a liability, the Group uses 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); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable data).

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

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

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

- Note 5 & 6 – Valuation of investment properties and investment properties under development
- Note 25 – Acquisition of subsidiary
- Note 30 – Valuation of financial instruments

2. BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies

New standards and amendments

The Group applied the principles of the following standards and amendments to standards from 1 January 2019.

- Amendments to FRS 109, FRS 39 and FRS 107 *Interest Rate Benchmark Reform*
- FRS 116 *Leases*

Amendments to FRS 109, FRS 39 and FRS 107 *Interest Rate Benchmark Reform*

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. The details of the accounting policies are disclosed in Note 3.5 for related disclosures about the risks and hedge accounting.

FRS 116 *Leases*

The Group applied the principles of FRS 116 using the modified retrospective approach. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under the principles of FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under the principles of INT FRS 104 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in FRS 116.

On transition to FRS 116, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied the principles of FRS 116 only to contracts that were previously identified as leases. Contracts that were not identified as leases under the principles of FRS 17 and INT FRS 104 were not reassessed for whether there is a lease under FRS 116. Therefore, the definition of a lease under the principles of FRS 116 was applied only to contracts entered into or changed on or after 1 January 2019.

As a lessee

As a lessee, the Group leases many assets including property and office equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under the principles of FRS 116, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

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

2. BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies (continued)

As a lessee (continued)

Leases classified as operating leases under FRS 17

Previously, the Group classified property leases as operating leases under the principles of FRS 17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments discounted at the respective lessee entities' incremental borrowing rates applicable to the leases as at 1 January 2019. The Group measured right-of-use assets at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying the principles of FRS 116 to leases previously classified as operating leases under the principles of FRS 17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

As a lessor

The Group leases out its investment property, including own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to FRS 116 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases some of its properties. Under FRS 17, the head lease and sub-lease contracts were classified as operating leases. On transition to FRS 116, the right-of-use assets recognised from the head leases are presented in investment property, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under the principles of FRS 116.

2. BASIS OF PREPARATION (continued)

2.5 Changes in accounting policies (continued)

Impact on financial statements

Impact on transition

On transition to FRS 116, the Group and the Trust recognised additional right-of-use assets (classified as plant and equipment or investment properties) and additional lease liabilities. The impact on transition is summarised below.

	Group	Trust
	1 January 2019	
	$'000	$'000
Non-current assets		
Right-of-use assets – Plant and equipment	30	30
Right-of-use assets – Investment properties	9,594	9,594
Current liabilities		
Lease liabilities	(1,850)	(1,850)
Non-Current liabilities		
Lease liabilities	(7,774)	(7,774)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted average rate applied is 3.1%.

	Group	Trust
	1 January 2019	
	$'000	$'000
Operating lease commitments at 31 December 2018 as disclosed under the principles of FRS 17 in the financial statements	10,799	10,799
Discounted using the incremental borrowing rate at 1 January 2019	9,685	9,685
– Recognition exemption for leases with less than 12 months of lease term at transition	(61)	(61)
Lease liabilities recognised as at 1 January 2019	9,624	9,624

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

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 interest 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.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the Statement of Total Return.

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.

Business combinations and property acquisitions

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

The Group accounts for an acquisition as business combination where an integrated set of activities is acquired in addition to the property. More specifically, consideration is made of the extent to which significant processes are acquired (e.g. maintenance and retail operations, etc.).

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

Subsidiaries

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

Loss of control

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

Associate and joint ventures

Associate is an entity in which the Group has a significant influence, but not control or joint control, over the financial and operating policies of the entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in an associate and joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of profit or loss and other comprehensive income of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payment on behalf of the investee.

Transactions eliminated on consolidation

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

Accounting for subsidiaries, associate and joint ventures by the Trust

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

3.2 Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Plant and equipment (continued)

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

Depreciation is provided on a straight-line basis so as to write off items of plant and equipment, and major components that are accounted for separately, over their estimated useful lives as follows:

Furniture, fittings and equipment	–	2 to 5 years

Gain or loss arising from the retirement or disposal of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised in the Statement of Total Return.

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

3.3 Investment properties and investment properties under development

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production, supply of goods, services or for administrative purposes. Investment properties under development are properties being constructed or developed for future use as investment properties.

Investment properties and investment properties under development are accounted for as non-current assets and are stated at initial cost on acquisition and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure including capitalised borrowing costs. Directly attributable transaction costs are included in the initial measurement.

The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs. Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- in such manner and frequency required under the CIS Code issued by MAS; and
- at least once in each period of 12 months following the acquisition of each parcel of real estate property.

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

When an investment property or investment property under development is disposed of, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above. For income tax purposes, the Group and the Trust may claim capital allowances on assets that qualify as plant and machinery under the Income Tax Act.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the 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. Foreign currency differences arising on translation are recognised in Statement of Total Return, except for the following differences which are recognised in Statement of Movements in Unitholders' funds, arising on the translation of:

- a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or
- qualifying cash flow hedges to the extent the hedge is effective.

3.5 Financial instruments

Initial recognition

Non-derivative financial assets and financial liabilities

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

Classification and measurement

Non-derivative financial assets

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

- amortised costs; or
- fair value through Unitholders' fund ("FVOCI").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Classification and measurement (continued)

Financial assets at amortised cost

Initial measurement

A financial asset at amortised cost is initially measured at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Subsequent measurement

Financial assets at amortised costs are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method.

Equity instruments at FVOCI

Initial measurement

On initial recognition of an equity investment that is not held-for-trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in Unitholders' funds. This election is made on investment-by-investment basis.

Subsequent measurement

These assets are subsequently measured at fair value. Dividends are recognised as income in the Statement of Total Return unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in Unitholders' funds and are never reclassified to the Statement of Total Return.

Non-derivative financial liabilities

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

Derecognition

Financial assets

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

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. In these cases, the transferred assets are not derecognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Derecognition (continued)

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 the Statement of Total Return.

Offsetting

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Derivative financial instruments and hedge accounting

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

The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

The Group early adopted the amendments to FRS 109, FRS 39 and FRS 107 issued in December 2019 in relation to the project on interest rate benchmark reform. The related disclosures for the comparative period are made under FRS 107 before the amendments.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

Derivative financial instruments and hedge accounting (continued)

Specific policies applicable from 1 January 2019 for hedges directly affected by interbank offer rates (IBOR) reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The Group has exposure to IBORs on its financial instruments that will be replaced or reformed as part of this market-wide initiative. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark IBORs with alternative rates.

On initial designation of the hedging relationship, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both on inception of the hedging relationship and on an ongoing basis, of whether the hedging instrument(s) is (are) expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged item(s) during the period for which the hedge is designated. For the purpose of evaluating whether the hedging relationship is expected to be highly effective (i.e. prospective effectiveness assessment), the Group assumes that the benchmark interest rate on which the cash flows are based is not altered as a result of IBOR reform.

The Group will cease to apply the amendments to its effectiveness assessment of the hedging relationship at the earlier of, when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the hedged risk and the timing and the amount of the interest rate benchmark-based cash flows of the hedged item and hedging instrument; and when the hedging relationship is discontinued.

Cash flow hedges

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

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

For all hedged transactions, the amount accumulated in the hedging reserve is reclassified to the Statement of Total Return in the same period or periods during which the hedged expected future cash flows affect the Statement of Total Return.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in unitholders' funds until it is reclassified to the Statement of Total Return in the same period or periods as the hedged expected future cash flows affect the Statement of Total Return.

If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to the Statement of Total Return.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment

Non-derivative financial assets

The Group recognises loss allowances for expected credit loss ("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 shorter period if the expected life of the instrument is less than 12 months); or

- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

Simplified approach

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

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 improve such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or

- the financial asset is more than 90 days past due.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment (continued)

***Non-derivative financial assets** (continued)*

Measurement of ECLs

ECLs are probability-weighted estimates or 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 Group in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower;
- breach of contract such as a default or being more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

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.

Subsidiaries, associate and joint ventures

An impairment loss in respect of a subsidiary, associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with the requirements for non-financial assets. An impairment loss is recognised in the Statement of Total Return. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment (continued)

Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU.

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

3.7 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Total Return over the period of the borrowings on an effective interest basis.

3.8 Leases

The Group has applied the principles of FRS 116 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under the principles of FRS 17 and INT FRS 104. The details of accounting policies under the principles of FRS 17 and INT FRS 104 are disclosed separately.

Policy applicable from 1 January 2019

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. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS 116.

This policy is applied to contracts entered into, on or after 1 January 2019.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

Policy applicable from 1 January 2019 (continued)

As a lessee

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

The Group recognises a right-of-use asset (classified as plant and equipment or investment property) and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

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

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

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

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

***As a lessee** (continued)*

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

The Group presents right-of-use assets that do not meet the definition of investment property in 'plant and equipment' in the statement of financial position.

Short-term leases and leases of low-value assets

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

As a lessor

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

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

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies the principles of FRS 115 to allocate the consideration in the contract.

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'.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from FRS 116.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Leases (continued)

Leases – Policy applicable before 1 January 2019

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee

In the comparative period, as a lessee the Group's leases classified as operating leases were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in Statement of Total Return on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

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

Rental income from investment property is recognised as 'revenue' on a straight-line basis over the term of the lease.

3.9 Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity.

Incremental costs directly attributable to the issue of units are recognised as a deduction from Unitholders' funds.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.10 Revenue recognition

Rental income

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

Car park income

Car park income is recognised as it accrues on a time apportioned basis.

3.11 Expenses

Property operating expenses

Property operating expenses consist of property taxes, utilities, property management fees, property management reimbursements, marketing, maintenance and other property outgoings in relation to investment properties where such expenses are the responsibility of the Group.

Property management fees are recognised on an accrual basis based on the applicable formula, stipulated in Note 1.1.

Management fees

Management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1.2.

Trustee's fees

The Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1.3.

3.12 Interest income, investment income and finance costs

Interest income is recognised as it accrues, using the effective interest method.

Investment income is recognised in the Statement of Total Return when the Group's right to receive distribution income is established.

Finance costs comprise interest expense on borrowings and amortisation of borrowings related transaction costs, and are recognised in the Statement of Total Return using the effective interest method over the period of borrowings.

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.

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Income tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in the Statement of Total Return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

Current tax is the expected tax payable on the taxable income 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 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 or loss; and

- temporary differences related to investments in subsidiaries, associate and joint ventures to the extent that 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 end of the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the presumption that the carrying amount of the investment property will be recovered through sale has not been rebutted. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

3.13 Income tax (continued)

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

Individuals and qualifying Unitholders, i.e. companies incorporated and tax resident in Singapore, Singapore branches of companies incorporated outside Singapore, bodies of persons registered or constituted in Singapore, certain international organisations that are exempt from tax on distributions from the Trust and real estate investment trust exchange-traded funds which have been accorded the tax transparency treatment, are entitled to gross distributions from the Trust. For distributions made to foreign non-individual Unitholders and qualifying foreign funds managed by Singapore fund managers, the Trustee is required to withhold tax at the reduced rate of 10.0%. For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such other types of Unitholders are subject to tax on the re-grossed amounts of the distributions received but may claim a credit for the tax deducted at source at the prevailing corporate tax rate by the Trustee.

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

3.14 Earnings per unit

The Group and Trust present basic and diluted earnings per unit data for its units. Basic earnings per unit is calculated by dividing the total return by the weighted-average number of units outstanding during the year. Diluted earnings per unit is determined by adjusting the total return and the weighted-average number of ordinary units outstanding, for the effects of all dilutive potential units.

3.15 Segment reporting

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

3.16 New standards and interpretations not yet adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 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 Group has assessed and does not expect the application of these standards to have a significant impact on the financial statements.

4. PLANT AND EQUIPMENT

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Furniture, fittings and equipment				
Cost				
At 1 January	9,159	8,420	7,307	7,550
Recognition of right-of-use-asset on initial application of FRS 116	30	–	30	–
Adjusted balance at 1 January	9,189	8,420	7,337	7,550
Acquisition of subsidiary	–	972	–	–
Additions	974	259	896	248
Disposals	(95)	(71)	(92)	(71)
Assets written off	(531)	(421)	(528)	(420)
Reclassification	(14)	–	(14)	–
At 31 December	9,523	9,159	7,599	7,307
Accumulated depreciation				
At 1 January	6,346	6,300	5,893	5,874
Charge for the year	506	497	474	469
Disposals	(94)	(58)	(92)	(58)
Assets written off	(525)	(393)	(525)	(392)
At 31 December	6,233	6,346	5,750	5,893
Carrying amounts				
At 1 January	2,813	2,120	1,414	1,676
At 31 December	3,290	2,813	1,849	1,414

5. INVESTMENT PROPERTIES

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
At 1 January	9,411,000	8,311,000	7,499,000	7,530,000
Recognition of right-of-use asset on initial application of FRS 116	9,594	–	9,594	–
Adjusted balance at 1 January	9,420,594	8,311,000	7,508,594	7,530,000
Acquisition of subsidiary[1]	–	1,124,179	–	–
Reclassified from investment properties under development[2]	716,726	–	474,791	–
Divestment of investment property	–	(126,127)	–	(126,127)
Capital expenditure	45,610	22,722	40,374	22,364
Net change in fair value of investment properties	232,913	79,226	180,086	72,763
At 31 December	10,415,843	9,411,000	8,203,845	7,499,000

1 This relates to the acquisition of the balance 70.0% of the units in Infinity Mall Trust which holds Westgate.
2 Funan has been reclassified to investment properties upon obtaining the temporary occupation permit during the year.

As at 31 December 2019, all investment properties under the Group and Trust are unencumbered.

Fair value hierarchy

The fair value of investment properties was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued. External valuation of the investment properties is conducted at least once a year.

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

Level 3 fair values

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

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fair value of investment properties (per valuation reports)	10,404,000	9,411,000	8,193,000	7,499,000
Add: Carrying amount of lease liabilities	11,843	–	10,845	–
Carrying amount of investment properties	10,415,843	9,411,000	8,203,845	7,499,000

5. INVESTMENT PROPERTIES (continued)

Valuation technique

Investment properties are stated at fair value based on valuation performed by independent professional valuers. In determining the fair value, the methodology adopted by the valuers includes capitalisation method, discounted cash flow method and comparison method.

The capitalisation approach is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) is adjusted to reflect anticipated operating costs and a natural vacancy to produce the net income on a fully leased basis. The adopted fully leased net income is capitalised over the remaining term of the lease from the valuation date at an appropriate investment yield. The discounted cash flow method involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow method requires the valuer to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. Where applicable, the comparison method provides an indication of value by comparing the investment property with identical or similar properties where reliable sales evidence of assets of similar nature is available.

The above valuation methods involve certain estimates. The Manager reviews the key valuation parameters and underlying data including market-corroborated capitalisation rates, discount rates and terminal yield rates adopted by the valuers and is of view that they are reflective of the market conditions as at the reporting dates.

Significant unobservable inputs

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

Group and Trust

Type	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties		
Commercial properties for leasing	• Capitalisation rates from 3.75% to 7.00% (2018: from 3.75% to 7.00%) • Discount rates from 6.75% to 7.50% (2018: from 6.92% to 7.32%) • Terminal yield rates from 4.15% to 6.55% (2018: from 4.31% to 6.50%)	The estimated fair value would increase/(decrease) if the capitalisation rates, discount rates or terminal yield rates, were lower/(higher).
	• Transacted prices: $1,727 – $3,502 psf (2018: $1,727 – $3,343 psf)	The estimated fair value would increase/(decrease) if the comparable values of transacted prices were higher/(lower).

6. INVESTMENT PROPERTIES UNDER DEVELOPMENT

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	664,576	459,386	433,165	308,808
Capital expenditure	52,150	205,328	41,626	135,495
Net change in fair value of investment properties under development	–	(138)	–	(11,138)
Reclassified to investment properties[1]	(716,726)	–	(474,791)	–
At 31 December	–	664,576	–	433,165

1 Funan has been reclassified to investment properties upon obtaining the temporary occupation permit during the year.

Fair value hierarchy

The fair value of investment properties under development was determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. External valuation of the investment properties under development is conducted at least once a year.

The fair value measurement for the investment properties under development for 2018 for the Group and Trust respectively have been categorised as level 3 fair values based on inputs to the valuation techniques used.

Level 3 fair values

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

Valuation technique

Investment properties are stated at fair value based on valuation performed by independent professional valuers. In determining the fair value, the valuers have adopted the residual land value method.

Under the residual land value method of valuation, the total gross development costs and developer's profit are deducted from the gross development value to arrive at the residual value of land. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation. The Manager is of the view that the valuation method and estimates are reflective of the market condition at the reporting date.

6. INVESTMENT PROPERTIES UNDER DEVELOPMENT (continued)

Significant unobservable inputs

The following table shows the significant unobservable inputs used in the valuation models:

Group and Trust

Type	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment properties under development		
Commercial properties for leasing	• Capitalisation rates from 4.00% to 4.85%	The estimated fair value would increase/(decrease) if the capitalisation rates were lower/(higher).
	• Gross development costs	The estimated fair value would increase/(decrease) if the gross development costs decrease/(increase).

7. SUBSIDIARIES

	Trust	
	2019 $'000	**2018 $'000**
Equity investments at cost	285,763	285,763
Less: allowance for impairment losses	–	(2,574)
	285,763	283,189
Loans to subsidiaries		
– Interest-bearing	1,776,604	1,359,446
– Non interest-bearing	67,903	66,946
	2,130,270	1,709,581

Loans to subsidiaries are unsecured and are not expected to be repaid in the next twelve months from the reporting date. The interest-bearing loans bear interest rates of 1.86% to 3.26% (2018: 1.87% to 3.26%) per annum. Interest rates are determined by the Trust from time to time.

In 2019, a reversal of impairment loss amounting to $2,574,000 (2018: $2,810,000) was recognised in respect of the Trust's investment in Brilliance Mall Trust ("BMT") taking into consideration the fair value of the underlying property held by BMT and the liabilities to be settled. The recoverable amount was assessed based on fair value less costs to sell estimated using the revalued net assets of BMT and categorised as level 3 on the fair value hierarchy.

7. SUBSIDIARIES (continued)

The key assumptions used in the estimation of the recoverable amount are set out below.

Investment property	Trust 2019 %	Trust 2018 %
Capitalisation rate	4.60	4.60
Discount rate	7.00	7.00
Terminal yield rate	4.85	4.85

The movement in the allowance for impairment loss in respect of the year was as follows:

	Trust 2019 $'000	Trust 2018 $'000
At the beginning of the year	2,574	5,384
Reversal of impairment loss	(2,574)	(2,810)
At the end of the year	–	2,574

Details of the subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ business	Effective equity interest held by the Trust 2019 %	Effective equity interest held by the Trust 2018 %
CMT MTN Pte. Ltd.[1]	Singapore	100.0	100.0
Brilliance Mall Trust[1]	Singapore	100.0	100.0
Victory Office 1 Trust[1]	Singapore	100.0	100.0
Victory Office 2 Trust[1]	Singapore	100.0	100.0
Infinity Mall Trust[1]	Singapore	100.0	100.0

1 Audited by KPMG LLP Singapore

7. SUBSIDIARIES (continued)

CMT MTN Pte. Ltd.

CMT MTN Pte. Ltd. ("CMT MTN") was incorporated on 23 January 2007. The principal activity of this subsidiary is to issue notes under unsecured multi-currency medium term note programmes. The proceeds from such issuances are used by CMT MTN and the Group to refinance the existing borrowings of the Group, to finance the investments comprised in the Trust, to on-lend to any trust, fund or entity in which the Trust has an interest, to finance any asset enhancement works initiated in respect of the Trust or such trust, fund or entity, and to finance the general corporate and working capital purposes in respect of the Group.

Brilliance Mall Trust

BMT is an unlisted special purpose trust established under a trust deed ("BMT Trust Deed") dated 1 September 2010. The principal activity of BMT is to invest in income producing real estate, which is used or substantially used for retail purposes with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth. BMT holds Bedok Mall.

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

(a) Property management fees

Under the property management agreement, property management fees are charged as follows:

(i) 2.00% per annum of the gross revenue of the property;

(ii) 2.00% per annum of the net property income of the property; and

(iii) 0.50% per annum of the net property income of the property, in lieu of leasing commissions.

The property management fees are payable monthly in arrears.

(b) Management fees

Pursuant to the BMT Trust Deed, the management fees (including the base and performance fee), acquisition fee and divestment fee payable to the Manager pursuant to the Trust's Trust Deed are as stipulated in Note 1.2.

(c) Trustee fees

Pursuant to the BMT Trust Deed, Brilliance Trustee Pte. Ltd. ("BMT Trustee") is entitled to receive trustee's fees of a sum as may be agreed between parties for the provision of trustee services, until the earlier of the removal or resignation of the BMT Trustee, and the termination of BMT, in each case, in accordance with the BMT Trust Deed. BMT Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the BMT Trust Deed.

BMT Trustee's fees are payable annually in arrears.

7. **SUBSIDIARIES** (continued)

Victory Office 1 Trust

Victory Office 1 Trust ("VO1 Trust") is an unlisted special purpose trust established under a trust deed ("VO1T Trust Deed") dated 30 August 2016.

The principal activity of VO1 Trust is to invest in income producing real estate, which is used or substantially used for commercial purposes with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth. VO1 Trust holds Funan Office 1.

VO1 Trust has entered into several service agreements in relation to the management of VO1 Trust and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Under the property management agreement, property management fees are charged as follows:

(i) 2.00% per annum of the gross revenue of the property;

(ii) 2.00% per annum of the net property income of the property; and

(iii) 0.50% per annum of the net property income of the property, in lieu of leasing commissions.

The property management fees are payable monthly in arrears.

(b) Management fees

Pursuant to the VO1T Trust Deed, the management fees (including the base and performance fee), acquisition fee and divestment fee payable to the Manager pursuant to the Trust's Trust Deed are as stipulated in Note 1.2.

(c) Trustee fees

Pursuant to the VO1T Trust Deed, HSBC Institutional Trust Services (Singapore) Limited as trustee of VO1 Trust ("VO1T Trustee")'s fees is presently charged at a scaled basis of up to 0.03% per annum of the deposited property (subject to a minimum sum of $5,000 per month upon the investment property under development obtaining Temporary Occupation Permit). VO1T Trustee's fee is payable out of the deposited property of the Trust on a quarterly basis, in arrears. VO1T Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

VO1T Trustee's fees are payable quarterly in arrears.

7. SUBSIDIARIES (continued)

Victory Office 2 Trust

Victory Office 2 Trust ("VO2 Trust") is an unlisted special purpose trust established under a trust deed ("VO2T Trust Deed") dated 30 August 2016.

The principal activity of VO2 Trust is to invest in income producing real estate, which is used or substantially used for commercial purposes with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth. VO2 Trust holds Funan Office 2.

VO2 Trust has entered into several service agreements in relation to the management of VO2 Trust and its property operations. The fee structures of these services are as follows:

(a) Property management fees

Under the property management agreement, property management fees are charged as follows:

(i) 2.00% per annum of the gross revenue of the property;

(ii) 2.00% per annum of the net property income of the property; and

(iii) 0.50% per annum of the net property income of the property, in lieu of leasing commissions.

The property management fees are payable monthly in arrears.

(b) Management fees

Pursuant to the VO2T Trust Deed, the management fees (including the base and performance fee), acquisition fee and divestment fee payable to the Manager pursuant to the Trust's Trust Deed are as stipulated in Note 1.2.

(c) Trustee fees

Pursuant to the VO2T Trust Deed, HSBC Institutional Trust Services (Singapore) Limited as trustee of VO2 Trust ("VO2T Trustee")'s fees is presently charged at a scaled basis of up to 0.03% per annum of the deposited property (subject to a minimum sum of $5,000 per month upon the investment property under development obtaining Temporary Occupation Permit). VO2T Trustee's fee is payable out of the deposited property of the Trust on a quarterly basis, in arrears. VO2T Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

VO2T Trustee's fees are payable quarterly in arrears.

7. **SUBSIDIARIES** (continued)

Infinity Mall Trust

Infinity Mall Trust ("IMT") is an unlisted special purpose trust established under a trust deed ("IMT Trust Deed") dated 25 May 2011 entered into between the Trustee, CMA Singapore Investments (4) Pte. Ltd., CL JM Pte. Ltd. and JG Trustee Pte. Ltd. (as trustee of Infinity Mall Trust). IMT was 30.0% owned by the Trust, 50.0% by CMA Singapore Investments (4) Pte. Ltd. and 20.0% by CL JM Pte. Ltd.

On 27 August 2018, the Trustee, entered into a conditional unit purchase agreement with CMA Singapore Investments (4) Pte. Ltd. and CL JM Pte. Ltd. to acquire the balance 70.0% of the units in IMT ("Acquisition"). The Acquisition was completed on 1 November 2018 and as a result, IMT became a wholly-owned subsidiary of the Group.

The principal activity of IMT is to invest in income producing real estate, which is used or substantially used for retail purposes with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth. IMT holds Westgate.

IMT has entered into a property management agreement in relation to the management of IMT and its property operations.

The fee structure of these services is as follows:

(a) Property management fees

Under the property management agreement, property management fees are charged as follows:

(i) 2.00% per annum of the gross revenue of the property;

(ii) 2.00% per annum of the net property income of the property; and

(iii) 0.50% per annum of the net property income of the property, in lieu of leasing commissions.

The property management fees are payable monthly in arrears.

(b) Management fees

Pursuant to the IMT Trust Deed, the management fees (including the base and performance fee), acquisition fee and divestment fee payable to the Manager pursuant to the Trust's Trust Deed are as stipulated in Note 1.2.

(c) Trustee fees

Pursuant to the IMT Trust Deed, JG Trustee Pte. Ltd. ("IMT Trustee") is entitled to receive trustee's fees of a sum as may be agreed between parties for the provision of trustee services, until the earlier of the removal or resignation of the IMT Trustee, and the termination of IMT, in each case, in accordance with the IMT Trust Deed. IMT Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the IMT Trust Deed.

IMT Trustee's fees are payable annually in arrears.

8. ASSOCIATE AND JOINT VENTURES

	Group		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment in associate	–	191,959	–	130,836
Investment in joint ventures	840,851	828,545	593,041	588,569
	840,851	1,020,504	593,041	719,405

During the year, the investment in CapitaLand Retail China Trust ("CRCT") was reclassified from *"Associate"* to *"Equity instrument at fair value"* (refer to Note 9). As a result of the changes in the board composition of CapitaLand Retail China Trust Management Limited (manager of CRCT), the Trust no longer meets the criteria to account for its investment in CRCT as an associate. On derecognition of the investment in associate, the Group recorded a net loss of $17,601,000 while the Trust recorded a net gain of $50,768,000 in the Statement of Total Return.

Details of the associate and joint ventures are as follows:

Name of associate and joint ventures	Place of constitution/ incorporation/ business	Effective equity interest held by the Trust	
		2019	2018
		%	%
Associate[1]			
CapitaLand Retail China Trust	Singapore	11.0	12.5
Joint ventures[1]			
RCS Trust	Singapore	40.0	40.0
Infinity Office Trust	Singapore	30.0	30.0

1 Audited by KPMG LLP Singapore

8. ASSOCIATE AND JOINT VENTURES (continued)

Associate

CapitaLand Retail China Trust

CRCT is a real estate investment trust constituted in Singapore by a trust deed dated 23 October 2006 (as amended). CRCT was formally admitted to SGX-ST on 8 December 2006. CRCT is established with the objective of investing on a long term basis in a diversified portfolio of income producing real estate and primarily for retail purposes and located primarily in the People's Republic of China ("China").

At 31 December 2018, the fair value of both the Group's and the Trust's investment in CRCT is $166,879,000 and categorised as level 1 on the fair value hierarchy.

The following summarises the financial information of the associate based on its consolidated financial statements prepared in accordance with RAP 7.

	CRCT 2018 $'000
Revenue	226,926
Net Income	113,506
Total return after tax for the year	114,164
Attributable to non-controlling interests	(1,650)
Attributable to investee's unitholders	115,814
Net return after transfer to general reserve	109,615
Total assets	2,941,803
Total liabilities	(1,384,327)
Net assets	1,557,476
Attributable to non-controlling interests	18,474
Attributable to investee's unitholders	1,539,002
Group's interest in net assets of CRCT at 1 January	194,389
Group's share of total return for the year	13,593
Distributions received during the year	(7,632)
Dilution gain on investment in CRCT	144
Group's share of movement in Unitholders' funds	(8,535)
Group's carrying amount of interest in CRCT at 31 December	191,959

As the results of CRCT for the fourth quarter ended 31 December 2018 were not announced in sufficient time to be included in the Group's results for the same calendar quarter, the assets and liabilities recorded were based on CRCT's unaudited financial statements and distribution announcement for the third quarter ended 30 September 2018 dated 30 October 2018. The financial results recorded were based on CRCT's unaudited financial statements and distribution announcements for the period from 1 October 2017 to 30 September 2018. The Group also accounted for any significant transactions or events that occurred from 1 October 2018 to 31 December 2018.

8. ASSOCIATE AND JOINT VENTURES (continued)

Joint Ventures

RCS Trust

RCS Trust is an unlisted special purpose trust established under a trust deed ("RCS Trust Trust Deed") dated 18 July 2006 entered into between HSBC Institutional Trust Services (Singapore) Limited as trustee-manager of RCS Trust ("RCS Trust Trustee-Manager"), HSBC Institutional Trust Services (Singapore) Limited as trustee of CapitaLand Commercial Trust ("CCT Trustee"), the Trustee, CapitaLand Commercial Trust Management Limited (CCTML as manager of CCT) and the Manager. RCS Trust is 40.0% owned by the Trust and 60.0% owned by CapitaLand Commercial Trust ("CCT"). RCS Trust is structured as a separate vehicle and the Group has a residual interest in its net assets. The Group has classified its interest in RCS Trust as a joint venture which is equity accounted.

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

(a) Property management fees

Under the property management agreement, property management fees are charged as follows:

(i) 2.00% per annum of the property income of the property; and

(ii) 2.50% per annum of the net property income of the property.

The property management fees are payable monthly in arrears.

(b) Management fees

Pursuant to the RCS Trust Trust Deed, the management fees comprise a base component of 0.25% per annum of the value of deposited property of RCS Trust and a performance component of 4.00% per annum of the net property income of RCS Trust, including all its authorised investments for the time being held or deemed to be held upon the trusts of the RCS Trust Trust Deed.

The management fees shall be paid entirely in the form of units or, with the unanimous approval of the Manager and CCTML, either partly in units and partly in cash or wholly in cash.

The base and performance components of the management fees are payable quarterly and yearly in arrears respectively.

(c) RCS Trust Trustee-Manager's fees

Pursuant to the RCS Trust Trust Deed, the RCS Trust Trustee-Manager's fees shall not exceed 0.10% per annum of the value of deposited property of RCS Trust, as defined in the RCS Trust Trust Deed (subject to a minimum sum of $15,000 per month), payable out of the deposited property of RCS Trust. The RCS Trust Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the RCS Trust Trust Deed.

The base and performance components of RCS Trust Trustee-Manager's fees are payable quarterly and yearly in arrears respectively.

8. ASSOCIATE AND JOINT VENTURES (continued)

Joint Ventures (continued)

RCS Trust (continued)

As at 31 December 2019, RCS Trust has an aggregate of $700.0 million (2018: $700.0 million) unsecured loan facilities, comprising a combination of $400.0 million (2018: $400.0 million) term loans and $300.0 million (2018: $300.0 million) revolving credit facilities with various maturities from various banks. RCS Trust has drawn down $446.5 million (2018: $425.0 million) of the unsecured loan facilities.

On 22 March 2017, RCS Trust has established a USD2.0 billion Euro-Medium Term Note Programme.

At 31 December 2019, the notes issued are as follows:

(i) $300.0 million (2018: $300.0 million) of fixed rate notes at an interest rate of 2.60% (2018: 2.60%) per annum maturing in 2023;

(ii) $150.0 million (2018: $150.0 million) of fixed rate notes at an interest rate of 3.05% (2018: 3.05%) per annum maturing in 2024; and

(iii) $275.0 million (2018: $275.0 million) of fixed rate notes at an interest rate of 3.20% (2018: 3.20%) per annum maturing in 2025.

As at 31 December 2019, the total loans drawn down and notes issued by RCS Trust are $446.5 million (2018: $425.0 million) and $725.0 million (2018: $725.0 million) respectively. The Group's 40.0% share in the total loans drawn down and notes issued is $468.6 million (2018: $460.0 million).

Infinity Office Trust

Infinity Office Trust is an unlisted special purpose trust established under a trust deed ("Infinity Office Trust Trust Deed") dated 25 May 2011 entered into between the Trustee, CMA Singapore Investments (5) Pte. Ltd., CL JO Pte. Ltd. and JG2 Trustee Pte. Ltd. (as trustee of Infinity Office Trust). Infinity Office Trust is 30.0% owned by the Trust, 50.0% by CMA Singapore Investments (5) Pte. Ltd. and 20.0% by CL JO Pte. Ltd. Infinity Office Trust is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly the Group has classified its interest in Infinity Office Trust as a joint venture which is equity accounted.

On 23 January 2014, JG2 Trustee Pte. Ltd., in its capacity as trustee of Infinity Office Trust and JG Trustee Pte. Ltd., in its capacity as trustee of Infinity Mall Trust entered into a sale and purchase agreement to sell all the office strata units in Westgate Tower to Westgate Commercial Pte. Ltd. and Westgate Tower Pte. Ltd. for an aggregate consideration of $579.4 million. On 20 October 2016, the strata titles of the office strata units were issued and the sale of all the office strata units in Westgate Tower was completed.

8. ASSOCIATE AND JOINT VENTURES (continued)

Joint Ventures (continued)

The following summarises the financial information of the Group's material joint venture based on its financial statements prepared in accordance with RAP 7. The table also includes summarised financial information for the Group's interest in immaterial joint ventures, based on amounts reported in the Group's consolidated financial statements.

	RCS Trust $'000	Immaterial joint venture $'000	Total $'000
2019			
Revenue	233,068		
Net income	127,067		
Total return for the year[(a)]	164,728		
[(a)] Includes:			
– depreciation and amortisation	(936)		
– interest income	59		
– interest expense	(33,912)		
– derivative fair value changes	(1,082)		
– income tax expense	–		
Investment property[(b)]	3,384,000		
Other non-current assets	763		
Non-current assets	3,384,763		
Cash and cash equivalents	11,712		
Other current assets	1,556		
Current assets	13,268		
Total assets	3,398,031		

[(b)] The fair value of the investment property was determined by CBRE Pte. Ltd. as at 31 December 2019. The Group's 40.0% share of the investment property is $1,353,600,000.

	RCS Trust $'000	Immaterial joint venture $'000	Total $'000
Non-current liabilities	(1,071,247)		
Current liabilities	(216,649)		
Total liabilities	(1,287,896)		
Net assets	2,110,135		
Group's interest in net assets of joint ventures at beginning of the year	827,410	1,135	828,545
Group's share of total return for the year	65,891	4,944	70,835
Distributions received and receivable during the year	(55,998)	(6,660)	(62,658)
Group's share of movement in Unitholders' funds	3,476	653	4,129
Group's share of total return and movement in Unitholders' funds	13,369	(1,063)	12,306
Group's carrying amount of interest in joint ventures at end of the year	840,779	72	840,851

8. ASSOCIATE AND JOINT VENTURES (continued)

Joint Ventures (continued)

	RCS Trust $'000	Immaterial joint ventures[1] $'000	Total $'000
2018			
Revenue	230,547		
Net income	127,888		
Total return for the year[(c)]	161,639		
[(c)] Includes:			
– depreciation and amortisation	(1,456)		
– interest income	28		
– interest expense	(29,657)		
– income tax expense	–		
Investment property[(d)]	3,322,000		
Other non-current assets	747		
Non-current assets	3,322,747		
Cash and cash equivalents	14,331		
Other current assets	2,025		
Current assets	16,356		
Total assets	3,339,103		

(d) The fair value of the investment property was determined by CBRE Pte. Ltd. as at 31 December 2018. The Group's 40.0% share of the investment property is $1,328,800,000.

	RCS Trust $'000	Immaterial joint ventures[1] $'000	Total $'000
Non-current liabilities	(1,160,319)		
Current liabilities	(102,212)		
Total liabilities	(1,262,531)		
Net assets	2,076,572		
Group's interest in net assets of joint ventures at beginning of the year	813,343	124,552	937,895
Group's share of total return for the year	64,656	50,703	115,359
Distributions received and receivable during the year	(56,560)	(15,215)	(71,775)
Group's share of movement in Unitholders' funds	5,971	9,998	15,969
Group's share of total return and movement in Unitholders' funds	14,067	45,486	59,553
Carrying amount of interest in joint venture acquired as subsidiary	–	(168,903)	(168,903)
Group's carrying amount of interest in joint ventures at end of the year	827,410	1,135	828,545

1 On 1 November 2018, the Group's equity interest in IMT increased from 30.0% to 100.0% and IMT became a subsidiary from that date (see notes 7 and 25). Accordingly, the information presented in the above table includes the results of IMT only for the period from 1 January 2018 to 31 October 2018.

As at 31 December 2019, the Group's share of its joint venture capital commitments amounted to $3,288,000[2] (2018: $14,404,000[2]). The commitments have not been recognised in the Group's consolidated financial statements.

2 Pertains to RCS Trust only.

9. EQUITY INSTRUMENT AT FAIR VALUE

	Group and Trust	
	2019 $'000	2018 $'000
Quoted equity investment at FVOCI	214,742	–

Quoted equity investment represents the Group's and the Trust's 11.0% (2018: 12.5%) interest in CRCT.

The principal activities of CRCT are those relating to investment in a diversified portfolio of income producing real estate primarily for retail purposes and located primarily in China.

The Group designated the investment shown above as equity investment as at FVOCI because it represents an investment that the Group intends to hold for the long-term for strategic purposes.

10. FINANCIAL DERIVATIVES

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current assets				
Cross currency swaps	25,001	26,619	–	–
Current liabilities				
Cross currency swaps	2,542	33,616	–	–
Interest rate swaps	–	1,054	–	–
	2,542	34,670	–	–
Non-current liabilities				
Cross currency swaps	30,362	27,733	–	–
Interest rate swaps	775	–	775	–
	31,137	27,733	775	–
Total financial derivative assets	25,001	26,619	–	–
Total financial derivative liabilities	33,679	62,403	775	–

Cross currency swaps

The Group enters into cross currency swaps ("CCS") for its foreign currency borrowings. The Group has designated the cross currency swaps as hedging instruments in cash flow hedges.

As at 31 December 2019, the Group held CCS with a total notional amount of $1,524,098,000 (2018: $1,274,552,800) to provide Singapore dollar fixed rate funding for terms of 7 to 12 years (2018: 7 to 12 years).

Interest rate swaps

At 31 December 2019, the Group has interest rate swaps ("IRS") classified as cash flow hedges with a total notional contractual amount of $180,000,000 (2018: $405,000,000) and are due for settlement within 5 to 7 years (2018: 1 year) from the reporting date.

At 31 December 2019, the Trust has IRS classified as cash flow hedges with a total notional contractual amount of $180,000,000 (2018: nil) and are due for settlement within 5 to 7 years (2018: nil) from the reporting date.

10. FINANCIAL DERIVATIVES (continued)

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statement of Financial Position.

The Group entered into International Swaps and Derivatives Association ("ISDA") Master Agreements with various bank counterparties ("ISDA Master Agreement"). In certain circumstances following the occurrence of a termination event as set out in an ISDA Master Agreement, all outstanding transactions under such ISDA Master Agreement may be terminated and the early termination amount payable to one party under such agreements may be offset against amounts payable to the other party such that only a single net amount is due or payable in settlement of all transactions.

In accordance with accounting standards, the swaps presented below are not offset in the Statement of Financial Position as the right of set-off of recognised amounts is enforceable only following the occurrence of a termination event as set out in such ISDA Master Agreement. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

Financial instruments that are subject to an enforceable master netting arrangements

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position $'000	Net amounts of financial instruments presented in the Statement of Financial Position $'000	Related amounts not offset in the Statement of Financial Position - Financial instruments $'000	Net amount $'000
Group					
31 December 2019					
Financial assets					
Cross currency swaps	25,001	–	25,001	(4,922)	20,079
Financial liabilities					
Cross currency swaps	32,904	–	32,904	(4,922)	27,982
Interest rate swaps	775	–	775	–	775
31 December 2018					
Financial assets					
Cross currency swaps	26,619	–	26,619	(26,619)	–
Financial liabilities					
Cross currency swaps	61,349	–	61,349	(26,619)	34,730
Interest rate swaps	1,054	–	1,054	–	1,054

10. FINANCIAL DERIVATIVES (continued)

***Financial instruments that are subject to an enforceable master netting arrangements** (continued)*

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the Statement of Financial Position $'000	Net amounts of financial instruments presented in the Statement of Financial Position $'000	Related amounts not offset in the Statement of Financial Position - Financial instruments $'000	Net amount $'000
Trust					
31 December 2019					
Financial liabilities					
Interest rate swaps	775	–	775	–	775
31 December 2018					
Financial liabilities					
Interest rate swaps	–	–	–	–	–

11. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade receivables	8,031	7,939	6,703	6,497
Deposits	637	787	588	727
Interest receivables	257	757	153	647
Amounts due from related parties (non-trade)	14,635	15,093	14,624	15,081
Amount due from subsidiaries (non-trade)	–	–	8,532	5,794
Other receivables	909	2,220	868	818
	24,469	26,796	31,468	29,564
Prepayments	1,922	722	1,522	671
	26,391	27,518	32,990	30,235

The non-trade amounts due from related parties and subsidiaries are unsecured, interest-free and repayable on demand.

12. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Cash at bank and in hand	9,947	10,798	8,466	9,642
Fixed deposits with financial institutions	192,251	337,705	147,631	276,475
Cash and cash equivalents in the statements of cash flows	202,198	348,503	156,097	286,117

In 2018, a fixed charge over Infinity Mall Trust's cash at bank and fixed deposits of $44.0 million was created as security for the purpose of the Infinity Mall Trust's secured bank loans (see Note 14). Following the full repayment of secured bank loans in 2019, the security granted by the trustee of IMT in favour of the lenders has been discharged and released.

The weighted average effective interest rate relating to cash and cash equivalents at the reporting date for the Group and Trust are 1.79% (2018: 1.89%) and 1.84% (2018: 1.98%) per annum respectively.

13. TRADE AND OTHER PAYABLES

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Trade payables and accrued operating expenses	92,313	126,142	78,599	97,951
Amounts due to related parties (trade)	33,825	34,449	27,501	27,757
Deposits and advances	11,732	10,793	9,625	8,500
Interest payable	28,987	27,887	28,987	24,826
	166,857	199,271	144,712	159,034

Included in the trade payables and accrued operating expenses of the Group and the Trust is an amount due to the Trustee of $347,000 (2018: $343,000).

Included in the amounts due to related parties (trade) of the Group are mainly amounts due to the Manager of $30,309,000 (2018: $29,577,000) and the Property Manager of $2,645,000 (2018: $3,253,000). Included in the amounts due to related parties (trade) of the Trust are mainly amounts due to the Manager of $24,607,000 (2018: $24,143,000) and the Property Manager of $2,164,000 (2018: $2,183,000).

14. INTEREST-BEARING BORROWINGS

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Current liabilities				
Medium term notes ("MTN notes")	223,927	–	–	–
Euro-Medium term notes ("EMTN notes")	–	123,606	–	–
Bank loans	36,210	405,000	36,210	–
Term loans	–	–	226,000	157,555
Unamortised transaction costs	(330)	(49)	(330)	(49)
	259,807	528,557	261,880	157,506
Non-current liabilities				
MTN notes	2,349,129	2,071,776	–	–
EMTN notes	351,969	354,353	–	–
Retail bonds	350,000	350,000	350,000	350,000
Bank loans	256,700	328,434	256,700	328,434
Term loans	–	–	2,678,098	2,396,998
Unamortised transaction costs	(6,728)	(5,303)	(6,728)	(5,303)
	3,301,070	3,099,260	3,278,070	3,070,129
Total interest-bearing borrowings	3,560,877	3,627,817	3,539,950	3,227,635

Terms and debt repayment schedule

Terms and conditions of outstanding interest-bearing borrowings are as follows:

	Weighted average interest rate %	Year of maturity	2019 Face value $'000	2019 Carrying amount $'000	2018 Face value $'000	2018 Carrying amount $'000
Group						
Unsecured						
Retail bonds	3.08	2021	350,000	349,657	350,000	349,365
USD fixed rate MTN notes	3.61	2029	404,106	403,090	–	–
JPY fixed rate MTN and EMTN notes	1.04 – 1.31	2019 to 2020	123,927	123,893	247,211	247,091
JPY floating rate MTN notes	3 months JPY LIBOR + Margin	2021 to 2023	168,541	168,417	168,104	167,929
HKD fixed rate MTN and EMTN notes	2.71 – 3.84	2022 to 2027	848,451	847,244	854,420	852,982
SGD fixed rate MTN notes	2.80 – 3.75	2020 to 2031	1,380,000	1,377,736	1,280,000	1,277,560
SGD bank loans	SOR + Margin	2020 to 2026	292,910	290,840	328,434	327,890
			3,567,935	3,560,877	3,228,169	3,222,817

14. INTEREST-BEARING BORROWINGS (continued)

Terms and debt repayment schedule (continued)

	Weighted average interest rate %	Year of maturity	2019 Face value $'000	2019 Carrying amount $'000	2018 Face value $'000	2018 Carrying amount $'000
Group						
Secured						
SGD bank loans	SOR + Margin	2019	–	–	405,000	405,000
			3,567,935	3,560,877	3,633,169	3,627,817
Trust						
Unsecured						
Retail bonds	3.08	2021	350,000	349,657	350,000	349,365
SGD fixed rate term loans from CMT MTN	2.79 – 3.75	2019 to 2031	2,904,098	2,899,453	2,554,553	2,550,380
SGD bank loans	SOR + Margin	2020 to 2026	292,910	290,840	328,434	327,890
			3,547,008	3,539,950	3,232,987	3,227,635

JPY LIBOR – Japanese Yen London Interbank Offered Rate

SOR – Swap Offer Rate

The interest-bearing borrowings comprise the following:

(1) *Unsecured retail bonds of the Trust*

On 20 February 2014, the Trustee issued $350.0 million in principal amount of bonds under the $2.5 billion Retail Bond Programme which carry an interest of 3.08% per annum, fully repayable on 20 February 2021.

(2) *Unsecured bank loans of the Trust*

As at 31 December 2019, the Trust has drawn on $292.9 million (2018: $328.4 million) of unsecured bank loans with maturities between 2 to 7 years (2018: 2 to 6 years) from various banks.

14. INTEREST-BEARING BORROWINGS (continued)

(3) *Unsecured MTN notes and EMTN notes of CMT MTN*

The Group has a $3.5 billion Multicurrency Medium Term Note Programme ("MTN Programme") and a USD3.0 billion Euro-Medium Term Note Programme ("EMTN Programme").

At 31 December 2019, notes issued by CMT MTN were as follows:

– under the MTN Programme:

(i) $1,380.0 million (2018: $1,280.0 million) of fixed rate notes maturing from 2020 to 2031;

(ii) JPY10.0 billion (2018: JPY10.0 billion) of fixed rate notes maturing in 2020;

(iii) JPY13.6 billion (2018: JPY13.6 billion) of floating rate notes maturing from 2021 to 2023;

(iv) HKD2.869 billion (2018: HKD2.869 billion) of fixed rate notes maturing from 2025 to 2027; and

(v) USD300.0 million (2018: Nil) of fixed rate notes maturing in 2029.

– under the EMTN Programme:

(i) HKD2.035 billion (2018: HKD2.035 billion) of fixed rate notes maturing from 2022 to 2023.

CMT MTN has entered into cross currency swaps to swap the abovementioned foreign currency notes to Singapore dollars proceeds.

(4) *Secured bank loans of Infinity Mall Trust*

On 27 August 2018, the Manager announced that the Trustee has entered into a conditional unit purchase agreement with CMA Singapore Investments (4) Pte. Ltd. and CL JM Pte. Ltd. to acquire the balance 70.0% of the units in Infinity Mall Trust ("IMT") which holds Westgate. The acquisition was completed on 1 November 2018 and as a result, IMT became a wholly-owned subsidiary of the Group.

As at 31 December 2018, IMT has secured bank loan of $405.0 million which is secured by a mortgage on Westgate of $1,128.0 million and cash balances of $44.0 million (see Note 12).

In addition, the trustee of IMT had granted in favour of the lenders the following:

(i) an assignment and charge of the rental proceeds, tenancy agreements and sale agreements relating to Westgate;

(ii) an assignment of the insurance policies relating to Westgate; and

(iii) a fixed and floating charge over certain assets of IMT relating to Westgate.

Following the full repayment of secured bank loans in 2019, the security granted by the trustee of IMT in favour of the lenders has been discharged and released.

14. INTEREST-BEARING BORROWINGS (continued)

Reconciliation of movements of liabilities to cash flows arising from financing activities:-

			Non-cash changes				
	Adjusted balance at 1 January 2019 $'000	Financing cashflows[1] $'000	Interest expense/ capitalised $'000	Foreign exchange movement $'000	Change in fair value $'000	Other changes $'000	31 December 2019 $'000
Group							
Retail bonds[2]	353,323	(10,780)	10,780	–	–	292	353,615
MTN and EMTN notes[2]	2,564,977	265,168	86,506	25,744	–	376	2,942,771
Bank loans[2]	737,404	(458,537)	15,384	–	–	(773)	293,478
Lease liabilities	9,624	(4,061)	355	–	–	5,404	11,322
Financial derivatives	35,784	(7,109)	–	–	(19,998)	1	8,678
	3,701,112	(215,319)	113,025	25,744	(19,998)	5,300	3,609,864

			Non-cash changes					
	1 January 2018 $'000	Financing cashflows[1] $'000	Interest expense/ capitalised $'000	Foreign exchange movement $'000	Change in fair value $'000	Acquisition of subsidiary $'000	Other changes $'000	31 December 2018 $'000
Group								
Retail bonds[2]	353,040	(10,780)	10,780	–	–	–	283	353,323
MTN and EMTN notes[2]	2,694,931	(196,643)	67,111	(1,081)	–	–	659	2,564,977
Bank loans[2]	161,178	(419)	13,829	–	–	561,088	1,728	737,404
Financial derivatives	32,642	(9,322)	–	–	10,769	1,695	–	35,784
	3,241,791	(217,164)	91,720	(1,081)	10,769	562,783	2,670	3,691,488

1 Net of proceeds from interest-bearing borrowings, repayment of interest-bearing borrowings, settlement of financial derivatives, payment of lease liabilities, interest paid and payment of transactions costs related to interest-bearing borrowings.

2 Includes interest payable.

15. LEASE LIABILITIES

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Current liabilities				
Lease liabilities	2,865	–	2,107	–
Non-current liabilities				
Lease liabilities	8,457	–	8,217	–
Total lease liabilities	11,322	–	10,324	–

Amounts recognised in Statement of Total Return

	2019 $'000
Leases under the principles of FRS 116	
Expenses relating to short-term leases	868
Expenses relating to leases of low-value assets, excluding short-term leases of low-value assets	1

	2018 $'000
Operating leases under the principles of FRS 17	
Lease expense	3,584

Amounts recognised in Statement of Cash Flows

	2019 $'000
Total cash outflow for leases	4,929

16. UNITHOLDERS' FUNDS

Hedging reserves

Hedging reserves comprises the effective portion of the cumulative net change in the fair value of hedging instruments related to hedged transactions that have not yet to mature.

Foreign currency translation reserves

Foreign currency translation reserves comprises the Group's share in CRCT's foreign currency translation reserves.

General reserves

General reserves comprises the Group's share in CRCT's general reserves.

Fair value reserves

Fair value reserves comprises the cumulative net change in the fair value of equity instrument at FVOCI until the asset is derecognised.

17. UNITS IN ISSUE

	Group and Trust	
	2019	**2018**
	'000	**'000**
Units in issue:		
At 1 January	3,686,902	3,546,423
Units created:		
– payment of management fees in relation to the Trust's 40.0% interest in RCS Trust	1,902	2,697
– in connection with Placement	–	134,089
– payment of acquisition fees in relation to the acquisition of the balance 70.0% of the units in Infinity Mall Trust	–	3,693
Total issued units at 31 December	3,688,804	3,686,902

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

- Receive income and other distributions attributable to the units held;

- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;

17. UNITS IN ISSUE (continued)

- Attend all Unitholders meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and

- One vote per unit.

The restrictions of a Unitholder include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and

- A Unitholder has no right to request the Manager to redeem his units while the units are listed on SGX-ST.

A Unitholder's liability is limited to the amount paid or payable for any units in the Trust. The provisions of the Trust Deed provide that no Unitholders will be personally liable for indemnifying the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

18. GROSS REVENUE

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Gross rental income	722,437	639,167	592,163	575,938
Car park income	19,842	20,181	18,007	18,359
Others	44,457	38,173	36,687	35,026
	786,736	697,521	646,857	629,323

19. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Property tax	67,501	56,479	54,353	50,493
Utilities	18,086	15,687	16,314	15,090
Property management fees	29,912	26,655	24,562	24,039
Property management reimbursements	43,235	38,528	36,465	35,019
Marketing	20,249	18,291	16,936	15,860
Maintenance	44,163	39,886	36,366	36,128
Land rental	–	3,325	–	2,456
Others	5,375	5,122	4,608	4,661
	228,521	203,973	189,604	183,746

20. INTEREST AND OTHER INCOME

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest income:				
– financial institutions	6,446	4,995	5,673	4,746
– subsidiaries	–	–	49,062	23,308
– joint ventures	–	3,861	–	3,861
Other income	653	1,825	–	–
	7,099	10,681	54,735	31,915

21. INVESTMENT INCOME

	Trust	
	2019 $'000	2018 $'000
Distribution income from:		
– subsidiaries	34,688	19,350
– associate	13,645	7,632
– joint ventures	62,658	71,775
	110,991	98,757

22. MANAGEMENT FEES

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Base fees	26,637	23,571	21,008	20,587
Performance fees	23,599	21,008	19,323	18,937
	50,236	44,579	40,331	39,524

23. FINANCE COSTS

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Interest expense	115,705	95,008	109,460	93,568
Transaction costs	2,432	3,162	2,384	3,151
Interest from lease liabilities	354	–	311	–
	118,491	98,170	112,155	96,719

24. GAIN ON DISPOSAL OF INVESTMENT PROPERTY

Gain on disposal of investment property relates to the sale of Sembawang Shopping Centre with legal completion on 18 June 2018.

25. ACQUISITION OF SUBSIDIARY, NET OF CASH ACQUIRED

The Group acquires subsidiaries that own real estate. At the time of acquisition, the Group considers whether each acquisition represents the acquisition of a business or the acquisition of an asset. The Group accounts for an acquisition as a business combination where an integrated set of activities is acquired in addition to the property. Typically, the Group assesses the acquisition as a purchase of business when the strategic management function and the associated processes were purchased along with the underlying property.

In 2018, the Group had the following significant business combination:

Acquisition of subsidiary

On 1 November 2018, the Group acquired 70.0% of the shares and voting interests in Infinity Mall Trust ("IMT") from related parties, CMA Singapore Investments (4) Pte. Ltd. and CL JM Pte. Ltd. As a result, the Group's equity interest in IMT increased from 30.0% to 100.0%, obtaining control of IMT.

The acquisition is part of the Group's ongoing business development and is in line with the Group's strategy to invest in income producing real estate which are used or substantially used for commercial purposes to achieve an attractive level of return from rental income and for long-term capital growth.

For the two months ended 31 December 2018, IMT contributed revenue of $11.2 million and total return of $5.1 million to the Group's results. If the acquisition had occurred on 1 January 2018, management estimates that consolidated revenue would have been $757.2 million and consolidated total return for the year would have been $797.6 million. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2018.

25. ACQUISITION OF SUBSIDIARY, NET OF CASH ACQUIRED (continued)

Effects of acquisition

The cash flows and net assets of subsidiary acquired are provided below:

	2018	
	Group $'000	Trust $'000
Investment property	1,124,179	
Plant and equipment	972	
Cash and cash equivalents	41,520	
Other assets	3,117	
Interest-bearing borrowings	(560,000)	
Trade and other payables	(16,172)	
Amounts due to unitholders	(542,362)	
Financial derivatives	(1,695)	
Provision for taxation	(1,651)	
Security deposits	(20,008)	
Total identifiable net assets	27,900	
Less: Amount previously accounted for as a joint venture, at fair value	(8,370)	
Net assets acquired	19,530	
Loans to IMT for repayment of amounts due to previous unitholders	379,653	
Total consideration	399,183	399,183
Less: Cash of subsidiary acquired	(41,520)	–
Net cash outflow on acquisition of subsidiary	357,663	399,183

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	Valuation Technique
Investment property	The fair value is determined by the average of the valuations by 2 independent valuers, Colliers International Consultancy & Valuation (Singapore) Pte Ltd and Jones Lang LaSalle Property Consultants Pte Ltd. The methods used by the independent valuers were the discounted cash flow method, capitalisation method and the comparison method.

Acquisition related costs

The Group incurred acquisition-related costs of $9.0 million, which mainly relates to the acquisition fees paid to the manager, legal fees and professional fees. These costs have been recognised in 'costs associated with acquisition of subsidiary'.

26. INCOME TAX REFUND

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Current tax refund				
Over provision in prior years[1]	–	(387)	–	(78)
Reconciliation of effective tax rate				
Net income	481,835	477,392	466,873	427,250
Tax calculated using Singapore tax rate of 17%	81,912	81,157	79,368	72,633
Effects of results of equity-accounted investees presented net of tax	(4,516)	(9,720)	–	–
Tax deductible items	(1,192)	213	(845)	359
Income not subject to tax	(1,133)	(1,881)	(3,452)	(3,176)
Tax transparency	(75,071)	(69,769)	(75,071)	(69,816)
Over provision in prior years	–	(387)	–	(78)
	–	(387)	–	(78)

1 In FY 2018, this relates to tax refunded to the Trust for Year of Assessment ("YA") 2009 and BMT for YA 2015 as well as tax assessed on BMT for YA 2016, by the Inland Revenue Authority of Singapore ("IRAS").

27. EARNINGS PER UNIT

Basic and diluted earnings per unit

The calculation of basic and diluted earnings per unit is based on the weighted average number of units during the year and total return for the year.

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Total return for the year	696,930	676,745	700,301	648,573

	Group and Trust Number of Units 2019 '000	Group and Trust Number of Units 2018 '000
Issued units at beginning of the year	3,686,902	3,546,423
Creation of new units during the year:		
– management fees in relation to the Trust 's 40.0% interest in RCS Trust	1,397	1,890
– in relation to Placement	–	19,838
– in relation to the acquisition fees in respect of the acquisition of the balance 70.0% units in IMT	–	536
Weighted average number of units at the end of the year	3,688,299	3,568,687

28. RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common significant influence. Related parties may be individuals or other entities. The Manager, Property Manager and Project Manager (CapitaLand Project Management Pte Ltd) are subsidiaries of a substantial Unitholder of the Trust. In the normal course of the operations of the Trust, management fees and trustee's fees have been paid or are payable to the Manager and Trustee respectively. The property management fees and property management reimbursements are payable to the Property Manager.

During the financial year, other than those disclosed elsewhere in the financial statements, the following were significant related party transactions carried out in the normal course of business:

	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Asset enhancement works and consultancy fees paid/payable to related companies of the Manager	1,318	1,516	1,093	1,057
Rental and other income received/receivable from related companies of the Manager	2,303	1,812	2,120	1,652
Interest paid/payable to subsidiary	–	–	94,257	78,865
Divestment fees paid to the Manager	–	1,240	–	1,240
Other expenses paid/payable to related companies of the Manager	7,714	7,330	6,698	6,155

29. FINANCIAL RISK MANAGEMENT

Capital management

The board of directors of the Manager ("Board") proactively reviews the Group's and the Trust's capital and debt management and financing policy regularly so as to optimise the Group's and the Trust's funding structure. Capital consists of Unitholders' funds of the Group. The Board also monitors the Group's and the Trust's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

The Trust is subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS code. The CIS code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's deposited property. The Trust has complied with the Aggregate Leverage limit of 45.0% during the financial year. There were no changes in the Group's and the Trust's approach to capital management during the financial year.

29. FINANCIAL RISK MANAGEMENT (continued)

Overview of risk management

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

The Audit Committee 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 Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

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

Trade receivables

The Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the Manager before lease agreements are entered into with tenants.

At 31 December 2019 and 31 December 2018, there was no significant concentration 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.

Exposure to credit risk

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. These tenants comprise retailers engaged in a wide variety of consumer trades. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

Expected credit loss assessment for individual tenants

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants, which comprise a very large number of tenants.

Loss rates are calculated using a 'roll rate' method based on the probability of a receivable progressing through successive stages of delinquency to write-off based on actual credit loss experience over the last three years.

29. FINANCIAL RISK MANAGEMENT (continued)

Trade receivables (continued)

The ageing of trade receivables at the reporting date was:

	Group		Trust	
	Gross $'000	Impairment loss $'000	Gross $'000	Impairment loss $'000
31 December 2019				
Not past due	6,710	–	5,596	–
Past due 31 – 60 days	1,130	–	922	–
Past due 61 – 90 days	30	–	26	–
Over 90 days	161	–	159	–
	8,031	–	6,703	–
31 December 2018				
Not past due	6,167	8	5,147	8
Past due 31 – 60 days	1,293	–	994	–
Past due 61 – 90 days	44	–	26	–
Over 90 days	443	–	338	–
	7,947	8	6,505	8

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

	Group and Trust	
	2019 $'000	2018 $'000
At 1 January	8	22
Impairment loss recognised	–	8
Reversal of impairment loss	(8)	(22)
At 31 December	–	8

The Manager believes that, apart from the above, no impairment allowance is necessary in respect of the remaining trade receivables as these receivables arose mainly from tenants that have a good record with the Group and have sufficient security deposits as collateral.

29. FINANCIAL RISK MANAGEMENT (continued)

Amounts due from subsidiary and related parties (trade)

Outstanding trade balances with subsidiary and related parties are unsecured. There is no allowance for doubtful debts arising from these outstanding balances as the ECL is not significant.

Loans to subsidiaries

The Trust held loans to its subsidiaries of $1,844,507,000 (2018: $1,426,392,000) which are amounts lent to subsidiaries to satisfy long term funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default (including but not limited to audited financial statements, management accounts and cash flow projections, and applying experienced credit judgement), these exposures are considered to have low credit risk. Therefore, impairment on these balances has been measured on the 12 month expected credit loss basis; and the amount of the allowance is not significant.

Financial derivatives

The financial derivatives are entered into with bank and financial institution counterparties, which are regulated.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities and only with counterparties that have sound credit ratings, thus management does not expect any counterparty to fail to meet its obligations.

The Group and the Trust held cash and cash equivalents of $202,198,000 and $156,097,000 respectively at 31 December 2019 (2018: $348,503,000 and $286,117,000 respectively). The cash and cash equivalents are held with banks and financial institution counterparties which are rated A to AA-, based on Standard & Poor's ratings.

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 is not significant.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Manager monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations.

29. FINANCIAL RISK MANAGEMENT (continued)

***Liquidity risk** (continued)*

Exposure to liquidity risk

The following are the expected contractual undiscounted cash outflows of financial liabilities and derivative financial instruments including interest payments and excluding the impact of netting agreements:

			Cash flows		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
Group					
31 December 2019					
Non-derivative financial liabilities					
Unsecured					
Retail bonds	349,657	366,244	10,810	355,434	–
USD fixed rate MTN notes	403,090	542,756	14,664	58,337	469,755
JPY fixed rate MTN notes	123,893	125,218	125,218	–	–
JPY floating rate MTN notes	168,417	169,554	452	169,102	–
HKD fixed rate MTN and EMTN notes	847,244	981,227	26,520	435,565	519,142
SGD fixed rate MTN notes	1,377,736	1,645,591	145,670	841,290	658,631
SGD bank loans	290,840	326,416	43,675	178,646	104,095
Trade and other payables	166,857	166,857	166,857	–	–
Security deposits	191,518	191,518	62,532	127,217	1,769
Lease liabilities	11,322	11,322	2,865	5,545	2,912
	3,930,574	4,526,703	599,263	2,171,136	1,756,304
Derivative financial assets					
Cross currency swaps (gross-settled)	25,001				
– Inflow		623,753	16,305	495,852	111,596
– Outflow		(598,513)	(17,564)	(470,904)	(110,045)
	25,001	25,240	(1,259)	24,948	1,551
Derivative financial liabilities					
Cross currency swaps (gross-settled)	(32,904)				
– Inflow		1,166,748	153,555	166,476	846,717
– Outflow		(1,201,862)	(157,485)	(164,507)	(879,870)
	(32,904)	(35,114)	(3,930)	1,969	(33,153)
Interest rate swaps (net-settled)	(775)	(757)	(174)	(891)	308

29. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk *(continued)*

Exposure to liquidity risk (continued)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group					
31 December 2018					
Non-derivative financial liabilities					
Secured					
SGD bank loans	405,000	413,215	413,215	–	–
Unsecured					
Retail bonds	349,365	377,024	10,780	366,244	–
JPY fixed rate MTN and EMTN notes	247,091	251,401	126,508	124,893	–
JPY floating rate MTN notes	167,929	169,631	464	169,167	–
HKD fixed rate MTN and EMTN notes	852,982	920,653	27,976	451,130	441,547
SGD fixed rate MTN notes	1,277,560	1,567,481	42,395	488,834	1,036,252
SGD bank loans	327,890	351,281	9,287	321,481	20,513
Trade and other payables	199,271	199,271	199,271	–	–
Security deposits	181,085	181,085	63,408	115,869	1,808
	3,603,173	4,017,827	480,089	2,037,618	1,500,120
	4,008,173	4,431,042	893,304	2,037,618	1,500,120
Derivative financial assets					
Cross currency swaps (gross-settled)	26,619				
– Inflow		645,012	16,482	514,073	114,457
– Outflow		(616,139)	(17,626)	(484,948)	(113,565)
	26,619	28,873	(1,144)	29,125	892
Derivative financial liabilities					
Cross currency swaps (gross-settled)	(61,349)				
– Inflow		787,024	141,342	242,969	402,713
– Outflow		(850,221)	(180,198)	(243,917)	(426,106)
	(61,349)	(63,197)	(38,856)	(948)	(23,393)
Interest rate swaps (net-settled)	(1,054)	(1,048)	(1,048)	–	–

29. FINANCIAL RISK MANAGEMENT (continued)

Liquidity risk *(continued)*

Exposure to liquidity risk (continued)

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Trust					
31 December 2019					
Non-derivative financial liabilities					
Unsecured					
Retail bonds	349,657	366,244	10,810	355,434	–
SGD fixed rate term loans	2,899,453	3,445,966	320,720	1,476,700	1,648,546
SGD bank loans	290,840	326,416	43,675	178,646	104,095
Trade and other payables	144,712	144,712	144,712	–	–
Security deposits	153,434	153,434	48,140	103,743	1,551
Lease liabilities	10,324	10,324	2,107	5,304	2,913
	3,848,420	4,447,096	570,164	2,119,827	1,757,105
Derivative financial liabilities					
Interest rate swaps (net-settled)	(775)	(757)	(174)	(891)	308
31 December 2018					
Non-derivative financial liabilities					
Unsecured					
Retail bonds	349,365	377,024	10,780	366,244	–
SGD fixed rate term loans	2,550,380	3,033,842	240,219	1,217,700	1,575,923
SGD bank loans	327,890	351,281	9,287	321,481	20,513
Trade and other payables	159,034	159,034	159,034	–	–
Security deposits	144,268	144,268	55,021	87,732	1,515
	3,530,937	4,065,449	474,341	1,993,157	1,597,951

29. FINANCIAL RISK MANAGEMENT (continued)

Market risk

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

Foreign currency risk

The Group is exposed to foreign currency risk on interest-bearing borrowings that were denominated in a currency other than the respective functional currencies of the Group entities. The functional currencies of the Group entities are denominated in Singapore Dollars ("SGD"). The currencies giving rise to this risk are United States Dollars ("USD"), Hong Kong Dollars ("HKD") and Japanese Yen ("JPY"). The Group hedges this risk by entering into cross currency swaps with notional contracts amounting to USD0.3 billion, HKD4.9 billion and JPY23.6 billion. All sums payable in respect of the cross currency swaps are guaranteed by the Trustee.

Foreign exchange risks related to the interest-bearing borrowings of the Group's USD, HKD and JPY notes, issued by SGD functional currency Group entities, have been fully hedged using cross currency swaps that mature on the same dates that the loans are due for repayment. These cross currency swaps are designated as cash flow hedges.

The Group applies a hedge ratio of 1:1 to its cross currency swaps to hedge its currency risk. The Group's policy is for the critical terms of the cross currency swaps to align with the hedged item.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the currency, amount and timing of their respective cash flows. The Group assess whether the derivative designated in each hedging relationship is expected to be and has been effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

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

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

- changes in timing of the hedged transactions.

The following significant exchange rates have been applied.

	Year-end spot rate	
	2019	**2018**
USD	1.347	–
HKD	0.173	0.174
JPY	0.012	0.012

29. FINANCIAL RISK MANAGEMENT (continued)

***Foreign currency risk** (continued)*

Sensitivity analysis

A 10.0% weakening of the Singapore dollar, as indicated below, against the following foreign currencies at the reporting date would increase the Statement of Total Return and Unitholders' Funds as at 31 December 2019 by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

	Statement of Total Return $'000	Unitholders' Funds $'000
Group		
2019		
USD	–	6,319
HKD	–	5,696
JPY	–	404
	–	12,419
2018		
HKD	–	5,034
JPY	–	939
	–	5,973

A 10.0% strengthening of the Singapore dollar against the above currencies would have had an opposite effect of similar quantum on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group adopts a policy of ensuring that at least 80.0% of its interest rate risk exposure is at a fixed-rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a float rate and using interest rate swaps and cross currency swaps as hedges of the variability in cash flows attributable to interest rate risk. The Group applies a hedge ratio of 1:1.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

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

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

29. FINANCIAL RISK MANAGEMENT *(continued)*

Interest rate risk *(continued)*

Exposure to interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. The Group manages its interest rate exposure through the use of interest rate swaps, cross currency swaps and fixed rate borrowings.

At 31 December 2019, the Group has interest rate swaps classified as cash flow hedges with notional contractual amount of $180,000,000 (2018: $405,000,000) which pay fixed interest rates averaging 2.47% (2018: 2.33%) per annum and receive variable rates equal to the Swap Offer Rate on the notional amount. The fair value of these interest rate swaps as at 31 December 2019 is a liability of $775,000 (2018: $1,054,000).

At 31 December 2019, the Group has cross currency swaps classified as cash flow hedges with notional contractual amount of $162,000,000 (2018: $162,000,000) which pay fixed interest rates averaging 3.00% (2018: 3.00%) per annum and receive variable rates equal to the JPY LIBOR on the notional amount. The fair value of these cross currency swaps as at 31 December 2019 is an asset of $3,166,000 (2018: $3,703,000).

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

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Interest-bearing borrowings	(3,106,484)	(2,731,631)	(3,254,098)	(2,904,553)
Effect of interest rate swaps and cross currency swaps	(348,541)	(573,104)	(180,000)	–
	(3,455,025)	(3,304,735)	(3,434,098)	(2,904,553)
Variable rate instruments				
Interest-bearing borrowings	(461,451)	(901,538)	(292,910)	(328,434)
Effect of interest rate swaps and cross currency swaps	348,541	573,104	180,000	–
	(112,910)	(328,434)	(112,910)	(328,434)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate instruments at fair value through profit or loss, and the Group does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect the Statement of Total Return.

29. FINANCIAL RISK MANAGEMENT (continued)

Interest rate risk *(continued)*

Fair value sensitivity analysis for variable rate instruments

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

	Statement of Total Return		Unitholders' Funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 December 2019				
Variable rate instruments	(4,614)	4,614	–	–
Interest rate swaps and cross currency swaps	3,485	(3,485)	10,230	(10,230)
Cash flow sensitivity (net)	(1,129)	1,129	10,230	(10,230)
31 December 2018				
Variable rate instruments	(9,015)	9,015	–	–
Interest rate swaps and cross currency swaps	5,731	(5,731)	5,536	(5,536)
Cash flow sensitivity (net)	(3,284)	3,284	5,536	(5,536)
Trust				
31 December 2019				
Variable rate instruments	(2,929)	2,929	–	–
Interest rate swaps	1,800	(1,800)	8,086	(8,086)
Cash flow sensitivity (net)	(1,129)	1,129	8,086	(8,086)
31 December 2018				
Variable rate instruments	(3,284)	3,284	–	–

Equity price risk

The Group's exposure to change in equity price relates to equity instrument at FVOCI in a quoted equity security listed in Singapore.

Sensitivity analysis

As at 31 December 2019, if the price for the quoted equity security increased by 5% with all other variables being held constant, the increase in Unitholders' Funds would be $10.7 million (2018: Nil). A similar 5% decrease in the price would have an equal but opposite effect.

29. FINANCIAL RISK MANAGEMENT (continued)

Hedge accounting

Cash flow hedges

The Group held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	2019 Maturity Within 1 year	2019 Maturity More than 1 year
Group		
Foreign currency risk		
Cross currency swaps		
Net exposure ($'000)	126,000	1,398,098
Average SGD:HKD forward contract rate	–	0.1690
Average SGD:JPY forward contract rate	0.0126	0.0119
Average SGD:USD forward contract rate	–	1.3570
Interest rate risk		
Interest rate swaps		
Net exposure ($'000)	–	180,000
Average fixed interest rate %	–	2.47

	2018 Maturity Within 1 year	2018 Maturity More than 1 year
Foreign currency risk		
Cross currency swaps		
Net exposure ($'000)	157,555	1,116,998
Average SGD:HKD forward contract rate	–	0.1690
Average SGD:JPY forward contract rate	0.0157	0.0122
Interest rate risk		
Interest rate swaps		
Net exposure ($'000)	405,000	–
Average fixed interest rate %	2.33	–

	2019 Maturity Within 1 year	2019 Maturity More than 1 year
Trust		
Interest rate risk		
Interest rate swaps		
Net exposure ($'000)	–	180,000
Average fixed interest rate %	–	2.47

29. FINANCIAL RISK MANAGEMENT (continued)

***Hedge accounting** (continued)*

The following table provides a reconciliation by risk category of components of Unitholders' Funds resulting from cash flow hedge accounting.

	Group	Trust
	Hedging reserve	
	$'000	$'000
Cash flow hedges		
Balance as at 1 January 2018	(31,302)	–
Changes in fair value:		–
Foreign currency risk	(10,970)	–
Interest rate risk	201	–
Amounts reclassified to Statement of Total Return:		–
Foreign currency risk	9,963	–
Interest rate risk	440	–
Share of movements in hedging reserves of associate and joint venture	2,291	–
Balance at 31 December 2018	(29,377)	–
Changes in fair value:		
Foreign currency risk	19,724	–
Interest rate risk	274	(780)
Amounts reclassified to Statement of Total Return:		
Foreign currency risk	(18,640)	–
Interest rate risk	5	5
Share of movements in hedging reserves of associate and joint venture	(1,260)	–
Balance at 31 December 2019	(29,274)	(775)

29. FINANCIAL RISK MANAGEMENT (continued)

***Hedge accounting** (continued)*

The amounts relating to items designated as hedged items and hedging instruments (excluding share of hedging reserves of associate and joint venture) were as follows:

	Nominal amount $'000	Carrying amount – Assets $'000	Carrying amount – Liabilities $'000	Line item in the Statement of Financial Position where the hedging instrument is included	Line item in the Statement of Financial Position where the hedged item is included
Group					
2019					
Foreign currency risk					
Cross currency swaps	1,524,098	25,001	(32,904)	Financial derivatives	Interest-bearing borrowings
Interest rate risk					
Interest rate swaps	180,000	–	(775)	Financial derivatives	Interest-bearing borrowings
2018					
Foreign currency risk					
Cross currency swaps	1,274,553	26,619	(61,349)	Financial derivatives	Interest-bearing borrowings
Interest rate risk					
Interest rate swaps	405,000	–	(1,054)	Financial derivatives	Interest-bearing borrowings
Trust					
2019					
Interest rate risk					
Interest rate swaps	180,000	–	(775)	Financial derivatives	Interest-bearing borrowings

Cash flow hedge reserve $'000	Changes in the fair value of the hedging instrument recognised in Unitholders Funds $'000	Amounts reclassified from Hedging Reserve to Statement of Total Return $'000	Line item in Statement of Total Return affected by the reclassification
(28,829)	19,724	(18,640)	Finance costs
411	274	5	Finance costs
(29,913)	(10,970)	9,963	Finance costs
641	201	440	Finance costs
(755)	(780)	5	Finance costs

30. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	Note	Carrying amount	
		Fair value – hedging instruments $'000	Amortised cost $'000
Group			
31 December 2019			
Financial assets not measured at fair value			
Trade and other receivables[1]	11	–	24,469
Cash and cash equivalents	12	–	202,198
		–	226,667
Financial assets measured at fair value			
Financial derivatives	10	25,001	–
Equity instrument at FVOCI	9	–	–
		25,001	–
Financial liabilities not measured at fair value			
Trade and other payables	13	–	–
Security deposits		–	–
Interest-bearing borrowings	14	–	–
		–	–
Financial liabilities measured at fair value			
Financial derivatives	10	(33,679)	–
31 December 2018			
Financial assets not measured at fair value			
Trade and other receivables[1]	11	–	26,796
Cash and cash equivalents	12	–	348,503
		–	375,299
Financial assets measured at fair value			
Financial derivatives	10	26,619	–
Financial liabilities not measured at fair value			
Trade and other payables	13	–	–
Security deposits		–	–
Interest-bearing borrowings	14	–	–
		–	–
Financial liabilities measured at fair value			
Financial derivatives	10	(62,403)	–

1 Excluding prepayments

FVOCI – equity instruments $'000	Other financial liabilities $'000	Total $'000	Fair value Level 1 $'000	Fair value Level 2 $'000	Fair value Level 3 $'000	Fair value Total $'000
–	–	24,469				
–	–	202,198				
–	–	226,667				
–	–	25,001	–	25,001	–	25,001
214,742	–	214,742	214,742	–	–	214,742
214,742	–	239,743				
–	(166,857)	(166,857)				
–	(191,518)	(191,518)				
–	(3,560,877)	(3,560,877)	(358,050)	(3,558,378)	–	(3,916,428)
–	(3,919,252)	(3,919,252)				
–	–	(33,679)	–	(33,679)	–	(33,679)
–	–	26,796				
–	–	348,503				
–	–	375,299				
–	–	26,619	–	26,619	–	26,619
–	(199,271)	(199,271)				
–	(181,085)	(181,085)				
–	(3,627,817)	(3,627,817)	(358,750)	(3,298,096)	–	(3,656,846)
–	(4,008,173)	(4,008,173)				
–	–	(62,403)	–	(62,403)	–	(62,403)

30. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

	Note	Carrying amount	
		Fair value – hedging instruments $'000	Amortised cost $'000
Trust			
31 December 2019			
Financial assets not measured at fair value			
Loans to subsidiaries[1]	7	–	1,844,507
Trade and other receivables[2]	11	–	31,468
Cash and cash equivalents	12	–	156,097
		–	2,032,072
Financial assets measured at fair value			
Equity instrument at FVOCI	9	–	–
Financial liabilities not measured at fair value			
Trade and other payables	13	–	–
Security deposits		–	–
Interest-bearing borrowings	14	–	–
		–	–
Financial liabilities measured at fair value			
Financial derivatives	10	(775)	–
31 December 2018			
Financial assets not measured at fair value			
Loans to subsidiaries[1]	7	–	1,426,392
Trade and other receivables[2]	11	–	29,564
Cash and cash equivalents	12	–	286,117
		–	1,742,073
Financial liabilities not measured at fair value			
Trade and other payables	13	–	–
Security deposits		–	–
Interest-bearing borrowings	14	–	–
		–	–

1 Relates to loans to Brilliance Mall Trust ("BMT"), Infinity Mall Trust ("IMT"), Victory Office 1 Trust and Victory Office 2 Trust.
2 Excluding prepayments

	FVOCI – equity instruments $'000	Other financial liabilities $'000	Total $'000	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
	–	–	1,844,507				
	–	–	31,468				
	–	–	156,097				
	–	–	2,032,072				
	214,742	–	214,742	214,742	–	–	214,742
	–	(144,712)	(144,712)				
	–	(153,434)	(153,434)				
	–	(3,539,950)	(3,539,950)	(358,050)	(3,282,674)	–	(3,640,724)
	–	(3,838,096)	(3,838,096)				
	–	–	(775)	–	(775)	–	(775)
	–	–	1,426,392				
	–	–	29,564				
	–	–	286,117				
	–	–	1,742,073				
	–	(159,034)	(159,034)				
	–	(144,268)	(144,268)				
	–	(3,227,635)	(3,227,635)	(358,750)	(2,905,833)	–	(3,264,583)
	–	(3,530,937)	(3,530,937)				

30. CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

Measurement of fair values

Financial instruments that are measured at fair value

Financial derivatives

The fair values of cross currency swaps and interest rate swaps (Level 2 fair values) are based on banks' quotes. These quotes are assessed for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group and counterparties when appropriate.

Equity instrument at FVOCI

The fair value of equity instrument at FVOCI (Level 1 fair values) is based on quoted bid prices (unadjusted) in active markets.

Financial instruments that are not measured at fair value

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

Interest rates used in determining fair values

The interest rates used to discount estimated cash flows, where applicable, are based on forward rates as at 31 December plus a credit spread, and are as follows:

	2019 %	2018 %
Interest-bearing borrowings	2.27 – 2.98	2.38 – 3.70

Financial instruments for which fair value is equal to the carrying value

These financial instruments include loans to subsidiaries and joint venture, trade and other receivables, cash and cash equivalents, trade and other payables and security deposits. The carrying amounts of these financial instruments are an approximation of their fair values because they are either short term in nature, effect of discounting is immaterial or reprice frequently.

31. OPERATING SEGMENTS

For the purpose of making resource allocation decisions and the assessment of segment performance, the Group's Chief Operating Decision Makers ("CODMs") reviews internal/management reports of its investment properties. This forms the basis of identifying the operating segments of the Group consistent with the principles of FRS 108 *Operating Segments*.

Segment revenue comprises mainly income generated from its tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the CODMs for the purpose of assessment of segment performance. In addition, the CODMs monitor the non-financial assets as well as financial assets attributable to each segment when assessing segment performance.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly income-earning assets and revenue, interest-bearing borrowings and expenses, related assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

Geographical segments

Segment information in respect of the Group's geographical segments is not presented, as the Group's activities for the year ended 31 December 2019 and 31 December 2018 related to properties located in Singapore.

31. OPERATING SEGMENTS (continued)

	Tampines Mall $'000	Junction 8 $'000	Funan[1] $'000	IMM Building $'000	Plaza Singapura $'000
2019					
Gross revenue	82,892	61,191	28,536	86,803	92,073
Segment net property income	61,791	44,520	15,126	60,481	68,948
Interest and other income					
Finance costs					
Unallocated expenses					
Share of results (net of tax) of:					
– Associate					
– Joint ventures					
Net income					
Net change in fair value of investment properties	24,174	52,248	46,023	24,016	51,129
Dilution loss on investment in associate					
Net loss on derecognition of investment in associate					
Total return for the year before tax					
Income tax refund					
Total return for the year					
Assets and liabilities					
Segment assets	1,085,728	799,397	788,101	675,780	1,349,873
Investment in associate and joint ventures					
Equity instrument at fair value					
Unallocated assets:					
– financial derivatives					
– others					
Total assets					
Segment liabilities	22,222	21,445	36,461	28,265	29,796
Unallocated liabilities:					
– interest-bearing borrowings					
– financial derivatives					
– others					
Total liabilities					
Other segmental information					
Depreciation and amortisation	16	22	1,203	114	38
Plant and equipment:					
– capital expenditure	20	11	488	51	30
Investment properties and investment properties under development:					
– capital expenditure	1,826	3,752	64,401	1,984	2,038
Receivables written back	(2)	–	–	(1)	(3)

Bugis Junction $'000	Lot One Shoppers' Mall $'000	The Atrium@ Orchard $'000	Clarke Quay $'000	Bugis+ $'000	Other Investment Properties[2] $'000	Bedok Mall $'000	Westgate $'000	Group $'000
84,868	43,181	50,034	40,080	33,712	50,516	57,962	74,888	786,736
61,656	29,984	37,471	26,056	24,144	31,412	42,865	53,761	558,215
								7,099
								(118,491)
								(54,211)
								18,388
								70,835
								481,835
13,791	(4,413)	1,521	11,234	1,449	664	9,809	1,268	232,913
								(217)
								(17,601)
								696,930
								–
								696,930
1,106,701	537,394	765,226	417,705	358,066	626,653	808,686	1,151,888	10,471,198
								840,851
								214,742
								25,001
								179,867
								204,868
								11,731,659
27,331	16,621	14,055	21,234	11,346	27,542	22,009	29,650	307,977
								3,560,877
								33,679
								61,887
								3,656,443
								3,964,420
50	39	17	93	19	82	12	21	1,726
34	76	23	102	17	56	25	41	974
2,978	5,413	5,479	3,530	1,973	1,465	1,189	1,732	97,760
–	–	–	–	(1)	(4)	–	–	(11)

31. OPERATING SEGMENTS (continued)

	Tampines Mall $'000	Junction 8 $'000	Funan[1] $'000	IMM Building $'000	Plaza Singapura $'000
2018					
Gross revenue	81,383	60,838	–	85,763	91,502
Segment net property income	60,373	44,057	(1,295)	60,349	68,331
Interest and other income					
Finance costs					
Unallocated expenses					
Share of results (net of tax) of:					
– Associate					
– Joint ventures					
Net income					
Net change in fair value of investment properties	7,104	6,864	–	5,697	10,871
Net change in fair value of investment properties under development	–	–	(138)	–	–
Gain on disposal of investment property					
Dilution gain on investment in associate					
Total return for the year before tax					
Income tax refund					
Total return for the year					
Assets and liabilities					
Segment assets	1,060,115	743,361	666,740	650,861	1,297,065
Investment in associate and joint ventures					
Unallocated assets:					
– financial derivatives					
– others					
Total assets					
Segment liabilities	23,266	18,411	62,006	27,779	29,017
Unallocated liabilities:					
– interest-bearing borrowings					
– financial derivatives					
– others					
Total liabilities					
Other segmental information					
Depreciation and amortisation	29	37	–	122	34
Plant and equipment:					
– capital expenditure	7	10	–	91	13
Investment properties and investment properties under development:					
– capital expenditure	6,896	1,136	205,328	2,303	2,129
Receivables written off	17	–	–	1	3

1 Funan was closed for redevelopment from 1 July 2016 and re-opened on 28 June 2019. The retail component of Funan is held through the Trust and the office components are held through Victory Office 1 Trust and Victory Office 2 Trust.

2 Other investment properties comprise JCube and Bukit Panjang Plaza in respect of 2019 and JCube, Sembawang Shopping Centre (until its divestment on 18 June 2018) and Bukit Panjang Plaza in respect of 2018.

Bugis Junction $'000	Lot One Shoppers' Mall $'000	The Atrium@ Orchard $'000	Clarke Quay $'000	Bugis+ $'000	Other Investment Properties[2] $'000	Bedok Mall $'000	Westgate $'000	Group $'000
84,856	44,134	50,141	38,640	33,552	58,514	57,015	11,183	697,521
61,403	30,691	38,388	23,635	23,870	34,952	41,305	7,489	493,548
								10,681
								(98,170)
								(57,619)
								13,593
								115,359
								477,392
18,620	3,154	4,955	6,685	8,391	422	2,763	3,700	79,226
–	–	–	–	–	–	–	–	(138)
								119,734
								144
								676,358
								387
								676,745
1,089,754	536,324	758,279	401,846	354,604	616,211	796,827	1,174,306	10,146,293
								1,020,504
								26,619
								308,254
								334,873
								11,501,670
24,917	14,048	13,111	19,608	10,165	20,923	21,918	37,294	322,463
								3,627,817
								62,403
								59,687
								3,749,907
								4,072,370
17	40	33	51	27	103	18	8	519
10	15	15	31	32	25	9	1	259
2,380	846	2,045	1,315	609	2,706	237	120	228,050
–	–	–	–	1	5	2	–	29

32. COMMITMENTS

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Capital commitments				
– contracted but not provided for	41,668	81,192	38,372	64,415

Operating lease rental receivable

The Group leases out its investment properties. The Group has 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.

Rental income from investment property recognised by the Group during 2019 was $686,698,000 (2018: $607,520,000).

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

	Group 2019 $'000	Trust 2019 $'000
Operating leases under the principles of FRS 116		
Less than one year	660,143	540,178
One to two years	489,623	399,061
Two to three years	262,562	202,065
Three to four years	95,369	64,476
Four to five years	49,089	34,148
More than five years	23,261	19,162
	1,580,047	1,259,090

	Group 2018 $'000	Trust 2018 $'000
Operating leases under the principles of FRS 17		
Less than one year	607,498	492,097
Between one year to five years	746,150	578,659
More than five years	21,977	15,534
	1,375,625	1,086,290

33. FINANCIAL RATIOS

	Group	
	2019	2018
	%	%
Expenses to weighted average net assets[1]		
– including performance component of Manager’s management fees	0.71	0.68
– excluding performance component of Manager’s management fees	0.40	0.38
Portfolio turnover rate[2]	–	0.41

1 The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses and finance costs.
2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of average net asset value.

34. SUBSEQUENT EVENT

On 22 January 2020, the respective boards of directors of the Manager and CapitaLand Commercial Trust Management Limited, as manager of CapitaLand Commercial Trust (“CCT”), announced the proposed merger of the Trust and CCT to create a diversified commercial real estate investment trust to be named CapitaLand Integrated Commercial Trust. This proposed merger will be effected by way of a trust scheme of arrangement in accordance with the Singapore Code on Take-overs and Mergers and the deed of trust constituting CCT dated 6 February 2004 (as amended), with the Trust acquiring of all the issued and paid-up units of CCT (“CCT Units”).

The total cost of the merger is estimated to be approximately $8.3 billion. The consideration for each CCT Unit (the “Scheme Consideration”) comprises 0.720 new units in CMT (“CMT Units”) and $0.2590 in cash. Based on an issue price of $2.59 per CMT Unit, the Scheme Consideration implies a gross exchange ratio of 0.820x, taking into consideration, amongst other factors, the respective 30-day volume weighted average prices of CMT Units and CCT Units.

The transaction is expected to be completed by June 2020, subject to customary closing conditions, regulatory approvals, tax approvals, approvals from unitholders of the Trust and approvals from unitholders of CCT.