ASCOTT
RESIDENCE
TRUST
A Member of CapitaLand

EXPANDING STRATEGICALLY. GROWING GLOBALLY.

ASCOTT RESIDENCE TRUST
Annual Report 2015

EXPANDING STRATEGICALLY. GROWING GLOBALLY.

As the world's first Pan-Asian serviced residence Real Estate Investment Trust (REIT) to list on the Singapore Exchange Securities Trading Limited (SGX-ST) in 2006, Ascott Residence Trust (Ascott Reit or the Group) has grown to become a leading global serviced residence REIT. With a total asset value of S$4.7 billion and a global presence across 38 cities in 14 countries as at end 2015, Ascott Reit is the most geographically diversified and largest hospitality REIT listed on the SGX-ST by asset size and market capitalisation. The Group remains committed to explore investment opportunities to grow globally to enhance the quality of its portfolio while maintaining its geographical diversification across growth markets in the Asian Pacific region, as well as stable economies in Europe and the Americas, so as to continue to deliver stable and growing returns to its Unitholders.

Cover
Citadines Suites Louvre Paris

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Corporate Profile

Ascott Residence Trust (Ascott Reit) was established with the objective of investing primarily in real estate and real estate-related assets which are income-producing and which are used or predominantly used, as serviced residences, rental housing properties and other hospitality assets.

Ascott Reit's asset size has more than quadrupled to S$4.7 billion since it was listed on the Singapore Exchange Securities Trading Limited in March 2006. Ascott Reit's international portfolio comprises 89 properties with 11,298 units in 38 cities across 14 countries in the Americas, Asia Pacific and Europe. Ascott Reit was awarded "Best REIT, Asia" by World's Finance Magazine at its Real Estate Awards in 2015.

Ascott Reit's serviced residences are mostly operated under the Ascott, Citadines and Somerset brands. They are mainly located in key gateway cities such as Barcelona, Berlin, Brussels, Guangzhou, Hanoi, Ho Chi Minh City, Jakarta, Kuala Lumpur, London, Manila, Melbourne, Munich, New York, Paris, Perth, Shanghai, Singapore and Tokyo.

Ascott Reit is managed by Ascott Residence Trust Management Limited, a wholly owned subsidiary of The Ascott Limited and an indirect wholly owned subsidiary of CapitaLand Limited, one of Asia's largest real estate companies.

Vision

To be the premier serviced residence real estate investment trust with quality assets in key global cities.

Mission

To deliver stable and sustainable returns to Unitholders.

2015 Highlights

Revenue
S$421.1 million
↑ 18% YoY

Gross Profit
S$204.6 million
↑ 14% YoY

Unitholders' Distribution
S$123.3 million
↓ 2% YoY

Revenue Per Available Unit
S$133
↑ 4% YoY

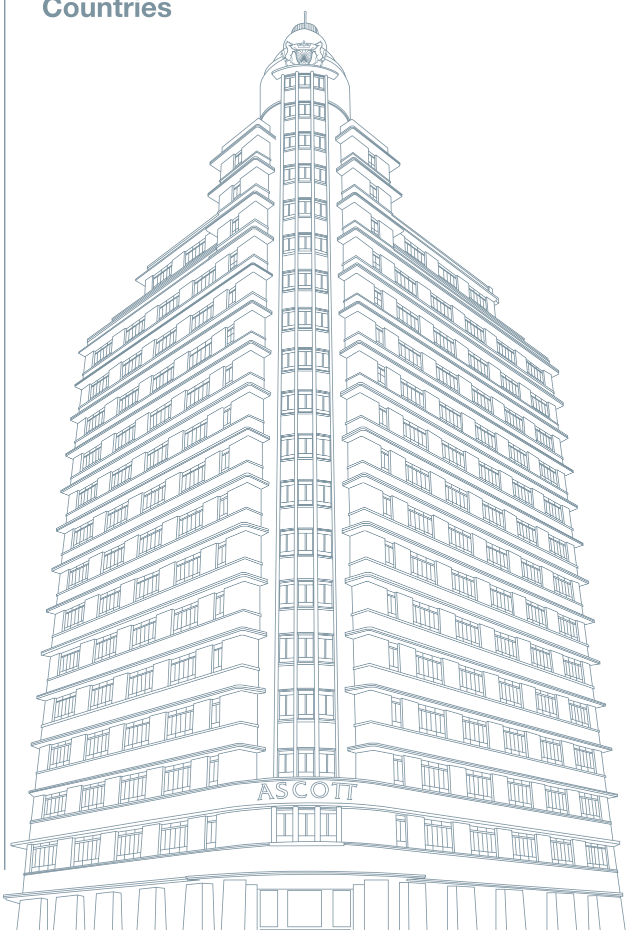
Total Assets as at 31 December 2015
S$4.7 billion
Largest hospitality REIT listed on SGX-ST

Global Presence
11,298
Apartment Units

38
Cities

14
Countries

Extended Presence into a New Country
The United States of America
Through the Acquisition of a Prime Property in Times Square of New York



Ascott Raffles Place Singapore

Financial Highlights

For the Financial Year

	2011	2012	2013	2014	2015
Gross Revenue (S$ million)	288.7	303.8	316.6	357.2	**421.1**
Gross Profit (S$ million)	157.5	159.1	161.2	180.2	**204.6**
Unitholders' Distribution (S$ million)	96.2	99.7	114.8	125.6	**123.3**
Distribution Per Unit (DPU) (cents)	8.53	8.76	8.40	8.20	**7.99**
Distribution Yield[1] (%)	8.62	6.40	6.94	6.46	**6.71**
DPU (adjusted for Rights Issue)[2] (cents)	8.34	8.55	8.30	8.20	**7.99**

Balance Sheet

As at 31 December	2011	2012	2013	2014	2015
Total Assets (S$ million)	3,023.0	3,002.5	3,582.0	4,121.9	**4,724.6**
Unitholders' Funds (S$ million)	1,537.0	1,547.4	2,093.1	2,106.1	**2,189.7**
Total Borrowings (S$ million)	1,204.6	1,170.8	1,197.1	1,550.9	**1,815.2**

Financial Ratios

As at 31 December	2011	2012	2013	2014	2015
Net Asset Value (NAV) Per Unit (S$)	1.36	1.35	1.37	1.37	**1.41**
Aggregate Leverage (%)	40.8	40.1	34.0	38.5	**39.3**
Interest Cover Ratio[3] (times)	3.8	3.9	4.0	4.3	**4.1**
Management Expense Ratio[4] (%)	1.3	1.2	1.0	1.1	**1.2**
Financial Derivatives as a Percentage of NAV[5] (%)	1.2	1.3	0.5	0.7	**0.5**

Others

As at 31 December	2011	2012	2013	2014	2015
Market Capitalisation[1] (S$ million)	1,118.6	1,554.2	1,842.2	1,949.5	**1,843.0**
Number of Units in Issue (million)	1,129.9	1,142.8	1,522.5	1,535.0	**1,548.7**

1 Based on the closing unit price of S$0.99 on 31 December 2011, S$1.36 on 31 December 2012, S$1.21 on 31 December 2013, S$1.27 on 31 December 2014 and S$1.19 on 31 December 2015.
2 The figures have been restated for the underwritten and renounceable 1-for-5 Rights Issue, through which 253,749,218 units were issued on 12 December 2013.
3 Refers to EBITDA (earnings before net interest expense, tax, depreciation and amortisation) before change in fair value of financial derivatives, change in fair value of serviced residence properties and assets held for sale, and foreign exchange differences over net interest expense.
4 Refers to the expenses of Ascott Residence Trust (excluding direct expenses, foreign exchange differences, net interest expense, change in fair value of financial derivatives, change in fair value of serviced residence properties and assets held for sale, assets written off and income tax expense).
5 Financial derivatives refer to the cross currency swaps, interest rate swaps and interest rate caps which the Group has entered into.

Message to Unitholders

"2015 was a year of unprecedented growth and expansion for Ascott Reit. As the world's first Pan-Asian serviced residence REIT to list on SGX-ST, Ascott Reit has, over the last decade, successfully transformed itself into a global platform through a series of acquisitions."

Left **Lim Jit Poh**
Chairman

Right **Tay Boon Hwee, Ronald**
Chief Executive Officer

Dear Unitholders,

Singapore and Singaporeans mourned the passing of our Founding Father and First Prime Minister Mr Lee Kuan Yew on 23 March 2015. Corporate Singapore owes a great deal of gratitude to Mr Lee for leading it to develop a 'second wing' in the 1990s where Singaporean firms were encouraged to venture abroad. Ascott Residence Trust's (Ascott Reit or the Group) expansion globally serves as a reminder of its achievements and Mr Lee's far-sighted thinking for the nation.

2015 was a year of unprecedented growth and expansion for Ascott Reit. As the world's first Pan-Asian serviced residence Real Estate Investment Trust (REIT) to list on the Singapore Exchange Securities Trading Limited (SGX-ST), Ascott Reit has, over the last decade, successfully transformed itself into a global platform through a series of acquisitions. As at 31 December 2015, Ascott Reit's portfolio comprised 11,298 apartment units in 89 properties in 38 cities across 14 countries in the Americas, Asia Pacific and Europe, making it the most geographically diversified and largest hospitality REIT listed on SGX-ST by asset size and market capitalisation.

Expanding Strategically, Growing Globally

In its quest to achieve the target portfolio size of S$6.0 billion by 2017, Ascott Reit has continued its rapid expansion plan. In 2015, it acquired properties worth S$609.1 million to reach a total asset value of S$4.7 billion as at 31 December 2015, giving a compound annual growth rate of 17.8% since its initial listing in March 2006. For 2015, Ascott Reit acquired six properties across Australia, Japan and the United States of America (US), as well as the remaining stakes in two existing serviced residence properties in Japan.

2015 was a very significant year as Ascott Reit achieved a milestone by charting a new territory across the Atlantic, making its foray into the burgeoning hospitality market in the US through the acquisition of an extended-stay hotel property situated in a prime location near Times Square, the commercial centre of Manhattan, New York. This strategic expansion into the US not only further strengthened its portfolio diversification across property and economic cycles, but also catapulted Ascott Reit into the global hospitality arena. We remain confidently on track to achieve the target portfolio size.

Delivering Steady and Resilient Financial Performance

Indeed for the financial year ended 31 December 2015 (FY 2015), Ascott Reit again demonstrated its ability to deliver a robust set of financial results, reflecting the resilience of its extended-stay business model and its ability to achieve growth against the backdrop of an otherwise slower-than-expected recovery of the global economy.

In FY 2015, the Group posted a year-on-year increase of 18% in revenue to reach S$421.1 million. Consequently, gross profit grew 14% year-on-year to S$204.6 million. Unitholders' Distribution was S$123.3 million while Distribution Per Unit was 7.99 cents, translating to a distribution yield of 6.7%, based on Ascott Reit's closing price of S$1.185 on 31 December 2015. The stronger financial performance was largely driven by the yield-accretive acquisitions completed during the year.

As at 31 December 2015, Ascott Reit's investment properties were valued at S$4,373.9 million by independent valuers, 14.8% higher than the previous year. This is mainly attributed to the acquisitions completed in 2015 and the higher valuations of the existing properties in Japan, France and the United Kingdom.

With approximately 46% of the Group's gross profit in FY 2015 contributed by master leases and serviced residence management contracts which provide a minimum guaranteed income, Ascott Reit enjoys enhanced income stability over an extended period and is consequently able to continue to deliver a stable income to its Unitholders. Both the master leases and serviced residence management contracts with minimum guaranteed income have a remaining weighted average tenure of approximately four years.

Optimising Returns Through Active Asset Management

The Group constantly reviews the quality of its portfolio by proactively putting its properties through robust asset enhancement programmes to optimise returns for its Unitholders and to meet the increasingly sophisticated demands of our guests. As at 31 December 2015, approximately 85% of Ascott Reit's serviced residence properties have undergone, or are undergoing, Asset Enhancement Initiatives (AEI).

In 2015, Ascott Reit spent approximately S$46.8 million on AEI at several properties in its portfolio. With these concerted efforts to drive better operational performance, the AEI have generated higher operating returns and fetched positive guest feedback. The completion of AEI at Somerset Olympic Tower Property Tianjin has brought about an uplift of approximately 30% in Average Daily Rates (ADR) while the completion of the latest phases of AEI at Somerset Ho Chi Minh City and Somerset Xu Hui Shanghai has uplifted the ADR of refurbished apartment units by approximately 27% and 35% respectively. Citadines Barbican London is currently undergoing AEI which is on track for completion in 2016 while the remaining phases of AEI at Somerset Xu Hui Shanghai and Somerset Ho Chi Minh City are expected to be completed in 2016 and 2017 respectively. We have also embarked on the first phase of AEI at Ascott Makati in 4Q 2015, which is expected to be completed by 2Q 2016.

As part of our strategy to reconstitute and improve the quality of the total portfolio, Ascott Reit monitors closely the growth potential of the properties in its portfolio and divests those that have reached their maximum potential or whose growth prospects are limited by changes in the operating environment. In this respect, Ascott Reit successfully divested six rental housing properties in the regional cities of Japan and a serviced residence property in the Philippines above the latest valuation of the properties for a total sales consideration of S$60.3 million in 2015, realising a net gain of S$9.9 million.

Message to Unitholders

Growing from Prudent Capital Management

In tandem with optimising returns, we continue to adopt a disciplined and prudent approach towards capital management so as to ensure financial flexibility in our funding structure. As at 31 December 2015, Ascott Reit's gearing of 39.3% was below the gearing limit of 45.0% prescribed by the Monetary Authority of Singapore (MAS) in the newly revised Property Funds Appendix of the Code on Collective Investment Schemes, effective from 1 January 2016.

The Group constantly monitors its exposure to interest rates and exchange rates and remains vigilant in view of changes in the macro and credit environment.

In December 2015, the US Federal Reserve raised interest rates by a quarter percentage point and pledged a gradual pace of increase over the course of 2016. This marked the end to the near zero borrowing cost environment since the global financial crisis in 2008. To actively mitigate the adverse effect of the rise in interest rates, close to 80% of Ascott Reit's total borrowings have fixed interest rates. As at 31 December 2015, the effective borrowing cost stood at 2.8%, with a healthy interest cover ratio of 4.1 times.

To cope with our expansion, Ascott Reit continued to actively tap the debt capital market in 2015 so as to diversify its funding sources and mitigate interest rate volatility. This was done through the issuance of two tranches of seven-year fixed rate notes under our S$1.0 billion Multicurrency Medium Term Note Programme that was established in September 2009. The issuance of JPY7.3 billion (approximately S$84.0 million) fixed rate notes at 1.17% per annum and S$200.0 million fixed rate notes at 4.21% per annum which was subsequently swapped into Euros at a fixed rate of 1.81% per annum have successfully extended our weighted average debt to maturity from 4.4 years in 2014 to 4.6 years as at 31 December 2015.

Following the successful maiden issuance of S$150.0 million fixed rate perpetual securities in October 2014, Ascott Reit replicated its success once again in June 2015 through the issuance of S$250.0 million perpetual securities at an attractive fixed distribution rate of 4.68% per annum. The perpetual securities received strong investor participation with orders more than four times oversubscribed. Proceeds from the issuance of the perpetual securities were deployed swiftly to fund the acquisitions in Australia and the US. Capitalising on the strength of its balance sheet, Ascott Reit has demonstrated its strong ability to tap into alternate funding sources to capture growth opportunities.

Ascott Reit will continue to explore strategic expansion and accretive acquisitions in key cities globally. As we continue to maintain our distribution policy of distributing 100% of our earnings to Unitholders, inevitably we will need to raise capital by exploring various available funding options so as to maintain a healthy gearing ratio. We will continue to optimise and deliver sustainable growth to our Unitholders in the long run and leave open the possibility of undertaking equity fund raising activities in the future.

Awards and Accolades

Our award winning properties continue to enjoy worldwide recognition as the preferred accommodation for business and leisure travellers alike. These include the World Travel Awards 2015 where Citadines Suites Louvre Paris and Citadines Ramblas Barcelona were awarded the titles of “Leading Serviced Apartments” in France and Spain respectively, while Ascott Makati, Ascott Raffles Place Singapore and Citadines Sainte-Catherine Brussels retained their titles attained in 2014. This strong recognition year after year reflects the consistent high quality of our products and services.

In 2015, Ascott Reit was conferred “Best REIT” in Asia by World Finance at its annual Real Estate Awards. This is the second time Ascott Reit has been recognised by World Finance having won the Best Investment Fund Manager (South Eastern Asia) award in 2011. This award signifies a vote of confidence by investors as Ascott Reit was nominated and assessed on its growth, income stability and global presence. Ascott Reit's strong track record in delivering stable and growing distributions to Unitholders has been recognised by investors and institutions alike.

Corporate Social Responsibility and Sustainability

Underpinned by our commitment to corporate social responsibility, we continue to provide support to the underprivileged children in their living, educational and development needs. In September 2015, staff from Ascott Reit properties, together with CapitaLand Hope Foundation, jointly organised the first CapitaLand International Volunteer Expedition to Chiang Rai province.

The expedition reached out to over 500 students of Doi Wiangpha Pittaya School through the iCare Thailand Foundation where close to 50 staff volunteers helped to improve the rural school's facilities to create a better study environment and brighter future for the students.

We have also been actively engaged in environmental sustainability initiatives. Ascott Reit's serviced residences adopt environmentally-friendly practices such as water and electricity conservation, waste reduction, and recycling that are initiated both by staff of Ascott Reit properties as well as the guests. For the first nine months of 2015, the reduction in energy usage in KWh/m^2 was 18.3% and the reduction in water usage in m^3/m^2 was 28.6% from the 2008 baseline for the serviced residences in Ascott Reit's portfolio.

Looking Ahead

The path to global economic recovery is likely to remain uneven. The World Bank and the International Monetary Fund slashed their earlier forecasts on global growth in 2016 to 2.4% and 3.4% respectively.

Notwithstanding the muted global growth outlook, the United Nations World Tourism Organisation has predicted a 4% growth in international visitor arrivals in 2016. We therefore expect the demand for serviced residences to remain stable. With our extended-stay business model underpinned by master leases and serviced residence management contracts with minimum guaranteed income, we are confident that Ascott Reit is well-positioned to continue to perform well. We remain focused to actively pursue strategic expansion opportunities, asset management and reconstitution initiatives while maintaining a prudent and disciplined approach to capital management.

On 2 July 2015, MAS refined its proposals to strengthen the REITs market in Singapore, in response to industry feedback received on its consultation paper of 9 October 2014 on "Enhancements to the Regulatory Regime Governing REITs and REIT manager". Broadly, the key measures that will be phased in aim to accord REIT unitholders better protection and greater accountability while providing REIT managers increased operational flexibility. We do not foresee any material impact on Ascott Reit arising from the implementation of these changes.

Acknowledgements and Board Appointments

As part of the board renewal process, Mr S. Chandra Das and Mr Giam Chin Toon @ Jeremy Giam stepped down from the Board of Ascott Residence Trust Management Limited (ARTML) with effect from 24 April 2015. Mr S. Chandra Das had served as a Non-Executive Independent Director and member of the Audit Committee of ARTML since the inception of Ascott Reit while Mr Giam Chin Toon @ Jeremy Giam had served as a Non-Executive Independent Director and member of the Audit Committee of ARTML since 2007. We would like to express our sincere thanks and appreciation for their significant contributions to the Board and invaluable guidance to the management since the formative years of Ascott Reit. On the same day, we welcomed Mr Tan Beng Hai, Bob as a Non-Executive Independent Director and member of the Audit Committee of ARTML. Mr Zulkifli Bin Baharudin stepped down as a member of the Corporate Disclosure Committee of ARTML and was appointed as a member of the Audit Committee of ARTML on 24 April 2015.

Finally, we would like to take this opportunity to thank all our serviced residence guests, Unitholders and business partners for their support in bringing Ascott Reit to where it is today. Our appreciation and gratitude also goes to all our staff and the Board of Directors for their continued hard work and unwavering dedication and commitment, without which we could not have grown from strength to strength.

Lim Jit Poh
Chairman

Tay Boon Hwee, Ronald
Chief Executive Officer

25 February 2016

致信托单位持有人之信函

尊敬的信托单位持有人，

2015年3月23日，新加坡建国国父及开国总理李光耀先生逝世，新加坡举国哀悼。新加坡能有今日的经济发展，全靠李光耀先生在90年代鼓励新加坡企业拓展海外业务。雅诗阁公寓信托的全球拓展，便是这项计划的成果以及李光耀建国总理对国家的远见的一个例证。

雅诗阁公寓信托2015年经历了前所未有的增长及拓展。作为全球首个在新加坡交易所(新交所)上市的亚太区服务公寓房地产信托基金，雅诗阁公寓信托在过去十年里通过一系列的收购，成功发展成一个国际房地产信托平台。截至2015年12月31日，雅诗阁公寓信托的物业组合涵盖89个物业，11,298间公寓单位，遍布美洲、亚太及欧洲14个国家的38个城市。按资产规模及市值而论，雅诗阁公寓信托是在新交所布局最广泛及资产规模最大的酒店类房地产信托基金。

战略化拓展，全球性增长

为了实现在2017年拥有60亿新元资产组合的目标，雅诗阁公寓信托继续实行其高速拓展计划。在刚过去的2015年，我们成功收购了总价值6.091亿新元的物业，包括在澳大利亚、日本及美国的六项物业，以及在日本现有的两项服务公寓的其余的股份。截至2015年12月31日，雅诗阁公寓信托的资产总值高达47亿新元，从2006年3月上市以来年均复合增长率高达17.8%。

2015年是雅诗阁公寓信托的一个里程碑。我们跨越大西洋，收购了位于纽约曼哈顿中城商业中心时代广场黄金地段的一家长住营业模式的酒店，首次进入正处于蓬勃发展的美国酒店市场。这个战略性的拓展不但加强了雅诗阁公寓信托资产组合在地产及经济周期方面的多元化，也引领我们进入酒店业的国际大舞台。我们对实现资产组合的目标充满信心。

实现稳固优质的业绩

在2015年12月31日结束的财政年度(2015财年度)里，雅诗阁公寓信托再次实现稳固的财政业绩，反映了长住营业模式的平稳性以及在比预期复苏缓慢的全球经济背景下的增长能力。

2015财年度，本集团的总收入达4.211亿新元，较去年同期相比增长18%。同时，毛利达到2.046亿新元，较去年同期相比增长14%。基于雅诗阁公寓信托2015年12月31日1.185新元的收盘价，派发红利为1.233亿新元，每单位派发红利为7.99分，相等于6.7%的收益率。强劲的业绩大部分归功于本年度完成的增值收购。

根据独立估值师评估，截至2015年12月31日，雅诗阁公寓信托的物业总值达43.739亿新元，比去年同期增长了14.6%。增长的主要因素为2015财年度新增的物业以及日本、法国和英国的产业增值。

本集团在2015财年度的毛利，约有46%来自主租赁契约和最低收入保证的服务公寓管理合同，显示了雅诗阁公寓信托能长期优化收益稳定性，为信托单位持有人持续带来稳定的收入。主租赁契约和最低收入保证的服务公寓管理合同都有约四年的剩余加权平均租期。

通过积极资产管理优化回报

本集团不断地审视资产组合质量，通过稳健的资产翻新计划以优化信托单位持有人的回报，并满足顾客日益增长的需求。截至2015年12月31日，雅诗阁公寓信托旗下约85%服务公寓物业都已经完成或正在实施资产翻新计划。

在2015年里，雅诗阁公寓信托投入了约4680万新元，翻新资产组合里的多项物业。这些举措促进运营业绩的提升，同时也带来更高的运营回报以及顾客满意度。例如，天津盛捷奥林匹克大厦服务公寓翻新计划的完工，为平均日租金带来了约30%的增长。此外，胡志明市盛捷服务公寓(Somerset Ho Chi Minh City)和上海徐汇盛捷服务公寓翻新计划最新阶段的完工，也分别提升平均日租金约27%和35%。伦敦巴比肯馨乐庭服务公寓(Citadines Barbican London)正在进行翻新，预约在2016年完工，而胡志明市盛捷服务公寓和上海徐汇盛捷服务公寓翻新计划的剩余阶段，也估计将分别于2016年和2017年完工。马尼拉雅诗阁服务公寓(Ascott Makati)翻新计划的第一阶段已在2015财年度第四期开工，预计于2016财年度第二期完工。

为了实施我们全盘资产组合的重组及优化策略，雅诗阁公寓信托不断地评估资产组合里物业的增长潜能，将已实现潜能或因营业环境改变而影响其增长的物业售出。2015年，雅诗阁公寓信托成功地将日本区域城市的六项租屋物业和在菲律宾的一项服务公寓以6000万新元售出，高于最近期估价，实现了990万新元的净利润。

以审慎的资本管理实现增长

在优化回报的同时，我们继续实施审慎自律的资本管理，以保证我们融资结构的财务灵活性。截至2015年12月31日，雅诗阁公寓信托的资产负债比率为39.3%，低于新加坡金融管理局(MAS)2016年1月1日生效的新规定《Code on Collective Investment Schemes房产基金附录》中45.0%的上限。

本集团不断观察利率和汇率趋向的影响，在宏观环境和金融环境的变化里仍然保持谨慎。

在2015年12月，美国联邦储备委员会(US Federal Reserve)将利率提高0.25%，并承诺在2016年里逐渐提高利率。这代表了自2008年世界金融危机以来零利率时代的结束。为了积极降低利率提高带来的负面影响，雅诗阁公寓信托保持总贷款中将近80%为固定利率。截至2015年12月31日，本集团的有效借贷成本维持在2.8%，利息保障倍数维持在4.1倍的健康水平。

为了支持我们的拓展，雅诗阁公寓信托在2015年里继续积极向债务资本市场融资，以便保证融资渠道多样化和降低利率波动的影响。通过在2009年9月开始的10亿新元多币种中期债券计划，我们两次发行七年固定利率债券。新发行的73亿日元(约8400万新元)的1.17%固定利率债券和2亿新元的4.21%固定利率债券(此债券后来改为固定利率1.81%的欧元债券)，成功的将我们在截至2015年12月31日的加权平均债务期限从2014年的4.4年延长至4.6年。

自从2014年10月首次成功发行1.5亿新元固定利率永续债券，雅诗阁公寓信托再次在2015年6月以具有吸引力的每年4.68%固定派发红利率成功地发行了2.5亿新元的永续债券。永续债券深受投资者欢迎，导致超出4倍的认购率。我们将发行永续债券的资金迅速投入在澳大利亚和美国的收购物业。鉴于其稳健的资产债务表，雅诗阁公寓信托得以不断深化拓宽融资渠道，把握增长机遇的能力。

雅诗阁公寓信托将继续在全球主要城市中寻求战略性拓展，收购增值性物业。为了持续将100%的派发红利分派给信托单位持有人，我们必须探讨多元化的融资渠道实现募集资本，从而保持健康的资产负债率。我们将继续优化资本营运并带给信托单位持有人长期的持续增长，今后也保留股本融资的可能性。

国际认同及获奖

我们的得奖物业近年来持续享有国际认可，并保持为商务和休闲旅客的首选。这包括2015世界旅游大奖(World Travel Awards 2015)中分别在法国和西班牙获得“领先服务公寓”荣耀(Leading Serviced Apartments)的巴黎卢浮宫馨乐庭服务公寓(Citadines Suites Louvre Paris)和巴塞罗那兰布拉斯馨乐庭服务公寓(Citadines Ramblas Barcelona)。马尼拉雅诗阁服务公寓(Ascott Makati)、新加坡雅诗阁莱佛士服务公寓(Ascott Raffles Place Singapore)和布鲁塞尔圣凯馨乐庭服务公寓(Citadines Sainte-Catherine Brussels)也保持了在2014年获得的奖项。如此长年累月的高度认同，反应了我们产品和服务持久的高品质。

2015年，雅诗阁公寓信托在《世界金融》(World Finance)每年举办的房地产大奖(Real Estate Awards)里被颁发为“亚洲最佳房地产信托基金”奖(Best REIT in Asia)。这是雅诗阁公寓信托在2011年受获“东南亚最佳投资基金管理”奖(Best Investment Fund Manager in Southeast Asia)以来第二次受到《世界金融》认同。雅诗阁公寓信托以增长、稳定收入和国际规模被提名入选，证明了投资者对雅诗阁公寓信托的信心。雅诗阁公寓信托一直以来为信托单位持有人带来稳定上升的派发红利，深受投资者和机构的认同。

企业社会责任及可持续发展

基于我们对实现企业社会责任的承诺，我们继续支援弱势儿童在生活、教育和成长上的需求。2015年9月，雅诗阁公寓信托旗下物业员工同凯德希望基金联合主办了第一届凯德国际志愿队，接近50名员工通过泰国iCare基金(iCare Thailand Foundation)帮助位于泰国清莱Doi Wiangpha Pittaya School里多过500名学生改善学校设施，为学生们建立一个更美好的学习环境和更有希望的未来。

我们也积极参与环境可持续活动，并由员工和顾客主动组织和参与。雅诗阁公寓信托的服务公寓采用节约水电、减少浪费和资源循环再利用等环保措施。2015年首九个月的每平方米水电消耗量，比2008年雅诗阁公寓信托旗下服务公寓水平分别下降了28.6%和18.3%。

展望未来

现阶段世界经济前景不明，世界银行(World Bank)和国际货币基金组织(International Monetary Fund)分别已将之前的2016年全球增长预测下调至2.4%和3.4%。

尽管经济增速缓慢，联合国世界旅游组织(United Nations World Tourism Organisation)预测国际旅客在2016年将增长4%。因此我们预计服务公寓需求将保持稳定。基于主租赁契约和最低收入保证的服务公寓管理合同的长住客营业模式，我们相信雅诗阁公寓信托将继续表现良好。我们将继续积极探求战略性拓展、资产管理和重组计划，同时保持审慎自律的资本管理。

根据在2014年10月9日发布有关房地产信托基金的公众意见征询书后所获得的业界反馈，2015年7月2日，MAS修改了针对加强新加坡房地产信托基金市场的新措施建议，在加强保障房地产信托基金信托单位持有人利益之余，也确保信托基金经理管理上仍有灵活性。我们预测这些措施的实行将不会对雅诗阁公寓信托带来任何物质上的影响。

董事会员变更与致谢

为了不断更新董事会，S. Chandra Das先生和嚴振忠(Giam Chin Toon @ Jeremy Giam)先生在2015年4月23日离开了雅诗阁公寓信托董事会。S. Chandra Das先生在雅诗阁公寓信托创立以来担任本董事会的独立非执行董事以及本董事会审计委员会会员。嚴振忠先生则从2007年担任本董事会独立非执行董事以及审计委员会会员。我们在此为他们从雅诗阁公寓信托早期至今对董事会的多项贡献与对管理层的宝贵指导致谢。同时，陈明海(Tan Beng Hai, Bob)先生在同一天上任为本董事会独立非执行董事以及审计委员会会员。Zulkifli Bin Baharudin先生也在2015年4月23日从本董事会企业报告委员会会员，转任为本董事会审计委员会会员。

最后，我们藉此机会向服务公寓客户、信托单位持有人及商业伙伴致谢，感谢大家的长期支持，让雅诗阁公寓信托享有今天的成就。我们也希望向董事会和全体员工表示衷心的谢意。正是大家的辛勤奉献与敬业精神，雅诗阁公寓信托才得以一直蒸蒸日上。

林日波
主席

郑文辉
总裁

2016年2月25日

Year in Brief 2015

January

- Ascott Residence Trust (Ascott Reit) achieved a record high Unitholders' distribution of S$125.6 million and Distribution Per Unit of 8.20 cents for FY 2014.

April

- Ascott Reit received a Baa3 issuer rating in place of its Baa3 corporate family rating by Moody's Investors Service, Inc. This recognised the trust's stable and healthy financial profile, supported by a track record of prudent financial management.
- Ascott Reit achieved Unitholders' distribution of S$27.0 million for 1Q 2015.
- Ascott Reit completed the first phase of Asset Enhancement Initiatives (AEI) at Somerset Ho Chi Minh City, resulting in a 27% increase in Average Daily Rates (ADR) of the refurbished apartment units.

June

- Ascott Reit successfully raised S$250.0 million from its issuance of perpetual securities at a fixed distribution rate of 4.68% per annum. The perpetual securities received strong investor participation with orders more than four times oversubscribed.
- Ascott Reit announced the acquisition of three quality serviced residences and four rental housing properties in Australia and Japan for S$298.3 million.
  - o The 380-unit Citadines on Bourke Melbourne for A$158.5 million (S$167.6 million),
  - o The remaining 40.0% interest in the 160-unit Citadines Shinjuku Tokyo for JPY3.0 billion (S$33.7 million),
  - o The remaining 40.0% interest in the 124-unit Citadines Karasuma-Gojo Kyoto for JPY1.4 billion (S$16.0 million), and
  - o Four rental housing properties in Osaka for JPY7.3 billion (S$81.0 million).

  The acquisition was completed on 31 July 2015.

July

- Ascott Reit announced its maiden investment in the United States of America (US) through the acquisition of the 411-unit Element New York Times Square West hotel located in Midtown Manhattan for US$163.5 million (S$220.7 million). The acquisition was completed on 19 August 2015.
- Ascott Reit issued a seven-year JPY7.3 billion (S$84.0 million) fixed rate notes at 1.17% per annum.
- Ascott Reit achieved Unitholders' distribution of S$32.3 million for 2Q 2015.
- Ascott Reit completed the second phase of AEI at Somerset Xu Hui Shanghai, resulting in a 35% increase in ADR of the refurbished apartment units.

September

- Ascott Reit was admitted to the FTSE EPRA/NAREIT Emerging Index.
- Ascott Reit successfully divested six rental housing properties in the regional cities of Saga, Sendai and Kyoto in Japan for JPY4.5 billion, 13% higher than the latest valuation of the properties as at 30 June 2015. The net gain from the divestment was JPY291.7 million (S$3.5 million).

October

- Ascott Reit was awarded "Best REIT, Asia" by World Finance Magazine at its Real Estate Awards 2015.
- Ascott Reit achieved Unitholders' distribution of S$32.0 million for 3Q 2015.
- Ascott Reit completed the AEI of Somerset Olympic Tower Property Tianjin, resulting in a 30% increase in ADR of the refurbished apartment units.

November

- Ascott Reit successfully divested 71 apartment units in Salcedo Residences in the Philippines for PHP240.0 million (S$7.2 million). The net gain from the divestment was PHP214.1 million (S$6.4 million).
- Ascott Reit issued a seven-year S$200.0 million fixed rate notes at 4.21% per annum. The Singapore dollar proceeds of the notes have subsequently been swapped into Euros at a fixed interest rate of 1.81% per annum.

Global Presence

A Leading Global Serviced Residence REIT

Ascott Reit is defined by its vision in being the premier serviced residence real estate investment trust with quality assets in key global cities. Today, our aspirations are evidenced by an international presence of 89 properties across 38 cities in 14 countries.

Ascott Raffles Place Singapore

Citadines Suites Louvre Paris

Citadines on Bourke Melbourne

Citadines Trafalgar Square London

Element New York Times Square West

Somerset Xu Hui Shanghai

Citadines Kurfürstendamm Berlin

Citadines Ramblas Barcelona

Somerset West Lake Hanoi

Citadines Central Shinjuku Tokyo

Ascott Makati

Global Presence

A Leading Global Serviced Residence REIT

Ascott Reit has established a fine balance between income stability and growth through its extended-stay business model and geographical spread.

Total Assets as at 31 December 2015
S$4.7 billion

Apartment Units
11,298

Properties
89

Cities
38

Countries
14

Asia Pacific

Australia
Greater Sydney
Melbourne
Perth

China
Beijing
Dalian
Guangzhou
Shanghai
Shenyang
Suzhou
Tianjin
Wuhan
Xi'an

Indonesia
Jakarta

Japan
Fukuoka
Hiroshima
Kyoto
Osaka
Sapporo
Tokyo

Malaysia
Kuala Lumpur

Singapore

The Philippines
Manila

Vietnam
Hanoi
Ho Chi Minh City

Europe

Belgium
Brussels

France
Cannes
Grenoble
Lille
Lyon
Marseille
Montpellier
Paris

Germany
Berlin
Hamburg
Munich

Spain
Barcelona

The United Kingdom
London

The Americas

The United States of America
New York


The United Kingdom
4 Properties
Belgium
2 Properties
Germany
3 Properties
France
17 Properties
Spain
1 Property
China
10 Properties
Japan
33 Properties
Vietnam
5 Properties
Malaysia
1 Property
The Philippines
2 Properties
Singapore
3 Properties
Indonesia
2 Properties
Australia
5 Properties

Value Creation

Growth by Acquisition

As part of its value creation strategy, Ascott Residence Trust (Ascott Reit or the Manager) explores investment opportunities globally to enhance the quality of its portfolio. Our primary investment focus is on serviced residences, rental housing and other hospitality assets. As part of our plan to grow a geographically diversified portfolio, our acquisition strategies are set out as follows:

Acquisition of assets owned wholly or in part by Ascott

Ascott Reit has been granted a right of first refusal in respect of, inter alia, the future sale by any Ascott entity of properties that are used or predominantly used as serviced residences or rental housing properties in the Asian Pacific region and Europe. The Ascott Limited (Ascott or the Sponsor) supports Ascott Reit's acquisition strategy by acquiring, retaining and enhancing assets with good income and growth potential, with the view of subsequently divesting the assets to Ascott Reit at an appropriate time.

Acquisition of Ascott's properties under development

A number of the Sponsor's properties are currently under development. Upon completion, they offer a pipeline of potential targets for acquisition by Ascott Reit.

Acquisition of assets currently managed and/or leased but not owned by Ascott

In addition to managing Ascott Reit's portfolio, the Sponsor also operates and/or manages serviced residences owned by third parties. These assets are complementary to Ascott Reit's current portfolio. We will leverage on the Sponsor's knowledge and relationships with the owners of these properties to acquire these assets should such opportunities become available.

Acquisition of suitable assets from third party owners not managed and/or leased by the Sponsor

Ascott Reit also acquires quality assets from third party owners. Such opportunities arise from:

- divestment of income-producing assets by third party owners in need of capital for new business expansion or investments;
- divestment of assets by owners under financial stress; and
- acquisition of well-located but underperforming assets with the potential for rebranding or asset enhancements for higher returns.

Acquisition criteria

In evaluating acquisition opportunities, Ascott Reit adopts the following criteria:

Yield thresholds

Ascott Reit acquires properties or make investments with yields that are currently above their cost of capital or have the potential for growth to be above their cost of capital. Our acquisitions are expected to enhance total returns to Unitholders.

Location

Ascott Reit evaluates properties in terms of their micro-market locations, accessibility to major roads, public transportation and proximity to amenities.

Local market characteristics

Ascott Reit acquires properties in markets with positive macro-economic indicators such as strong economic growth and expanding cross border business investments and trade. Key considerations include the levels of Foreign Direct Investment (FDI), business travel (including intra-country business travel), expatriate population and the resulting demand for serviced residences or rental housing properties.

Value creation opportunities

Ascott Reit acquires properties with potential for increase in occupancy rates and/or Average Daily Rates (ADR). The potential for value creation through Asset Enhancement Initiatives (AEI) such as upgrading, refurbishment and reconfiguration is also assessed.

Building and facilities specifications

Ascott Reit acquires properties that comply with approved building specifications and legal and zoning regulations, with due consideration to the size and age of the buildings.

Operator of the serviced residences or rental housing properties

Before a serviced residence or rental housing property is considered for acquisition, the operator will be assessed for its track record in delivering stable cash flow and operations, and/or its ability and potential to achieve stable cash flows.

Active Asset Management

Ascott Reit creates value for its stakeholders by maximising the operating yield of its property portfolio and by focusing on the operational performance of each property.

As part of our focused and profit-oriented approach, we benchmark the operating results of each property against market performance and against its previous year's results and planned budgets. We also conduct detailed reviews of properties that are not achieving their targets, and work closely with the Serviced Residence Management Companies (SRMCs) to develop action plans to improve the operating performance of each of these properties. We have put in place robust asset management programmes that enable us to actively manage each of our properties to generate organic growth and strengthen existing relationships with key customers. Through the SRMCs, we seek to optimise occupancy levels and ADR, and maximise Revenue Per Available Unit (RevPAU). As at end of FY 2015, approximately 85% of Ascott Reit's serviced residence properties have undergone, or are undergoing AEI.

We closely monitor the growth potential of each property, and divest properties that have reached their maximum potential or whose growth prospects are limited by changes in the operating environment. In 2015, Ascott Reit successfully divested six rental housing properties in the regional cities of Japan and a serviced residence property in the Philippines above the latest valuation of the properties for a total sales consideration of S$60.3 million in 2015, realising a net gain of S$9.9 million. Since October 2013, Ascott Reit announced that it had commenced strata sale for the divestment of 81 units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing). As at 31 December 2015, we have successfully sold 14 units to individual buyers while the sales for the remaining 67 units are currently ongoing.

Value Creation

Develop yield management and marketing strategies to maximise RevPAU

The profitability of Ascott Reit's portfolio depends primarily on the maximisation of RevPAU. Therefore, our yield management and marketing strategies are focused on:

- assessing and adjusting apartment rental rates based on occupancy levels and demand; and
- determining the appropriate balance between higher yielding short-stay guests and stability of revenue from long-stay guests.

We work closely with the SRMCs to establish and develop relationships with global key accounts, and leverage on the Sponsor's global networks to improve Ascott Reit's revenue and profitability.

In 2015, the Sponsor invested in Tujia.com International (Tujia), China's largest online apartment sharing platform, to strengthen its presence in China. Ascott's three internationally recognised brands of serviced residences – Ascott, Citadines and Somerset – have since been made available on Tujia's online platform, successfully expanding their reach to more guests in China and beyond.

The Sponsor continued to strengthen its communication efforts with key accounts and preferred partners to boost revenue and profitability. In 2015, the Sponsor introduced its global campaign, Ascott Lifestyle, enabling its guests around the world to take part in specially handpicked experiences from cultural to gastronomical, local and wellness activities to explore the city they are in. Through a series of marketing initiatives across multiple platforms, the campaign generated positive results for the SRMCs and further strengthened the Sponsor's brand equity.

To build a strong online community, the Sponsor enhanced its Ascott Online Advantage programme with attractive provisions for its members when bookings are made directly through its brand websites. The Sponsor continues to reach out to more customers on social networking platforms such as Instagram, WeChat, Twitter, YouTube, Pinterest, Flickr and Weibo. The Facebook pages for Ascott The Residence, Citadines Apart'hotel and Somerset Serviced Residence have garnered over 90,000 fans to-date.

The Sponsor's Global Distribution System (GDS) chain code "AZ" continues to enable travel management companies and travel agents access rates and room availability more efficiently. Furthermore, the Sponsor has global promotional partnerships with Citibank and other credit card partners in the form of discounts for cardholders. Guests who are Asia Miles members or Singapore Airlines' KrisFlyer members can earn mileage for their stays at participating residences. The Sponsor also partners with CapitaLand Malls Asia Limited to provide CapitaCard members discounts and privileges when they book and stay at Ascott serviced residences.

Improve operating efficiencies and economies of scale

To minimise direct expenses and increase gross profit margins without compromising our quality of services, Ascott Reit, together with the SRMCs, have identified several areas for cost management. These include:

- direct marketing to tenants to reduce commission expenses otherwise payable to online travel agencies;
- centralisation of key functions such as finance and procurement for properties located within the same city or region; and
- bulk purchases by leveraging on Ascott's global portfolio to achieve economies of scale.

Create real estate value and maintain quality of portfolio

We continuously strive to enhance Ascott Reit's assets through planned periodic upgrading, refurbishment and reconfiguration of the properties in order to achieve a higher level of guest satisfaction as well as to improve the properties' performance and competitiveness. The improvement in performance is expected to translate into higher real estate value.

Unlocking values

As part of our strategy to reconstitute Ascott Reit's portfolio, we monitor closely and evaluate the properties to ascertain if any of them may have reached the optimal stage of their life cycle and should be divested so as to unlock the value of these properties. The proceeds from the divestment can then be redeployed for other purposes, including investing in higher yielding assets.

Capital and Risk Management

Ascott Reit optimises its capital structure and cost of capital within the borrowing limits set out in the Property Funds Appendix. Either debt or equity or a combination of both is used to fund acquisitions and AEIs funded mainly by operating cash flow. Our objectives for capital and risk management are as follows:

Maintain strong balance sheet by adopting and maintaining a target gearing range

We maintain our gearing at a comfortable range, well within the borrowing limits allowed under the Property Funds Appendix. We balance our cost of capital to optimise returns to Unitholders.

Secure diversified funding sources from both financial institutions and capital markets to seize market opportunities

To finance acquisitions and refurbishment of properties, we tap into diversified funding sources. These sources include bank borrowings, accessing the debt capital markets through the issuance of bonds and notes and the issuance of perpetual securities, an alternative form of equity. In 2015, Ascott Reit successfully issued two tranches of seven-year fixed rate notes under its S$1.0 billion Multicurrency MTN Programme, which was established in 2009. Furthermore, following its maiden issuance of S$150.0 million perpetual securities at fixed distribution rate of 5.0% per annum in October 2014, Ascott Reit replicated its success by raising S$250.0 million of proceeds from the issuance of perpetual securities at a fixed distribution rate of 4.68% per annum. The perpetual securities received strong investor participation with orders more than four times oversubscribed.

We may seize market opportunities to raise additional equity capital through the issuance of units, whenever there is an appropriate use for such proceeds.

Adopt proactive interest rate management strategy

We adopt a proactive interest rate management policy by maintaining a target percentage of fixed versus floating interest rates. We also manage risks associated with changes in interest rates on loan facilities while keeping Ascott Reit's ongoing cost of debt competitive. Our interest rate exposure is managed through the use of interest rate caps, interest rate swaps and fixed rate borrowings. As at 31 December 2015, close to 80% of Ascott Reit's total borrowings are on fixed interest rates.

Manage exposure to foreign exchange fluctuations

Due to the geographical diversity of our portfolio, cash flows generated by our assets as well as their capital values are subject to foreign exchange movements. In managing the currency risks associated with cash flow generated by our assets, we actively monitor foreign exchange rates and enter into hedges, where appropriate. In view of the volatility of certain currencies, we have also taken a proactive approach since 2014 to enter into forward foreign currency contracts to hedge part of Unitholders' distribution derived in British Pound, Euro and Japanese Yen. In managing the currency risks associated with the capital values of the overseas assets, our borrowings are made in the same currency as the underlying asset as a natural hedging strategy, to the extent possible. In 2015, Ascott Reit also used cross currency swaps to hedge its investments. On a portfolio basis, 40% of the foreign currency distribution income for the year ended 31 December 2015 had been hedged.

Perform rigorous credit risk management

We establish credit limits for customers and monitor their balances on an ongoing basis. For bookings by individuals, payments are usually made upfront and arrears are checked against lease deposits to minimise losses. Corporate bookings are generally given more credit days and we adopt a strict policy of withdrawing credit terms when payments are outstanding to minimise bad debts.

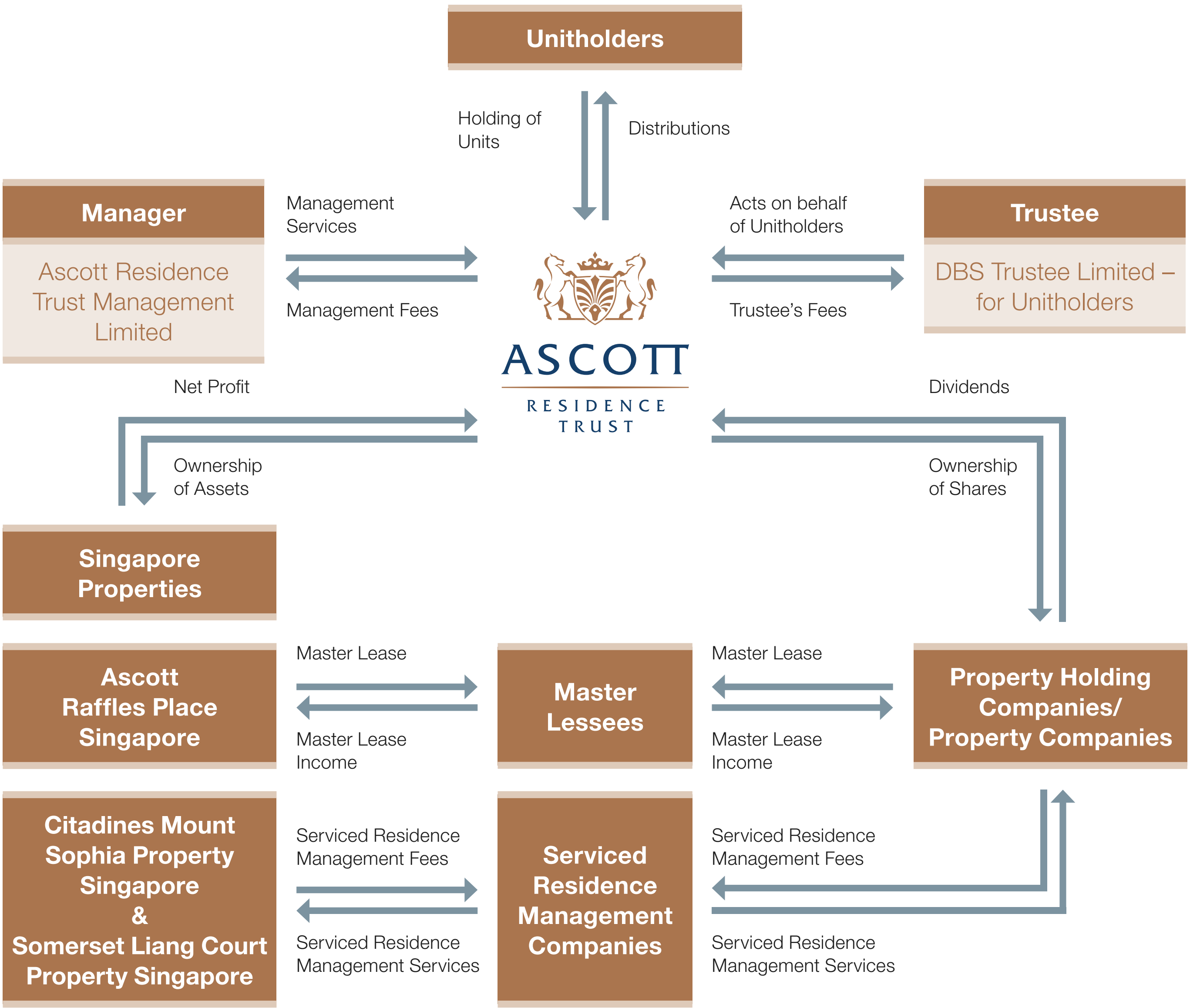
Ensure sufficient cash flow to minimise liquidity risk

Our approach to managing liquidity is to ensure that we have sufficient liquidity to meet our liabilities when they mature, under both normal and stressed conditions. In addition to credit facilities, we have a S$1.0 billion Multicurrency MTN Programme, established in 2009 and we had also established a US$2.0 billion Euro-MTN Programme in 2011.

Prepare for market uncertainties

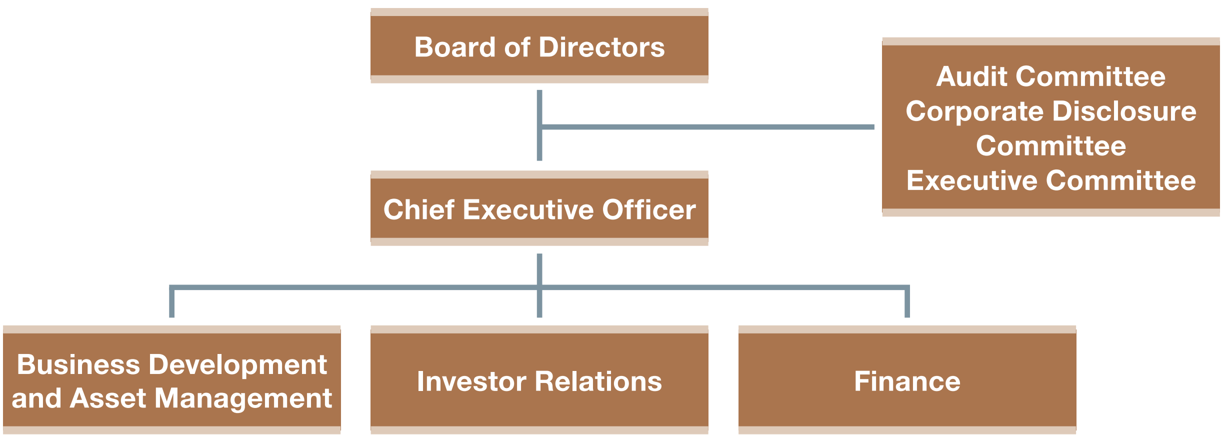
The objective of market risk management is to manage and control market risk exposures while optimising returns. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

Trust Structure



Organisation Structure

The Manager
Ascott Residence Trust Management Limited



Board of Directors

Lim Jit Poh
Chairman & Non-Executive Independent Director

Lim Ming Yan
Deputy Chairman & Non-Executive Non-Independent Director

Tay Boon Hwee, Ronald
Chief Executive Officer
Executive Non-Independent Director

Ku Moon Lun
Non-Executive Independent Director

Lee Chee Koon
Non-Executive Non-Independent Director

Tan Beng Hai, Bob
Non-Executive Independent Director

Zulkifli Bin Baharudin
Non-Executive Independent Director

Board of Directors

Lim Jit Poh, 76
Chairman
Non-Executive Independent Director

Bachelor of Science in Physics (Honours), University of Singapore
Master of Education, University of Oregon, USA

Date of first appointment as a director:
20 January 2006
Date of appointment as chairman:
20 January 2006
Length of service as a director (as at 31 December 2015):
9 years 11 months

Board committee served on
- Corporate Disclosure Committee (Chairman)

Present directorships in other listed companies
- ComfortDelGro Corporation Limited (Chairman)
- SBS Transit Ltd (Chairman)
- VICOM Ltd (Chairman)

Present principal commitments (other than directorships in other listed companies)
- ComfortDelGro Corporation Limited (Group Chairman)

Background and working experience
- Non-Executive Independent Director of The Ascott Group Limited (From 1999 to 2008)

Awards
- National Trades Union Congress
  - Distinguished Service (Star) Award 2014
  - Distinguished Service Award in 2000
  - Meritorious Service Award in 1990
  - Friend of Labour Award in 1986
- Distinguished Science Alumni Award 2006 from the National University of Singapore
- Government of Singapore
  - Public Administration Medal in 1972
  - Public Service Star (BBM) in 2015

Lim Ming Yan, 53
Deputy Chairman
Non-Executive Non-Independent Director

Bachelor of Engineering (Mechanical) and Economics (First Class Honours), University of Birmingham, UK

Date of first appointment as a director:
23 July 2009
Date of appointment as deputy chairman:
1 January 2013
Length of service as a director (as at 31 December 2015):
6 years 5 months

Board committee served on
- Executive Committee (Chairman)

Present directorships in other listed companies
- CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust) (Deputy Chairman)
- CapitaLand Limited
- CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust) (Deputy Chairman)
- CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust) (Deputy Chairman)

Present principal commitments (other than directorships in other listed companies)
- Building and Construction Authority (Member of the Board)
- Business China (Director)
- CapitaLand China Holdings Pte Ltd (Chairman)
- CapitaLand Hope Foundation (Director)
- CapitaLand Limited (President & Group CEO)
- CapitaLand Mall Asia Limited[1] (Chairman)
- CapitaLand Regional Investments Limited (Chairman)
- CapitaLand Singapore Limited (Chairman)
- CTM Property Trust, Steering Committee (Chairman)
- LFIE Holding Limited (Co-Chairman)
- Shanghai YiDian Holding (Group) Company (Director)
- Singapore Tourism Board (Member of the Board)
- The Ascott Limited (Chairman)

[1] Delisted on 22 July 2014.

Past directorship in other listed company held over the preceding three years

- Central China Real Estate Limited

Background and working experience

- Chief Operating Officer of CapitaLand Limited (From May 2011 to December 2012)
- CEO of The Ascott Limited (From July 2009 to February 2012)
- CEO of CapitaLand China Holdings Pte Ltd (From July 2000 to June 2009)

Awards

- Outstanding Chief Executive (Overseas) at the Singapore Business Awards 2006
- Magnolia Award by the Shanghai Municipal Government in 2003 and 2005

Tay Boon Hwee, Ronald, 47
Chief Executive Officer
Executive Non-Independent Director

Bachelor of Business (Honours), Nanyang Technological University

Date of first appointment as a director:
1 January 2013
Length of service as a director (as at 31 December 2015):
3 years

Board committees served on

- Corporate Disclosure Committee (Member)
- Executive Committee (Member)

Background and working experience

- Chief Investment Officer and Managing Director of India and GCC sector of The Ascott Limited (From January 2007 to February 2012)
- Head of Business Development and Asset Management of Ascott Residence Trust Management Limited (manager of Ascott Residence Trust) (From January 2007 to February 2012)
- Head and Senior Vice President, Investment of CapitaLand Residential Limited (From January 2005 to December 2006)

Board of Directors

Ku Moon Lun, 65

Non-Executive Independent Director

Graduated from The Hong Kong Technical College, Hong Kong (now known as The Hong Kong Polytechnic University)

Date of first appointment as a director:
20 January 2006
Length of service as a director (as at 31 December 2015):
9 years 11 months

Board committee served on

- Audit Committee (Chairman)

Present directorships in other listed companies

- Kerry Properties Limited
- Lai Fung Holdings Limited

Present principal commitments (other than directorships in other listed companies)

- Hospital Governing Committee of Queen Elizabeth Hospital, Hong Kong Hospital Authority (Member)
- Surbana Jurong Private Limited (Director)

Background and working experience

- Executive Director of Davis Langdon and Seah International (From 1995 to 2005)
- Chairman of Davis Langdon and Seah Hong Kong Limited (From 1995 to 2004)
- Chairman of icFox International (From 2000 to 2003)
- Chairman of Premas Hong Kong Limited (From 2000 to 2002)
- Hong Kong Institute of Surveyors (Fellow Member)

Lee Chee Koon, 41

Non-Executive Non-Independent Director

Bachelor of Science in Mechanical Engineering (First Class Honours), National University of Singapore
Master of Science in Mechanical Engineering (Distinction), Imperial College London, UK

Date of first appointment as a director:
1 June 2013
Length of service as a director (as at 31 December 2015):
2 year 7 months

Board committees served on

- Corporate Disclosure Committee (Member)
- Executive Committee (Member)

Present principal commitments

- Ascott International Management (2001) Pte Ltd (Director)
- Ascott Serviced Residence (China) Fund (Chairman)
- Ascott Serviced Residence (Global) Fund Pte. Ltd. (Director)
- Somerset Capital Pte Ltd (Director)
- The Ascott Capital Pte Ltd (Director)
- The Ascott Holdings Limited (Director)
- The Ascott Limited (CEO & Director)
- Tujia.com International (Director)

Background and working experience

- Deputy CEO, The Ascott Limited (From February 2012 to May 2013)
- Managing Director, North Asia, The Ascott Limited (From July 2009 to May 2013)
- Vice President, Office of the President, CapitaLand Limited (From February 2007 to June 2009)
- Head, International Relations & Economic Strategy, Ministry of Finance (From November 2003 to January 2007)
- Assistant Director, Ministry of Trade and Industry (From November 2001 to November 2003)

Tan Beng Hai, Bob, 64

Non-Executive Independent Director

Fellow, Institute of Chartered Accountants in England and Wales, UK

Date of first appointment as a director:
24 April 2015
Length of service as a director (as at 31 December 2015):
8 months

Board committee served on

- Audit Committee (Member)

Present directorships in other listed companies

- SMRT Corporation Ltd
- Sembcorp Marine Ltd

Present principal commitments (other than directorships in other listed companies)

- Inland Revenue Authority of Singapore (Director)
- Institute of Technical Education (Chairman)
- Jurong Engineering Limited (Chairman)
- NTUC Club Management Council (Member)
- Ong Teng Cheong Labour Leadership Institute (Director)
- Singapore Golf Association (President)
- Singapore LNG Corporation Pte. Ltd. (Chairman)
- Singapore Manufacturing Federation (Member of the Board of Governors)
- SINGEX Holdings Pte. Ltd. (Chairman)
- SMRT Trains Ltd. (Director)

Past directorships in other listed companies held over the preceding three years

- Asia Pacific Breweries Limited
- CapitaMalls Asia Limited

Background and working experience

- Managing Director of Novar International Pte Ltd (From 2000 to 2005)
- Managing Director of Caradon Asia-Pacific Pte Ltd (From 1990 to 2000)
- General Manager of MK Electric (Singapore) Pte Limited (From 1980 to 1990)
- Overseas Operations Accountant of MK Electric Ltd (England) (From 1977 to 1980)
- Articled Clerk of Bowker Orford & Co (England) (From 1972 to 1977)

Awards

- NTUC May Day Meritorious Service Award in 2013
- Public Service Star Award in 2010
- Friend of Labour Award in 2000

Zulkifli Bin Baharudin, 56

Non-Executive Independent Director

Bachelor of Science in Estate Management, National University of Singapore

Date of first appointment as a director:
1 January 2013
Length of service as a director (as at 31 December 2015):
3 years

Board committee served on

- Audit Committee (Member)

Present directorship in other listed company

- Singapore Post Limited

Present principal commitments (other than directorship in other listed company)

- Ang Mo Kio - Thye Hua Kwan Hospital Ltd. (Director)
- Civil Aviation Authority of Singapore (Authority Member)
- Global Business Integrators Pte. Ltd. (Managing Director)
- ITL Corporation (Executive Chairman)
- Non-Resident Ambassador to the Republic of Uzbekistan & Kazakhstan
- Singapore Management University (Director – Board of Trustees)
- Thye Hua Kwan Moral Charities Limited (Director)

Past directorship in other listed company held over the preceding three years

- Hup Soon Global Corporation Limited

Background and working experience

- Nominated Member of Parliament (From October 1997 to September 2001)

Awards

- BBM, Public Service Star Award in 2011
- Public Service Award (Meritorious) in 2005

The Manager

Tay Boon Hwee, Ronald
Chief Executive Officer
Executive Non-Independent Director

Mr Tay Boon Hwee, Ronald is a member of the Corporate Disclosure Committee and the Executive Committee.

Mr Tay is responsible for spearheading the overall strategic planning and leading the implementation of the business, investment and operational strategies for Ascott Residence Trust (Ascott Reit).

Prior to taking up the role as Chief Executive Officer, Mr Tay was concurrently Chief Investment Officer of The Ascott Limited (Ascott) and Head of Business Development and Asset Management of Ascott Residence Trust Management Limited (ARTML) until February 2012.

Mr Tay has been with the CapitaLand Group (CapitaLand) for more than 10 years. Prior to joining Ascott, Mr Tay was with CapitaLand Residential Limited as Senior Vice President (Finance and Investment).

Mr Tay began his career in the banking industry, where he spent nine years in various senior positions in corporate and investment banking.

Mr Tay holds a Bachelor of Business (Honours) from the Nanyang Technological University.

Kang Siew Fong
Vice President, Finance
Joint Company Secretary

Ms Kang Siew Fong heads the finance team and is responsible for the performance management and reporting functions at Ascott Reit. Ms Kang has more than 20 years' experience in the finance profession. Ms Kang concurrently holds the position of Joint Company Secretary of ARTML.

Prior to joining ARTML, Ms Kang was with Ascott for more than 13 years, holding various positions including Vice President, Finance and Vice President, Business Development and Planning.

While at Ascott, she was responsible for all aspects of Ascott's financial management and accounting, including preparation of the group consolidated accounts and quarterly reporting of financial results to the Singapore Exchange Securities Trading Limited, co-ordinating with external auditors, and ensuring compliance with statutory reporting requirements and financial reporting standards. Ms Kang was involved in mergers and acquisitions activities at Ascott, and the formulation and implementation of its financial policies and practices, budgeting and internal controls. She was also a member of the team responsible for the listing of Ascott Reit.

Ms Kang graduated from the National University of Singapore with a Bachelor of Accountancy degree.

Gerald Yong
Head of Business Development and Asset Management

Mr Gerald Yong heads the business development and asset management functions at ARTML, and is responsible for overseeing all business development activities including investments, divestments and portfolio management. He is also concurrently the Chief Investment Officer at Ascott.

Prior to this portfolio, Mr Yong was Senior Vice President in Ascott and was based in Shanghai for more than four years, overseeing all business development activities including investments, divestments, asset management and management contract deals for the North Asia region. He was also a key member of the team responsible for the listing of Ascott Reit.

Mr Yong holds a Master of Business Administration (Distinction) degree, specialising in Corporate Finance and Finance Markets, from the Imperial College Business School on a full Chevening Scholarship by the UK Foreign and Commonwealth Office. He also obtained an Honours degree in Mechanical Engineering from the National University of Singapore on a full undergraduate scholarship from SembCorp Industries Ltd.

Janine Gui Siew Kheng
Vice President, Corporate Asset Management and Investor Relations

Ms Janine Gui Siew Kheng heads the investor relations function at ARTML, and is responsible for conducting effective communication, as well as building and maintaining relations with Unitholders, potential investors and analysts. She is also responsible for the corporate asset management function of the Ascott Reit portfolio and plays a key role in executing and managing various corporate transactions.

Prior to this role with Ascott Reit, Ms Gui was the Head of Corporate Asset Management in Ascott where she was responsible for fund origination and fund management, communication with fund investors, corporate finance and merger and acquisition for Ascott's portfolios. Prior to joining Ascott, Ms Gui has assumed various positions and functions within the CapitaLand and was previously from another real estate company.

Ms Gui holds a Bachelor of Accountancy with Honours degree from the Nanyang Technological University, Singapore.

Corporate Governance

OUR ROLE

Our primary role as the manager of Ascott Reit (Manager) is to set the strategic direction of Ascott Reit and make recommendations to DBS Trustee Limited, in its capacity as trustee of Ascott Reit (Trustee), on any investment opportunities for Ascott Reit and the enhancement of the assets of Ascott Reit in accordance with the stated investment strategy for Ascott Reit. The research, evaluation and analysis required for this purpose are coordinated and carried out by us as the Manager.

As the Manager, we have general powers of management over the assets of Ascott Reit. Our primary responsibility is to manage the assets and liabilities of Ascott Reit for the benefit of the unitholders of Ascott Reit (Unitholders). We do this with a focus on generating income and enhancing asset value over time so as to maximise returns from investments, and ultimately distributions and total returns to Unitholders.

Our other functions and responsibilities as the Manager include:

(a) using our best endeavours to conduct Ascott Reit's business in a proper and efficient manner;
(b) preparing annual business plans for review by the directors of the Manager (Directors), including forecasts on revenue, net income and capital expenditure, explanations on major variances to previous years' financial results, written commentaries on key issues and underlying assumptions on rental rates, operating expenses and any other relevant assumptions;
(c) ensuring compliance with relevant laws and regulations, including the Listing Manual of Singapore Exchange Securities Trading Limited (SGX-ST) (Listing Manual), the Code on Collective Investment Schemes (CIS Code) issued by the Monetary Authority of Singapore (MAS) (including Appendix 6 of CIS Code (Property Funds Appendix)), the Securities and Futures Act (Chapter 289 of Singapore), written directions, notices, codes and other guidelines that MAS may issue from time to time, and the tax rulings issued by the Inland Revenue Authority of Singapore on the taxation of Ascott Reit and Unitholders;
(d) attending to all regular communications with Unitholders; and
(e) supervising the respective property manager which performs the day-to-day property management functions (including operation, management, marketing and promotion) for Ascott Reit's properties.

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibilities. Ascott Reit's environmental sustainability and community outreach programmes are set out on pages 54 to 57 of this Annual Report.

Ascott Reit, constituted as a trust, is externally managed by the Manager. The Manager appoints experienced and well qualified management to run its day-to-day operations.

The Manager was appointed in accordance with the terms of the trust deed constituting Ascott Reit dated 19 January 2006 (as amended, varied or supplemented from time to time) (Trust Deed). The Trust Deed outlines certain circumstances under which the Manager can be removed, including by notice in writing given by the Trustee upon the occurrence of certain events, or by a resolution passed by a simple majority of Unitholders present and voting at a meeting of Unitholders duly convened and held in accordance with the provisions of the Trust Deed.

The Manager is a wholly owned subsidiary of CapitaLand Limited (CL) which holds a significant unitholding interest in Ascott Reit. CL is a long-term real estate developer and investor and has strong inherent interests in the performance of Ascott Reit. CL's significant unitholding in Ascott Reit ensures its commitment to Ascott Reit and as a result, CL's interest is aligned with that of other Unitholders. The Manager's association with CL provides the following benefits, among other things, to Ascott Reit:

(a) a stable pipeline of property assets through CL's development activities;
(b) wider and better access to banking and capital markets on favourable terms;
(c) fund raising and treasury support; and
(d) access to a bench of experienced management talent.

OUR CORPORATE GOVERNANCE CULTURE

The Manager aspires to the highest standards of corporate governance. The Manager is committed to ongoing improvement in corporate governance. It has developed and, on an ongoing basis, maintains sound and transparent policies and practices to meet the specific business needs of Ascott Reit and to provide a firm foundation for a trusted and respected business enterprise. The Manager remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (Code) while achieving operational excellence and delivering Ascott Reit's long-term strategic objectives. The Board of Directors (Board) is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the Manager.

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found on page 95 of this Annual Report.

This report sets out the corporate governance practices for the financial year (FY) 2015 with reference to the Code. Where there are deviations from the principles and guidelines of the Code, an explanation has been provided within this Annual Report.

(A) BOARD MATTERS

The Board's Conduct of Affairs

Principle 1:

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

The Manager is led by the Board which presently comprises a majority of non-executive independent Directors (IDs). This exceeds the requirements in the Code. Each Director brings to the Board skills, experience, insights and sound judgement which, together with his strategic networking relationships, serve to further the interests of Ascott Reit.

The Board oversees the affairs of the Manager in furtherance of the Manager's primary responsibility to manage the assets and liabilities of Ascott Reit for the benefit of Unitholders. The Board provides leadership to the Chief Executive Officer (CEO) and the management team (Management) and sets the strategic vision, direction and long-term objectives for Ascott Reit. The CEO, assisted by Management, is responsible for the execution of the strategy for Ascott Reit and the day-to-day operations of Ascott Reit's business.

The Board provides leadership to Management, sets strategic directions and oversees the management of Ascott Reit. The Board establishes goals for Management and monitors the achievement of these goals. It ensures that proper and effective controls are in place to assess and manage business risks and compliance with requirements under the Listing Manual, the Property Funds Appendix, as well as any other applicable guidelines prescribed by the SGX-ST, MAS or other relevant authorities, and applicable laws. It also sets the disclosure and transparency standards for Ascott Reit and ensures that obligations to Unitholders and other stakeholders are understood and met.

The Board has reserved authority to approve certain matters and these include:

(a) material acquisitions, investments, disposals and divestments;
(b) issue of new units in Ascott Reit (Units);
(c) income distributions and other returns to Unitholders; and
(d) matters which involve a conflict of interest for a controlling Unitholder or a Director.

The Board has established various Board Committees to assist it in the discharge of its functions. These Board Committees are the Audit Committee (AC), the Corporate Disclosure Committee (CDC) and the Executive Committee (EC). The composition of the various Board Committees is set out on page 47 of this Annual Report.

Corporate Governance

Each of these Board Committees operates under delegated authority from the Board, with the Board retaining overall oversight. The Board may form other Board Committees as dictated by business imperatives. Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The Board has adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board Committees and Management. Approval sub-limits are also provided at Management level to optimise operational efficiency.

The Board meets at least once every quarter, and as required by business imperatives. Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the Manager permits the Director to participate via teleconferencing or video conferencing. The Board and Board Committees may also make decisions by way of resolutions in writing.

A total of six Board meetings were held in FY 2015. A table showing the attendance record of the Directors at meetings of the Board and Board Committees during FY 2015 is set out on page 47 of this Annual Report. The Manager believes in the manifest contribution of its Directors beyond attendance at formal Board and Board Committee meetings. To judge a Director's contributions based on his attendance at formal meetings alone would not do justice to his overall contributions, which include being accessible to Management for guidance or exchange of views outside the formal environment of Board and Board Committee meetings.

The Manager provides suitable training for Directors. Upon appointment, each Director is provided with a formal letter of appointment and a copy of Directors' Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director). All Directors on appointment also undergo an induction programme to familiarise themselves with matters relating to the business activities of Ascott Reit, its strategic directions and policies, the regulatory environment in which Ascott Reit operates and the Manager's corporate governance practices.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as directors' duties and responsibilities, changes to regulations and accounting standards and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members.

At all times, the Directors are collectively and individually obliged to act honestly and with diligence, and to consider the best interests of Unitholders. In addition to disclosure of any interest a Director may have in a matter under consideration by the Board, any Director who is in a conflict of interest situation is also required to abstain from participating in discussions on the matter.

Board Composition and Guidance

Principle 2:

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

The Board reviews from time to time the size and composition of the Board with a view to ensuring that the size of the Board is appropriate in facilitating effective decision making, taking into account the scope and nature of the operations of Ascott Reit and its subsidiaries (Ascott Reit Group), and that the Board has a strong independent element.

The Board presently comprises seven Directors, of which four are IDs. The Chairman of the Board is an ID. Profiles of the Directors are provided on pages 19 to 23 of this Annual Report.

The Board assesses the independence of each Director in accordance with the guidance in the Code. An ID is one who has no relationship with the Manager, its related corporations, its shareholders who hold 10% or more of the voting shares of the Manager, or Unitholders who hold 10% or more of the Units in issue of Ascott Reit or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement. The relevant non-executive Directors had provided declarations of their independence which have been deliberated upon by the Board. The Board has also examined the different relationships identified by the Code that might impair the Director's independence and objectivity.

Mr Lim Jit Poh and Mr Ku Moon Lun have served on the Board for more than nine years. The Code recommends that the independence of any director who has served beyond nine years be subject to rigorous review. The Board has accordingly reviewed and determined that Mr Lim and Mr Ku have continuously demonstrated strong independence in character and judgement in the discharge of their responsibilities as Directors of the Manager during FY 2015. Mr Lim and Mr Ku have been forthcoming in expressing their individual viewpoints, active in their debate over issues concerning Ascott Reit, and objective in their scrutiny of and challenges to Management. They have actively sought clarification and amplification of board affairs as necessary, including through direct access to the Management and external advisors.

The Board has also considered whether each of Mr Tan Beng Hai, Bob and Mr Zulkifli Bin Baharudin had demonstrated independence of character and judgement in the discharge of his responsibilities as a Director of the Manager in FY 2015, and is satisfied that each of Mr Tan and Mr Zulkifli has acted with independent judgement.

On the bases of the declarations of independence provided by the Directors and guidance in the Code, the Board has determined that Mr Lim Jit Poh, Mr Ku Moon Lun, Mr Tan Beng Hai, Bob and Mr Zulkifli Bin Baharudin are independent directors, as defined under the Code. Each member of the Board had recused himself from deliberations on his own independence.

Chairman and Chief Executive Officer
Principle 3:

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

To maintain an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making, the roles and responsibilities of the Chairman and the CEO are held by separate individuals.

The non-executive independent Chairman, Mr Lim Jit Poh, is responsible for leading the Board and ensuring that the Board is effective in all aspects of its role. The CEO, Mr Tay Boon Hwee, Ronald has full executive responsibilities over the business directions and operational decisions of Ascott Reit and is responsible for implementing Ascott Reit's strategies and policies and conducting Ascott Reit's business.

The Chairman is responsible for leadership of the Board and for creating the conditions for overall effectiveness of the Board, Board Committee and individual Director. This includes setting the agenda of the Board in consultation with the CEO and promoting constructive engagement among the Directors as well as between the Board and the CEO on strategic issues.

The Chairman plays a significant leadership role by providing clear oversight, advice and guidance to the CEO and Management on strategies and business operations.

The Chairman and the CEO are not immediate family members. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, and facilitate robust deliberations on the business activities of Ascott Reit and the exchange of ideas and views to help shape Ascott Reit's strategic process.

Corporate Governance

Board Membership
Principle 4:
There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The Board undertakes the function of a nominating committee and therefore, the Manager does not have a nominating committee. The Board performs the functions that such a committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board, and reviews the performance and independence of Board members. The Board seeks to ensure that the composition of the Board provides an appropriate balance and diversity of skills, experience and knowledge of the industry and that the Directors, as a group, have the necessary core competencies relevant to Ascott Reit's business. The current Board comprises individuals who are business leaders and professionals with financial, banking, fund management, real estate, investment and accounting backgrounds. The varied backgrounds of the Directors enable Management to benefit from their respective expertise and diverse background.

As part of its commitment towards improving its corporate governance, the Board recently undertook a review of the matter and has determined that it shall continue to undertake the functions of a nominating committee. The following considerations were taken into account:

(a) the Manager is a dedicated manager to only Ascott Reit and in general, REITs (including Ascott Reit) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched if the responsibilities of a nominating committee were also undertaken by the Board as the Board would be able to give adequate attention to such issues;
(b) the focused scope of the business of Ascott Reit also means a manageable competency requirement for the Board such that the Board is able to manage the duties of a nominating committee; and
(c) that IDs form at least half of the Board and the Chairman is an ID demonstrate that the IDs play a substantive role and assures the objectivity and independence of the decision making process concerning nomination. This also mitigates any concerns of conflict which can be managed by having the conflicted directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of nomination.

In terms of the criteria and process put in place for selecting, appointing and reappointing Directors and for reviewing the performance of Directors, the Board has adopted the following for FY 2016 and after:

(a) The Board will at least annually carry out a review of the Board composition as well as on each occasion when an existing ID gives notice of his intention to retire or resign. This is to assess the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for Ascott Reit.
(b) The Board will review the suitability of any candidates put forward by any Director for appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he has sufficient time available to commit to his responsibilities as a director, and whether he is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
(c) External consultants may be engaged from time to time to access a wide base of potential directors.
(d) No member of the Board will be involved in any decision of the Board relating to his own appointment, reappointment or assessment of independence.
(e) A newly appointed Director will receive a formal appointment letter and a copy of Directors' Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director).
(f) All directors on appointment will undergo an induction programme to help familiarise them with matters relating to Ascott Reit's business and the Manager's strategy for Ascott Reit.
(g) The performance of the Board, Board Committees and Directors will be reviewed annually.
(h) The Board will proactively address any issues identified in the board performance evaluation.

The adopted process takes into account the requirements in the Code that the composition of the Board, including the selection of candidates for new appointments to the Board as part of the Board's renewal process, be determined using the following principles:

(a) the Board should comprise Directors with a broad range of commercial experience, including expertise in fund management, the property industry, banking and legal fields; and
(b) at least one-third of the Board should comprise IDs. Where, among other things, the Chairman of the Board is not an ID, at least half of the Board should comprise IDs.

As at least half of the Board comprises IDs, the Manager will not be voluntarily subjecting any appointment or reappointment of directors to voting by Unitholders. The Chairman of the Board is presently an ID. The Board intends to continue with the principle that at least half of the Board shall comprise IDs.

On Board renewal, the Manager believes that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of Ascott Reit's business; renewal or replacement of a Director therefore does not necessarily reflect his performance or contributions to date. In reviewing its Board composition, the Board will, with effect from FY 2016, also consider the guidelines that an ID should serve for no more than a maximum of two three-year terms and any extension of his appointment after he has served for six years could be on a yearly basis up to a period of nine years (inclusive of the initial two three-year terms served).

Guideline 4.4 of the Code recommends that the Board determine the maximum number of listed company board representations which any director may hold, and disclose this in the annual report. The Board is of the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors such as whether he is in full-time employment and his other responsibilities. A director with multiple directorships is expected to ensure that sufficient attention can be and is given to the affairs of the Manager in managing the assets and liabilities of Ascott Reit for the benefit of Unitholders. The Board believes that each Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Manager, bearing in mind his other commitments. In considering the nomination of an individual for appointment, the Board will take into account, among other things, the competing time commitments faced by any such individual with multiple Board memberships as well as his other principal commitments. All Directors had confirmed that notwithstanding the number of their individual listed company board representations and other principal commitments, which each of them held, they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of Ascott Reit for the benefit of Unitholders. The Board also notes that, as at the date of this Annual Report, none of the IDs serves on more than three listed company boards. Taking into account also the attendance record of the Directors at meetings of the Board and Board Committees during FY 2015 (set out on page 47 of this Annual Report), the Board is of the view that the current commitments of each of its Directors are reasonable and each of the Directors is able to and has been adequately carrying out his duties.

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

The Manager believes that Board performance is ultimately reflected in the long-term performance of Ascott Reit.

The Board strives to ensure that there is an optimal blend in the Board of background, experience and knowledge in business, finance and management skills critical to Ascott Reit's business and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of Ascott Reit. Contributions by an individual Board member can also take other forms,

Corporate Governance

including providing objective perspectives on issues, facilitating business opportunities and strategic relationships, and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings.

Reviews of Board performance were carried out on an informal basis for FY 2015. The Manager believes that collective Board performance and that of individual Board members are better reflected in, and evidenced by, its and their proper guidance, diligent oversight and able leadership, and the support that it lends to Management in steering Ascott Reit in the appropriate direction, and the long-term performance of Ascott Reit whether under favourable or challenging market conditions. The Board was also able to assess the Board Committees through their regular reports to the Board on their activities.

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

The Manager recognises the importance of providing the Board with relevant information on a timely basis prior to Board meetings, and on an ongoing basis to enable the Directors to make informed decisions to discharge their duties and responsibilities. Reports on Ascott Reit's performance are also provided to the Board on a regular basis.

The Board meets regularly and Board meetings, in general last up to half a day. At each Board meeting, the CEO provides update on Ascott Reit's business and operations as well as financial performance. Presentations in relation to specific business areas are also made by key executives and external consultants or experts; this allows the Board to develop a good understanding of the progress of Ascott Reit's business as well as the issues and challenges facing Ascott Reit, and also promotes active engagement between the Board and the key executives of the Manager.

As a general rule, Board papers are sent to Board members at least five working days prior to each Board meeting to allow members of the Board to prepare for the Board meetings and to enable discussions to focus on any questions that they may have.

In line with the Manager's commitment to limit paper wastage and reduce its carbon footprint, the Manager no longer provides printed copies of Board papers and Directors are instead provided with tablet devices to enable them to access and read Board and Board Committee papers prior to and at meetings. This initiative also enhances information security as the papers are downloaded to tablet devices through an encrypted channel.

In addition to providing complete, adequate and timely information to the Board on Board affairs and issues requiring the Board's decision, Management also provides ongoing reports relating to the operational and financial performance of the Manager, such as monthly management reports.

Where appropriate, informal meetings are also held for Management to brief Directors on prospective deals and potential developments in the early stages before formal Board approval is sought.

The Board has separate and independent access to Management including the company secretary of the Manager (Company Secretary) at all times. The Company Secretary attends to corporate secretarial administration matters and is the corporate governance advisor on corporate matters to the Board and Management. The Company Secretary attends Board meetings. The Board, whether as individual Director or as a group, is also entitled to have access to independent professional advice where required, at the Manager's expense.

The AC also meets the internal and external auditors separately at least once a year, without the presence of the CEO and Management and has unfettered access to any information that it may require.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7:

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

Level and Mix of Remuneration

Principle 8:

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

Disclosure on Remuneration

Principle 9:

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

The Manager is a subsidiary of CL. For FY 2015 and before, the Manager adhered to the remuneration policies and practices of CL; this was after careful consideration of the remuneration policies and practices of CL and being satisfied that such policies and practices would provide the Manager with a suitable remuneration policy. The Manager therefore did not have a remuneration committee. In its decision to adhere to the remuneration policies and practices of CL, the Manager also took into account the belief that a framework of remuneration for the Board and key executives should not be taken in isolation; it should be linked to the building of management bench strength and the development of key executives. This would ensure continual development of talent and renewal of strong and sound leadership for a sustainable business and an enduring company in the best interests of Ascott Reit. The other additional factors the Manager also considered were:

(a) by tapping on the compensation framework of CL, the Manager is placed in a better position to attract better qualified management talent, who may otherwise not be attracted to a standalone REIT manager; and
(b) the Manager being a subsidiary of CL provides an intangible benefit of allowing its employees to associate themselves with an established corporate group which can offer them depth and breadth of experience and a career horizon and this enables the Manager to attract and retain qualified individuals.

As part of its commitment towards improving its corporate governance, the Board recently undertook a review of the matter and has determined that it shall undertake the functions of a remuneration committee. The following considerations were taken into account:

(a) the Manager is a dedicated manager to only Ascott Reit and in general, REITs (including Ascott Reit) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration; and
(b) that IDs form at least half of the Board and the Chairman is an ID demonstrate that the IDs play a substantive role and assures the objectivity and independence of the decision making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of remuneration.

Corporate Governance

Therefore, with effect from FY 2016, the Board will undertake the functions of a remuneration committee and the Manager will continue to not have a separate remuneration committee. The Board will perform the functions that such a committee would otherwise perform, namely, to oversee the design and implementation of the remuneration policy and the specific remuneration packages for each Director and senior executives including the CEO. No member of the Board will be involved in any decision of the Board relating to his own remuneration.

In terms of the process to be put in place by the Manager for developing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager will, through an independent remuneration consultant, take into account benchmarking within the industry, as appropriate. It may also consider the compensation framework of CL as a point of reference. The Manager is a subsidiary of CL which also holds a significant stake in Ascott Reit. The association with the CL Group puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them depth and breadth of experience and a career horizon. Following the issuance of new MAS directions and guidelines relating to the remuneration of its key executives, the Manager has begun the process of reviewing its remuneration policy with a view to adopting a policy which is in line with the new MAS directions and guidelines.

The principles governing the Manager's key management personnel remuneration policy are as follows:

Business Alignment

- Focus on generating income and enhancing asset value over time so as to maximise returns from investments and ultimately the distributions and total returns to Unitholders
- Provide sound, structured funding to ensure affordability and cost-effectiveness in line with performance goals
- Enhance retention of key talents to build strong organisational capabilities

Motivate Right Behaviour

- Pay for performance – align, differentiate and balance rewards according to multiple dimensions of performance
- Strengthen line-of-sight linking rewards and performance goals

Fair & Appropriate

- Ensure competitive remuneration relative to the appropriate external talent markets
- Manage internal equity such that remuneration systems are viewed as fair
- Significant and appropriate portion of pay-at-risk, taking into account risk policies of Ascott Reit Group, symmetrical with risk outcomes and sensitive to the risk time horizon

Effective Implementation

- Maintain rigorous corporate governance standards
- Exercise appropriate flexibility to meet strategic business needs and practical implementation considerations
- Facilitate employee understanding to maximise the value of the remuneration programmes

The fixed component comprises the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund. The variable cash component comprises an annual bonus plan which is linked to the achievement of annual performance targets for each key executive. Annual performance targets are in the form of both quantitative and qualitative measures and are aligned to the business strategy for Ascott Reit Group and linked to the performance of Ascott Reit. The market-related benefits provided are comparable with local market practices.

For FY 2015, remuneration for key management personnel comprises a fixed component, a variable cash component, an equity-based component and market-related benefits. For the equity-based component, for FY 2015, shares of CL were awarded pursuant to the share plans of CL. With effect from FY 2016, Units will be awarded in place of CL shares, so as to better align the interest of key management personnel with the long term interest of Unitholders.

The Code requires an issuer to disclose the names and remuneration of the directors, CEO and at least the top five key management personnel (who are not also directors or the CEO) of the Manager. In this regard, as the Manager is currently in the midst of reviewing the remuneration policy, with a view to adopt a new remuneration policy in line with the new directions and guidelines of MAS for FY 2016, the Manager is not making any disclosures in this Annual Report as the remuneration figures for FY 2015 will not be meaningful or useful, from an information perspective, to Unitholders with respect to FY 2016 and beyond.

There were no employees of the Manager who were immediate family members of a Director or the CEO during FY 2015. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

The Directors' fees for FY 2015 are shown in the table below. The CEO as an executive director does not receive any fees in his capacity as a Director. Directors' fees are a fixed sum and generally comprise a basic retainer fee as a Director, an additional fee for serving on any of the Board Committees and an attendance fee for participation in meetings of the Board and any of the Board Committees, project meetings and verification meetings.

Non-executive Directors (save for Directors who are employees of CL) receive Directors' fees which are payable by way of cash and Units. The Manager believes that the payment of a portion of the Directors' fees in Units will serve to align the interests of such Directors with that of Unitholders and Ascott Reit's long-term growth and value.

Directors' Fees[1]

Board Members	FY 2015	FY 2014
Lim Jit Poh	S$110,000[2]	S$111,000[2]
Lim Ming Yan	N.A.[3]	N.A.[3]
Tay Boon Hwee, Ronald	N.A.	N.A.
Ku Moon Lun	S$103,750[2]	S$101,250[2]
Lee Chee Koon	N.A.[3]	N.A.[3]
Tan Beng Hai, Bob[4]	S$50,925[2]	N.A.
Zulkifli Bin Baharudin[5]	S$71,333[2]	S$63,000[2]
S. Chandra Das[6]	S$21,576[6]	S$75,500
Giam Chin Toon @ Jeremy Giam[6]	S$24,576[6]	S$72,500

N.A.: Not Applicable

Notes:

1 Inclusive of attendance fees of (a) S$1,500 (local director) and S$2,750 (foreign director) per meeting attendance in person, (b) S$1,000 per meeting attendance via teleconferencing or video conferencing, (c) S$1,000 (local director) and S$1,500 (foreign director) per meeting attendance in person at project and verification meetings, and (d) S$500 per meeting attendance via teleconferencing or video conferencing at project and verification meetings.

2 Each non-executive Director shall receive up to 20% of his Director's fees in the form of Units (subject to truncation adjustments). The remainder of the Director's fees shall be paid in cash. No new Units will be issued for this purpose as these Units will be paid by the Manager from the Units it holds.

3 Non-executive Directors who are employees of CL do not receive Directors' fees.

4 Mr Tan Beng Hai, Bob was appointed as non-executive independent Director and a member of AC with effect from 24 April 2015.

5 Mr Zulkifli Bin Baharudin was appointed as a member of AC and ceased to be a member of CDC with effect from 24 April 2015.

6 Mr S. Chandra Das and Mr Giam Chin Toon @ Jeremy Giam resigned as Directors and members of AC with effect from 24 April 2015. They will receive all of their Director's fees for FY 2015 in cash.

Corporate Governance

(C) ACCOUNTABILITY AND AUDIT

Accountability

Principle 10:

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

The Manager provides Unitholders with quarterly and annual financial statements. In presenting the annual and quarterly financial statements to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of Ascott Reit's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a monthly basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of Ascott Reit's financial performance, position and prospects.

The Manager believes in conducting itself in ways that seek to deliver maximum sustainable value to Unitholders. Best practices are promoted as a means to build an excellent business for Unitholders and the Manager is accountable to Unitholders for Ascott Reit's performance. Prompt fulfilment of statutory and regulatory reporting requirements is but one way to maintaining Unitholders' confidence and trust in the capability and integrity of the Manager.

Risk Management and Internal Controls

Principle 11:

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

The Manager has in place an adequate and effective system of internal controls addressing material financial, operational, compliance and information technology risks to safeguard Unitholders' interests and Ascott Reit's assets.

The Board has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls system. The AC assists the Board in carrying out the Board's responsibility of overseeing the risk management framework and policies of Ascott Reit Group.

The AC is guided by its terms of reference, in particular, the AC:

(a) makes recommendations to the Board on Risk Appetite Statement (RAS) for Ascott Reit Group;

(b) assesses the adequacy and effectiveness of the risk management and internal controls system established by the Manager to manage risks;

(c) oversees Management in the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with Ascott Reit Group's risk appetite and reports to the Board on its decisions on any material matters concerning the aforementioned;

(d) makes the necessary recommendations to the Board such that an opinion relating to the adequacy and effectiveness of the risk management and internal controls system can be made by the Board in the annual report of Ascott Reit in accordance with the Listing Manual and the Code; and

(e) considers and advises on risk matters referred to it by Management or the Board including reviewing and reporting to the Board on any material breaches of the RAS, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

The Manager adopts an Enterprise Risk Management (ERM) Framework which sets out the required environmental and organisational components for managing risk in an integrated, systematic and consistent manner. The ERM Framework and related policies are reviewed annually.

The Manager consistently seeks to improve and strengthen Ascott Reit Group's ERM Framework. As part of the ERM Framework, the Manager, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) process. As a result of the RCSA process, the Manager produces and maintains a risk register which identifies the material risks Ascott Reit Group faces and the corresponding internal controls it has in place to manage or mitigate those risks. The material risks are reviewed annually by the AC and the Board. The AC also reviews the approach of identifying and assessing risks and internal controls in the risk register. The system of risk management and internal controls is reviewed and, where appropriate, refined regularly by the Manager, the AC and the Board. Where relevant, reference is made to the best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council.

The Manager has established an approach on how risk appetite is defined, monitored and reviewed for Ascott Reit Group. Approved by the Board, Ascott Reit Group's RAS addresses the management of material risks faced by Ascott Reit Group. Alignment of Ascott Reit Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms put in place across the various functions within the Manager.

More information on Ascott Reit Group's ERM Framework can be found in the Enterprise Risk Management section on pages 48 to 50 of this Annual Report.

Internal and external auditors conduct audits that involve testing the effectiveness of the material internal controls for Ascott Reit Group addressing financial, operational, compliance and information technology risks. This includes testing, where practical, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The adequacy and effectiveness of the measures taken by the Manager in response to the recommendations made by the internal and external auditors are also reviewed by the AC.

The Board has received assurance from the CEO and the Vice President, Finance (VP Finance) of the Manager that:

(a) the financial records for Ascott Reit Group have been properly maintained and the financial statements for the year ended 31 December 2015 give a true and fair view of Ascott Reit Group's operations and finances; and
(b) the system of risk management and internal controls in place for Ascott Reit Group is adequate and effective in addressing the material risks faced by Ascott Reit Group in its current business environment including material financial, operational, compliance and information technology risks. The CEO and VP Finance of the Manager have obtained similar assurance from the respective risk and control owners.

In addition, in FY 2015, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and VP Finance of the Manager, the Board concurs with the recommendation of the AC and is of the opinion, that the system of risk management and internal controls addressing material financial, operational, compliance and information technology risks established by the Manager is adequate and effective to meet the needs of Ascott Reit Group in its current business environment as at 31 December 2015.

Corporate Governance

The Board notes that the system of risk management and internal controls established by the Manager provides reasonable, but not absolute, assurance that Ascott Reit Group, as it strives to achieve its business objectives, will not be significantly affected by any event that can be reasonably foreseen or anticipated. The Board notes that no system of risk management and internal controls can provide absolute assurance in this regard, or absolute assurance against poor judgement in decision making, human error, losses, fraud or other irregularities.

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

All the members of the AC, including the Chairman of the AC, are IDs. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains.

The AC has explicit authority to investigate any matter within its terms of reference. The Management is required to provide the fullest co-operation in providing information and resources, and in implementing or carrying out all requests made by the AC. The AC has direct access to the internal and external auditors and full discretion to invite any Director or executive officer to attend its meetings. Similarly, both the internal and external auditors are given unrestricted access to the AC.

The AC is guided by its terms of reference, in particular, the AC:

(a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of Ascott Reit Group and any announcements relating to Ascott Reit Group's financial performance;

(b) reviews and reports to the Board at least annually the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and information technology controls, and risk management systems;

(c) reviews the effectiveness of the Manager's internal audit and compliance functions;

(d) reviews the scope and results of the external audit and independence and objectivity of the external auditors;

(e) makes recommendations to the Board on the proposals to Unitholders on the appointment, reappointment and removal of the external auditors, and approving the remuneration of the external auditors;

(f) reviews and approves processes to regulate transactions involving an Interested Person (as defined in Chapter 9 of the Listing Manual) and/or Interested Party (as defined in the Property Funds Appendix) (each, an Interested Person) and Ascott Reit and/or its subsidiaries (Interested Person Transactions), to ensure compliance with the applicable regulations, in particular, the requirements that the transactions are on normal commercial terms and are not prejudicial to the interests of Ascott Reit and its minority Unitholders; and

(g) reviews the policy and arrangements by which employees of the Manager and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules or, raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow up action to be taken.

The AC has reviewed the nature and extent of non-audit services provided by the external auditors during FY 2015 and the fees paid for such services. The AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The aggregate amount of fees paid and payable to the external auditors for FY 2015 was approximately S$2,578,000, of which audit fees amounted to approximately S$2,365,000 and non-audit fees amounted to approximately S$213,000.

In FY 2015, the AC also met with the internal and external auditors, without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to the best practices and guidance in the Guidebook for Audit Committees in Singapore and the practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

The Manager confirms, on behalf of Ascott Reit, that Ascott Reit complies with Rule 712 and Rule 715 of the Listing Manual.

Internal Audit

Principle 13:

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

The Manager has in place an internal audit function supported by CL's Internal Audit Department (CL IA) which reports directly to the AC and administratively to the CEO. CL IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. The AC also meets with CL IA at least once a year without the presence of Management. CL IA has unfettered access to the Manager's documents, records, properties and employees, including access to the AC.

CL IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the United States of America. CL IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA and has incorporated these Standards into its audit practices.

To ensure that internal audits are performed by competent professionals, CL IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience.

CL IA identifies and provides training and development opportunities for its staff to ensure their technical knowledge and skill sets remain current and relevant.

Corporate Governance

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14:

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings.

Communication with Shareholders

Principle 15:

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

The Manager is committed to keeping all its Unitholders and other stakeholders and analysts informed of the performance and changes in Ascott Reit or its business which would be likely to materially affect the price or value of the Units, on a timely and consistent basis, so as to assist Unitholders and investors in their investment decisions.

The Manager has in place an Investor Relations & Communications department which facilitates effective communication with Unitholders, analysts, fund managers and the media.

The Manager actively engages with Unitholders and has put in place an Investor Relations Policy (Policy) to promote regular, effective and fair communications with Unitholders. The Policy is uploaded on Ascott Reit's website at www.ascottreit.com.

The Board has established the CDC which is guided by its terms of reference, in particular, the CDC:

(a) reviews the promptness and comprehensiveness of corporate disclosures and announcements made to the SGX-ST;
(b) ensures the adoption of good corporate governance and best practices in terms of transparency to Unitholders and investing community; and
(c) ensures the Manager complies with all applicable legal and regulatory disclosure requirements in relation to Ascott Reit.

The views and approvals of the CDC were sought throughout the year via emails on various announcements and news releases issued.

More information on the Manager's investor relations with Unitholders can be found in the Investor Relations section on pages 51 to 53 of this Annual Report and the Policy which is available on Ascott Reit's website.

Ascott Reit's distribution policy is to distribute at least 90.0% of its taxable income (other than gains on the sale of real properties or shares by Ascott Reit which are determined to be trading gains), with the actual level of distribution to be determined at the Manager's discretion.

Conduct of Shareholder Meetings

Principle 16:

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

The Manager supports the principle of encouraging Unitholders' participation and voting at general meetings. Unitholders receive a CD containing the Ascott Reit annual report (printed copies are available upon request) and notice of the annual general meeting. As and when an extraordinary general meeting is to be held, Unitholders will receive a copy of the circular which contains details of the matters to be proposed for Unitholders' consideration and approval. Notices of the general meetings are also advertised in the press and issued on SGXNet.

At general meetings, Unitholders are encouraged to communicate their views and discuss with the Board and Management matters affecting Ascott Reit. Representatives of the Trustee, Directors (including the chairpersons of the Board and the AC), the Manager's senior management and the external auditors of Ascott Reit, would usually be present at general meetings to address any queries that the Unitholders may have.

To safeguard Unitholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings. To ensure transparency in the voting process and better reflect Unitholders' interest, the Manager conducts electronic poll voting for all the resolutions proposed at the general meetings. Voting and vote tabulation procedures are disclosed at the general meetings. Votes cast, for or against and the respective percentages, on each resolution are tallied and displayed "live-on-screen" to Unitholders immediately at the general meetings. The total number of votes cast for or against the resolutions and the respective percentages are also announced on SGXNet after the general meetings. Voting in absentia and by email which are currently not permitted may only be possible following careful study to ensure that the integrity of information and authentication of the identity of Unitholders through the web are not compromised, and legislative changes are effected to recognise remote voting.

Minutes of the general meetings are taken and are available to Unitholders for their inspection upon request. Since 2015, minutes of annual general meetings are also uploaded on Ascott Reit's website.

Unitholders also have the opportunity to communicate their views and discuss with the Board and Management matters affecting Ascott Reit after the general meetings.

(E) ADDITIONAL INFORMATION

Executive Committee

Apart from the AC and CDC, the Board has also established an EC.

The EC oversees the day-to-day activities of the Manager and that of Ascott Reit, on behalf of the Board. The EC is guided by its terms of reference, in particular, the EC:

(a) reviews, endorses and recommends to the Board strategic directions and management policies of the Manager in respect of Ascott Reit;

(b) oversees operational, investment and divestment matters within approved financial limits; and

(c) reviews management reports and operating budgets.

The members of the EC also meet informally during the course of the year.

Corporate Governance

Dealings with Interested Persons

Review Procedures for Interested Person Transactions

The Manager has established internal control procedures to ensure that all Interested Person Transactions are undertaken on an arm's length basis and on normal commercial terms, which are generally no more favourable than those extended to unrelated third parties, and are not prejudicial to the interests of Ascott Reit and Unitholders. In respect of such transactions, the Manager would have to demonstrate to the AC that such transactions are undertaken on normal commercial terms and are not prejudicial to the interests of Ascott Reit and Unitholders which may include obtaining (where practicable) third party quotations or obtaining valuations from independent valuers (in accordance with applicable provisions of the Listing Manual and the Property Funds Appendix). The internal control procedures also ensure compliance with Chapter 9 of the Listing Manual and the Property Funds Appendix.

In particular, the procedures in place include the following:

Interested Person Transactions[1]	Approving Authority, Procedures and Disclosure
Transaction[2] which: (a) is below 3.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2] with the same Interested Person in the same financial year is below 3.0% of Ascott Reit's latest audited net tangible assets/net asset value	• Regular periodic reviews by Audit Committee
Transaction[2] which: (a) is equal to or exceeds 3.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2] with the same Interested Person in the same financial year is equal to or exceeds 3.0% of Ascott Reit's latest audited net tangible assets/net asset value	• Audit Committee • Immediate announcement
Transaction[2] which: (a) is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2,3] with the same Interested Person in the same financial year is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value	• Audit Committee • Immediate announcement • Unitholders[3]

Notes:

1 This table does not include the procedures applicable to interested person transactions falling under the exceptions set out in Rules 915 and 916 of the Listing Manual.

2 Any transaction of less than S$100,000 in value is disregarded.

3 In relation to approval by Unitholders for transactions that equal to or exceed 5.0% of Ascott Reit's latest audited net tangible assets/net asset value (whether singly or aggregated), any transaction which has been approved by Unitholders, or is the subject of aggregation with another transaction that has been approved by Unitholders, need not be included in any subsequent aggregation.

Role of the Audit Committee for Interested Person Transactions

The Manager's internal control procedures are intended to ensure that Interested Person Transactions are conducted at arm's length and on normal commercial terms, and are not prejudicial to Ascott Reit and Unitholders' interests.

The Manager maintains a register to record all Interested Person Transactions which are entered into by Ascott Reit (and the basis on which they are entered into, including the quotations obtained to support such basis). All Interested Person Transactions are subject to regular periodic reviews by the AC, which in turn obtains advice from CL IA, to ascertain that the guidelines and procedures established to monitor Interested Person Transactions, including the relevant provisions of the Listing Manual and the Property Funds Appendix, as well as any other guidelines which may from time to time be prescribed by the SGX-ST, MAS or other relevant authorities, have been complied with. The review includes an examination of the nature of the transaction and its supporting documents or such other information deemed necessary by the AC. If a member of the AC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction.

Details of all Interested Person Transactions (equal to or exceeding S$100,000 each in value) entered into by Ascott Reit during FY 2015 are disclosed on page 218 of this Annual Report.

Dealing with Conflicts of Interest

The following principles and procedures have been established to deal with potential conflicts of interest which the Manager (including its Directors, executive officers and employees) may encounter in managing Ascott Reit:

(a) the Manager is a dedicated manager to Ascott Reit and will not manage any other REIT or be involved in any other real property business;
(b) all resolutions at meetings of the Board in relation to matters concerning Ascott Reit must be decided by a majority vote of the Directors, including at least one ID;
(c) in respect of matters in which CL and/or its subsidiaries have an interest, whether direct or indirect, any nominees appointed by CL and/or its subsidiaries to the Board will abstain from voting. In such matters, the quorum must comprise a majority of IDs and shall exclude such nominee Directors of CL and/or its subsidiaries;
(d) in respect of matters in which a Director or his associates have an interest, whether direct or indirect, such interested Director will abstain from voting. In such matters, the quorum must comprise a majority of the Directors and shall exclude such interested Director(s);
(e) if the Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Ascott Reit with an affiliate of the Manager, the Manager is obliged to consult with a reputable law firm (acceptable to the Trustee) which shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Ascott Reit, has a *prima facie* case against the party allegedly in breach under such agreement, the Manager is obliged to pursue the appropriate remedies under such agreement; and
(f) at least one-third of the Board shall comprise IDs.

Ascott Reit's properties are located in Europe as well as in the Pan-Asian region and its strategy is to acquire serviced residences, rental housing properties and other hospitality assets located in any part of the world that are generating revenue and are yield accretive. The Ascott Limited (Ascott) owns and manages serviced residences and rental housing properties in Europe, the Pan-Asian region and the Gulf region. Potential conflicts of interests between Ascott and Ascott Reit may arise in respect of the serviced residence industry in Europe and the Pan-Asian region, where Ascott Reit's properties are located and in any country where Ascott Reit's investment strategy is to acquire serviced residences, rental housing properties and other hospitality assets located therein.

Corporate Governance

In order to mitigate conflict of interests between Ascott and Ascott Reit in Europe and the Pan-Asian region, the Trustee has been granted a right of first refusal by Ascott over the proposed disposal of (a) any properties that are used, or predominantly used, as serviced residences or rental housing properties in Europe and the Pan-Asian region (including those under the "Ascott", "Somerset" and "Citadines" brands) and (b) any shares or equity interests in single-purpose corporations which hold such properties (each a Relevant Asset), by Ascott, its related fund or any of its wholly owned subsidiaries (each an Ascott entity), for so long as the Manager remains the manager of Ascott Reit and Ascott and/or any of its related corporations remain a shareholder of the Manager. Consequently, if an Ascott entity proposes to dispose of a Relevant Asset to an unrelated third party, or if a proposed offer of a Relevant Asset is made to an Ascott entity, Ascott is required to grant to the Trustee the first right to acquire the Relevant Asset for the benefit of Ascott Reit.

In respect of voting rights where the Manager would face a conflict between its own interests and that of Unitholders, the Manager shall cause such voting rights to be exercised according to the discretion of the Trustee.

Dealings in Securities

The Manager has devised and adopted a securities dealing policy for the Manager's officers and employees which applies the best practice recommendations in the Listing Manual. To this end, the Manager has issued guidelines to its Directors and employees as well as certain relevant executives of the CL Group, which set out prohibitions against dealings in Ascott Reit Group's securities (i) while in possession of material unpublished price sensitive information, (ii) during the two weeks immediately preceding, and up to the time of the announcement of, Ascott Reit's financial statements for each of the first three quarters of Ascott Reit's financial year, and, (iii) during the one month immediately preceding, and up to the time of the announcement of, Ascott Reit's financial statements for the full financial year. Prior to the commencement of each relevant period, an email would be sent out to all Directors and employees of the Manager as well as certain relevant executives of the CL Group to inform them of the duration of the period. The Manager will also not deal in Ascott Reit Group's securities during the same period.

Directors and employees of the Manager as well as certain relevant executives of the CL Group are also prohibited from dealing in securities of Ascott Reit Group if they are in possession of unpublished price sensitive information of Ascott Reit Group. As and when appropriate, they would be issued an advisory to refrain from dealing in Ascott Reit Group's securities.

Under the policy, Directors and employees of the Manager as well as certain relevant executives of the CL Group are also discouraged to trade on short-term or speculative considerations. They are also prohibited from using any information with respect to other companies or entities obtained in the course of their employment in connection with securities transactions of such companies or entities.

Fees payable to the Manager

Under the revised CIS Code issued by MAS which came into effect on 1 January 2016, where fees are payable out of the deposited property of a property fund, the methodology and justifications for each type of fees payable should be disclosed. The methodology for computing the fees is disclosed under the Notes to Financial Statements.

The Manager's management fees, which are contained in Clause 15.1 of the Trust Deed, are annual fees earned by the Manager for the management of Ascott Reit's portfolio. Pursuant to Clause 15.1.1 and Clause 15.1.2 of the Trust Deed, the management fees are payable quarterly in arrears. The Manager's management fees should be viewed holistically as a whole which comprise two components, namely the Base Fee and the Performance Fee, which are elaborated further below:

Base Fee

The Base Fee enables the Manager to cover operational and administrative overheads incurred in the management of the portfolio. The Base Fee is calculated at a percentage of asset value as the asset value provides an appropriate metric to determine the resources for managing the assets.

Performance Fee

The Performance Fee is based on objective benchmarks that are aligned with the interests of Unitholders as a whole – in this case, Gross Profit. This serves as motivation for and provides the Manager with the incentive to enhance Gross Profit on a long-term and sustainable basis through efficient portfolio management, astute cost management and effective use of debt and equity. This can be achieved by proactive organic and external growth strategies such as asset enhancement initiatives, acquisitions, developments and divestments to continually refresh the portfolio and sustain income accretions. Taking on short-term risks of deferring asset enhancement initiatives or repairs and maintenance is deterred as the Manager strives to achieve sustainability.

The pegging of the Performance Fees to Gross Profit also aligns the Manager with the interests of Unitholders as the Manager's compensation is commensurate with the value the Manager delivers to Unitholders as a whole in the form of distributable income which is also derived from the net income and as evidenced by the Manager achieving an optimal percentage of the overall fees to total assets of 0.4%.

In addition, the Manager is also paid an Acquisition Fee or a Divestment Fee upon the successful completion of an acquisition or divestment respectively. Further details on the Acquisition Fee and the Divestment Fee are provided below:

Acquisition Fee

The Acquisition Fee, which is contained in Clause 15.2.1 of the Trust Deed, is earned by the Manager upon the successful completion of an acquisition. This fee seeks to motivate and compensate the Manager for its efforts expended to continually seek out and acquire distribution per Unit accretive assets to increase longer term returns for Unitholders. In addition, the Acquisition Fee allows the Manager to recover the additional costs and resources incurred by the Manager in the course of seeking out new acquisition opportunities, including but not limited to, due diligence efforts and man hours spent in evaluating the transaction.

As required by the Property Funds Appendix, where Acquisition Fee is to be paid to the Manager for the acquisition of assets from an Interested Party, the Acquisition Fee is to be paid in the form of Units at the prevailing market price, which should not be sold for a period of one year from their date of issuance. As the Manager's interest is closely tied to the performance of Ascott Reit, in this regard, this helps to ensure that any acquisitions from Interested Parties perform and contribute to Unitholders' returns.

Divestment Fee

The Divestment Fee, which is contained in Clause 15.2.1 of the Trust Deed, is earned by the Manager upon the successful completion of a divestment. This fee seeks to motivate and compensate the Manager for its efforts expended to continually rebalance the portfolio and maximise value received by Ascott Reit in the divestment. In addition, the Divestment Fee allows the Manager to recover the additional costs and resources incurred by the Manager for the divestment, including but not limited to due diligence efforts and man hours spent in marketing and maximising the divestment price.

As required by the Property Funds Appendix, where Divestment Fee is to be paid to the Manager for the divestment of assets to an Interested Party, the Divestment Fee is to be paid in the form of Units at the prevailing market price, which should not be sold for a period of one year from their date of issuance.

Corporate Governance

(F) CODE OF BUSINESS CONDUCT

The Manager adheres to an ethics and code of business conduct policy which deals with issues such as confidentiality, conduct and work discipline, corporate gifts and concessionary offers. Clear policies and guidelines on how to handle workplace harassment and grievances are also in place.

The policies and guidelines are published on CL's Intranet, which is accessible to all employees of the Manager.

The policies that the Manager has implemented aim to help to detect and prevent occupational fraud in mainly three ways.

First, the Manager offers fair compensation packages, based on practices of pay-for-performance and promotion based on merit to its employees. The Manager also provides various healthcare subsidies and financial assistance schemes to alleviate the common financial pressures its employees face.

Second, clearly documented policies and work procedures incorporate internal controls which ensure that adequate checks and balances are in place. Periodic audits are also conducted to evaluate the efficacy of these internal controls.

Finally, the Manager seeks to build and maintain the right organisational culture through its core values, educating its employees on good business conduct and ethical values.

Bribery and Corruption Prevention Policy

The Manager adopts a strong stance against bribery and corruption. In addition to clear guidelines and procedures for the giving and receipt of corporate gifts and concessionary offers, all employees of the Manager are required to make a declaration on an annual basis where they pledge to uphold the Manager's core values and not to engage in any corrupt or unethical practices. This serves as a reminder to all employees to maintain the highest standards of integrity in their work and business dealings.

The Manager's zero tolerance policy towards bribery and corruption extends to its business dealings with third parties. Pursuant to this policy, the Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

Whistle-Blowing Policy

A whistle-blowing policy and other procedures are put in place to provide employees of the Manager and parties who have dealings with the Manager with well defined, accessible and trusted channels to report suspected fraud, corruption, dishonest practices or other improprieties in the workplace, and for the independent investigation of any reported incidents and appropriate follow up action. The objective of the whistle-blowing policy is to encourage the reporting of such matters so that employees or external parties making any reports in good faith will be able to do so with the confidence that they will be treated fairly and, to the fullest extent possible, be protected from reprisal.

Anti-Money Laundering and Countering the Financing of Terrorism Measures

As a holder of a Capital Markets Services licence issued by MAS, the Manager abides by the MAS' guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the Manager are:

(a) evaluation of risk;
(b) customer due diligence;
(c) suspicious transaction reporting;
(d) record keeping;
(e) employee screening and representative screening; and
(f) training.

The Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

Under this policy, the Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective employees, officers and representatives of the Manager are also screened against various lists of terrorist suspects issued by MAS. Periodic training is provided by the Manager to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations, the prevailing techniques and trends in money laundering and terrorist financing and the measures adopted by the Manager to combat money laundering and terrorist financing.

Composition and Attendance Record of Meetings of the Board and Board Committees

	Composition			Attendance Record of Meetings in FY 2015	
				Board	Audit Committee
Board Members	Audit Committee	Corporate Disclosure Committee	Executive Committee	Number of Meetings Held: 6	Number of Meetings Held: 5
Lim Jit Poh, Chairman	–	Chairman	–	6 out of 6	N.A.
Lim Ming Yan, Deputy Chairman	–	–	Chairman	6 out of 6	N.A.
Tay Boon Hwee, Ronald, CEO	–	Member	Member	6 out of 6	N.A.
Ku Moon Lun	Chairman	–	–	6 out of 6	5 out of 5
Lee Chee Koon	–	Member	Member	6 out of 6	N.A.
Tan Beng Hai, Bob[1]	Member[1]	–	–	4 out of 4	3 out of 3
Zulkifli Bin Baharudin	Member[2]	Member[2]	–	6 out of 6	3 out of 3
S. Chandra Das	Member[3]	–	–	1 out of 2	1 out of 2
Giam Chin Toon @ Jeremy Giam	Member[3]	–	–	2 out of 2	2 out of 2

N.A.: Not Applicable

1 Mr Tan Beng Hai, Bob was appointed as non-executive independent Director and a member of AC with effect from 24 April 2015.

2 Mr Zulkifli Bin Baharudin was appointed as a member of AC and ceased to be a member of CDC with effect from 24 April 2015.

3 Mr S. Chandra Das and Mr Giam Chin Toon @ Jeremy Giam resigned as Directors and ceased to be members of AC with effect from 24 April 2015.

Enterprise Risk Management

Risk management is an integral part of Ascott Reit's business at both the strategic and operational levels. A proactive approach towards risk management supports the attainment of Ascott Reit's business objective and corporate strategy, thereby creating and preserving value.

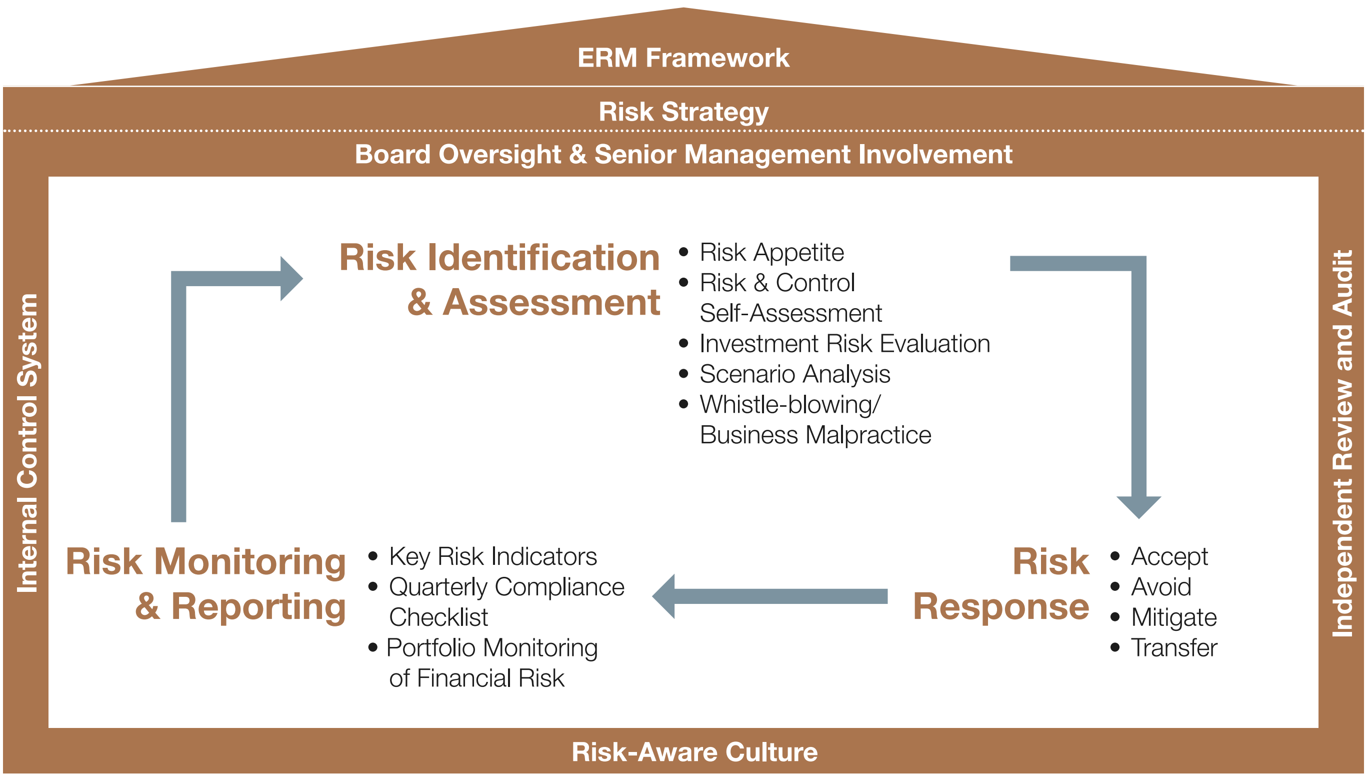
The Manager of Ascott Reit (Manager) recognises that risk management is just as much about opportunities as it is about threats. To capitalise on opportunities, the Manager has to take measured risks. Therefore, risk management is not about pursuing risk minimisation as a goal, but rather optimising the risk-reward relationship within known and agreed risk appetite levels. The Manager therefore takes risks in a prudent manner for justifiable business reasons.

The Board of Directors of the Manager (Board) is responsible for the governance of risk across Ascott Reit. The responsibilities include determining Ascott Reit's risk appetite, overseeing Ascott Reit's Enterprise Risk Management (ERM) Framework, regularly reviewing Ascott Reit's risk profile, material risks and mitigation strategies, and ensuring the effectiveness of risk management policies and procedures. For these purposes, it is assisted by the Audit Committee (AC) which provides oversight of risk management.

The AC currently comprises three independent board members and meets on a quarterly basis. The meetings are attended by the Chief Executive Officer (CEO) as well as other key management staff.

The Board has approved Ascott Reit's risk appetite which determines the nature and extent of material risks which the Manager is willing to take to achieve Ascott Reit's strategic and business objectives. The Ascott Reit's Risk Appetite Statement (RAS) which addresses the management of material risks faced by Ascott Reit, is expressed via formal, high-level and overarching statements. Having considered key stakeholders' interests, the RAS sets out explicit, forward-looking views of Ascott Reit's desired risk profile and is aligned with Ascott Reit's strategy and business plans.

Enterprise Risk Management Framework



Ascott Reit's ERM Framework sets out the required environmental and organisational components which enable the Manager to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually and periodically validated by external ERM consultants.

A robust internal control system and an effective, independent review and audit process are the twin pillars that underpin Ascott Reit's ERM Framework. The line management is responsible for the design and implementation of effective internal controls using a risk-based approach, while the outsourced Internal Audit function from CapitaLand reviews such design and implementation to provide reasonable assurance to the AC on the adequacy and effectiveness of the internal control system.

Annually, the Manager facilitates and coordinates the Ascott Reit's Risk and Control Self-Assessment (RCSA) exercise that requires respective risk and control owners to proactively identify, assess and document material risks as well as the corresponding key controls and mitigating measures needed to address them. Material risks and their associated controls are consolidated and reviewed by the Manager before they are presented to AC and the Board.

Awareness of and preparedness for potential risks affecting Ascott Reit's business continuity helps the Manager minimise the impact of disruption to business operations. The Manager has in place a business continuity plan to respond to any disruptions. In addition, the outsourced information technology team from CapitaLand has in place a disaster recovery strategy, which is reviewed and tested on an annual basis.

The Manager believes that having the right risk culture and people with the right attitude, values and knowledge are fundamental to Ascott Reit's success. Therefore, the Manager works closely with CapitaLand's Risk Assessment Group to proactively enhance risk management knowledge and promote a culture of risk awareness with Ascott Reit.

Managing Material Risks

The Manager undertakes an iterative and comprehensive approach in identifying, managing, monitoring and reporting material risks across the Ascott Reit. Such material risks include:

Acts of God and Pandemic Events

Natural disasters, catastrophes and pandemic events are beyond the Manager's control. Such events may significantly damage Ascott Reit's properties, adversely affect the economy and livelihood of the people in those countries or regions and could severely disrupt Ascott Reit's business operations. The Manager manages such risks by having a geographically diversified portfolio. In addition, the Manager has in place a business continuity plan to respond to any disruption, and each property has standard operating procedures for crisis management and adequate insurance coverage.

Competition Risk

Ascott Reit faces keen competition from other real estate companies or investors and managers of real estate assets as well as new market entrants in the serviced residence market. The Manager adopts a relentless approach towards strengthening its competitiveness through high-quality products and services, product differentiation, speed to market, asset enhancement initiatives and branding. The Manager also adopts active asset management to improve the profitability of Ascott Reit.

Economic Risk

Ascott Reit operates in various countries around the world and is exposed to key financial and property market developments in these regions. These developments may reduce revenue, increase costs and result in downward revaluation of our assets. Market illiquidity during a financial crisis makes asset divestment challenging and this can affect Ascott Reit's investment and strategic objectives. The Manager manages this by adopting a disciplined approach towards financial management, having a diversified portfolio across geographies, and focusing on cities where Ascott Reit or its sponsor, Ascott, has operational scale and where underlying economic fundamentals are more robust.

Enterprise Risk Management

Financial Risk

Ascott Reit is exposed to financial risks including liquidity, foreign currency and interest rate risks. The Manager measures and evaluates these financial risks and continues to focus on instilling financial discipline and maintaining a strong balance sheet. For more information on Ascott Reit's Financial Risk Management, please refer to the "Financial Risk Management" section on pages 181 to 194 of this Annual Report.

Fraud & Corruption Risk

The Manager is committed to the highest standards of integrity (one of its core values), and has no tolerance for any fraud, corruption or bribery in the conduct of its business activities. Consistent with this commitment, the Manager has in place an employee code of conduct and an anti-corruption policy that reiterates the senior management's strong stance against corruption and bribery. Every year, employees sign a pledge to renew their commitment to uphold the Group's core values. It also has a whistle-blowing policy to encourage the reporting of suspected misconduct by having a clearly defined process through which such reports can be made in confidence and without fear of reprisal.

Information Technology (IT) Risk

IT risk comprises cyber risk, information security risk and technology infrastructure risk. IT is an integral part of Ascott Reit's business and security of sensitive information (e.g. customers' personal information and financial information) is crucial. Increasing threats to information security such as hacking and website defacement may pose risk of data leakage and damage to Ascott Reit's reputation. Prolonged power outages or other major infrastructure or equipment failures may significantly disrupt operations at our properties or data centres. The outsourced IT team from CapitaLand has established policies and procedures to govern IT security, access controls and data security. Disaster recovery testing is regularly conducted to validate the system continuity plan. In addition, network penetration testing is conducted regularly to check for potential security gaps.

Investment & Divestment Risk

The Manager has established procedures to be followed when making investment and divestment decisions. To ensure that the potential returns of new investments commensurate with the risks undertaken, the investment and divestment proposals are weighed against a rigorous set of criteria, which includes potential for value creation and DPU accretion.

All major investment and divestment decisions are reviewed and approved by the Board. The Manager conducts due diligence reviews in relation to any investment or divestment proposal. Where necessary, third-party consultants with the requisite expertise are engaged to assist in the due diligence review. Each major investment or divestment proposal must also include a risk assessment, as well as sensitivity analysis and proposed risk mitigation measures or control strategies where appropriate.

Political & Policy Risk

Ascott Reit is exposed to different levels of political and policy risks such as political leadership uncertainty, inconsistency in public policies, social unrest, change in property regulations, etc in the markets that it operates in. Such risks may threaten the economic and socio-political environment which may, in turn, affect the financial viability of Ascott Reit's investments. To mitigate these risks, investments are diversified geographically. Overseas operations are managed by experienced management teams that are supported by local teams who are familiar with the local conditions and cultures.

Regulatory & Compliance Risk

Ascott Reit, which has a global operating platform, is subject to applicable and relevant legislation and regulations of the various markets it operates in. These include applicable listing, data privacy and anti-corruption laws and regulations. The Manager has in place a robust framework that proactively identifies applicable laws and regulatory obligations and legal updates, and embeds compliance into its day-to-day operations.

Investor Relations

The Manager of Ascott Reit (Manager) is committed to and adopts a proactive approach towards timely, consistent and transparent communication to Ascott Reit's various stakeholders on a regular basis.

We actively engage our stakeholders, including investors, media and analysts, to keep them well-informed in a timely manner of all major corporate developments that may have an impact on Ascott Reit. The Manager makes disclosures on an immediate basis as required under the Listing Manual, or as soon as possible where immediate disclosure is not practicable. All announcements, press releases and presentation slides relating to Ascott Reit's latest corporate developments are disclosed promptly through SGXNet and are also archived on Ascott Reit's corporate website at www.ascottreit.com. Ascott Reit's corporate website is also updated regularly to ensure that any relevant information concerning Ascott Reit is readily available to the stakeholders.

In 2015, the Manager conducted two financial results briefing sessions for analysts and media – the first was in January in connection with the announcement of full-year financial results for the financial year ended 2014 (FY 2014), while the second was in July in connection with the half-year financial results for the financial year ended 2015 (1H 2015). In addition, the Manager hosted quarterly post-results investor meetings to provide updates on Ascott Reit's performance, strategies and market outlook. The presentation slides for such meetings are also uploaded to the SGXNet. The annual general meeting is another platform where the Manager engages and interacts with the Unitholders, updating them on Ascott Reit's performance and business developments while also providing the Manager an opportunity to better understand any issues the Unitholders may have.

Familiarisation visits to Ascott Reit's properties are also arranged upon request from analysts and investors throughout the year, as part of the investor relations' efforts to enhance the investment community's understanding of Ascott Reit.

The Manager also regularly communicates with the various stakeholders through one-on-one meetings and participation in investor conferences and roadshows to maintain engagement with the existing stakeholders, as well as foster new ties with prospective investors. These meetings and events provide opportunities for the Manager to share business updates, perspectives on the market outlook, as well as to understand issues that may be of concern to the investing community. In 2015, Ascott Reit participated in various conferences and roadshows held in Kuala Lumpur, London, Singapore, Paris, The Netherlands, Hong Kong and Tokyo. The Manager has met more than 150 institutional investors through these events and other various meetings.

In addition, the Manager pursues opportunities to engage its retail investors through large group seminars. In 2015, we participated in retail investor seminars hosted by UOB Kay Hian and Philip Securities as well as the inaugural REITs Symposium 2015 jointly organised by Real Estate Investment Trust Association of Singapore (REITAS) and Shareinvestor.

All stakeholders have access to Ascott Reit's website which is available in English, including a dedicated 'Investor Relations' link providing Ascott Reit's latest announcements and stock details. The public is able to post questions to the Manager on Ascott Reit's website through the 'General Enquiries' link. Unitholders may also raise any enquiry to the Manager by post to 168 Robinson Road, #30-01 Capital Tower, Singapore 068912.

Unitholders' Enquires

If you have any enquires or would like to find out more about Ascott Reit, please contact

Ms Janine Gui Siew Kheng
Vice President
Corporate Asset Management & Investor Relations

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Corporate Website: http://www.ascottreit.com

Investor Relations

2015 Investor Relations Calendar

1st Quarter Events	Venue	Date
FY 2014 financial results briefing to media & analysts	Singapore	22 January
Post FY 2014 results investors meetings hosted by J.P. Morgan	Singapore, Hong Kong, Tokyo, Kuala Lumpur	22 – 23 January, 26 January, 2 – 4 February, 17 March
Post FY 2014 results investor meetings hosted by DBS Vickers	Singapore	29 January

2nd Quarter Events	Venue	Date
J.P. Morgan's Asia Pacific Real Estate Conference	Singapore	2 April
Post 1Q 2015 results investor meeting hosted by UOB Kay Hian	Singapore	5 May
REITs Symposium 2015 jointly organised by REITAS & Shareinvestor	Singapore	23 May
Non-deal roadshow hosted by OCBC	Singapore	18 June

3rd Quarter Events	Venue	Date
Non-deal roadshow hosted by DBS Vickers	Singapore, Hong Kong	3 July, 9 – 10 July
1H 2015 financial results briefing to media & analysts	Singapore	22 July
Post 1H 2015 results investor meetings hosted by J.P. Morgan	Singapore	23 July
Post 1H 2015 results investor meetings hosted by Morgan Stanley	The Netherlands, Paris	27 July, 28 July
Post 1H 2015 results investor meetings hosted by Credit Suisse	London	30 July
Meet The CEO Seminar organised by UOB Kay Hian	Singapore	20 August
Macquarie ASEAN Conference 2015	Singapore	24 August
Post 1H 2015 results investor meetings hosted by Daiwa	Tokyo	2, 4 September
CapitaLand Debt Investors' Day	Singapore	7 September

4th Quarter Events	Venue	Date
POEMS 4Q 2015 Market Outlook Seminar hosted by Philip Securities	Singapore	3 October
Post 3Q 2015 results investor meetings hosted by BNP Paribas	Kuala Lumpur, Singapore	29 October, 2 November

Financial Calendar

Financial Year Ended 31 December 2015	
23 April 2015	Announcement of First Quarter Results
22 July 2015	Announcement of Second Quarter Results
28 August 2015	Payment of Distribution to Unitholders
29 October 2015	Announcement of Third Quarter Results
26 January 2016	Announcement of Full Year Results
29 February 2016	Payment of Distribution to Unitholders
14 April 2016	Annual General Meeting

Financial Year Ending 31 December 2016	
April 2016	Proposed Announcement of First Quarter Results
July 2016	Proposed Announcement of Second Quarter Results
October 2016	Proposed Announcement of Third Quarter Results
January 2017	Proposed Announcement of Full Year Results

Unit Price Performance

	2015	2014
Highest closing (S$)	1.32	1.28
Lowest closing (S$)	1.15	1.16
Average closing (S$)	1.25	1.22
Last done as at year end (S$)	1.19	1.27
Average daily trading volume (units)	1,472,375	984,086
Total trading volume (units)	365,149,000	248,974,000

Sustainability Management

Sustainability Commitment

Ascott Residence Management Limited (ARTML or the Manager) is part of CapitaLand Group (CapitaLand or the Group) and its sustainability strategy is aligned to the Group. Details can be found in the CapitaLand Sustainability Report which will be available in June 2016.

The Group's sustainability strategy is aligned with its credo of 'Building People. Building Communities.'. It is committed to improving the economic and social well-being of its stakeholders through execution of development projects and management of its operations. In a rapidly changing business landscape, it actively embraces innovation to ensure commercial viability without compromising the environment for future generations.

It upholds high standards of corporate governance and transparency to safeguard shareholders' interests. It has in place an adequate and effective enterprise risk management system to enhance its business resilience and agility. The Group's proactive approach towards environmental, health and safety management, which incorporates universal design into its developments, ensures that its properties are future-proofed and sustainable. Policies and guidelines are put in place to ensure the efficient use of energy, water and other resources.

Its integrated human capital strategy aims to recruit, develop and motivate employees to drive growth for the Group. Community development is an important component of its commitment to sustainability. It focuses on providing support to enhance the lives of underprivileged children through corporate philanthropy and employee volunteerism.

CapitaLand is one of the first companies in Singapore to publish its Sustainability Reports voluntarily before SGX published its Sustainability Reporting Guidelines. The 2015 Global Sustainability Report will be based on GRI Global 4 Sustainability Reporting Guidelines and externally assessed to the AA1000 Assurance Standard. It will cover CapitaLand's global portfolio including Ascott Reit. CapitaLand is a signatory to the United Nations Global Compact and its Global Sustainability Report will serve as its Communication on Progress, which will be made available at www.unglobalcompact.org when published.

Top Management Commitment and Staff Involvement

The Group's sustainability management comes under the purview of its Sustainability Council which comprises members of CapitaLand's top management. It is supported by a Sustainability Steering Committee which oversees two work teams to ensure the Group's continued progress and improvement in the areas of environment, social and governance. The Sustainability Steering Committee and work teams comprise representatives from all business units.

CapitaDNA (Vision, Mission, Credo and Core Values)

Stakeholders			
People (staff)	**Investors** (including business partners)	**Customers** (tenants, shoppers, home owners, residents)	**Communities** (suppliers/contractors, government agencies/ NGOs, environment, community)
Respect and **Integrity** at all levels			
Creativity to enhance value and pursue **Excellence**			
Develop a high performance culture that embraces diversity and teamwork	Deliver sustainable shareholder returns	Create great customer value and experiences through high-quality products and services	Contribute positively to the economic, environmental and social development of communities

The Group has a regular review, assessment and feedback process in relation to environment, social, and governance (ESG) topics. Key to this is an annual Group-wide Risk and Control Self-Assessment exercise which entails the identification, assessment and documentation of material risks and corresponding internal controls. Such material risks include fraud and corruption risk, environmental risk, health and safety risk and human capital risk which are ESG-relevant. Other existing channels for feedback to ensure relevance of issues include:

Environment	• Regular dialogue/feedback sessions with government agencies
Social	• Regular dialogue with government agencies and unions • Regular employee engagement survey for global workforce • The Group Vision and Values Staff Survey
Governance	• Active participation in Investor Relations Professionals Association (IRPAS) and Real Estate Investment Trust Association of Singapore (REITAS) • Engagement with Securities Investors Association Singapore (SIAS) for the annual Corporate Governance Conference

Sustainability Management

Materiality
Through regular stakeholder engagement, it identifies and reviews material issues that are most relevant and significant to the Group and its stakeholders. Priorities are ranked based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, priority is given to issues important to society and relevant to the Group.

Employees
Ascott Reit does not have employees as it is externally managed by ARTML. The employees of ARTML thus form the headcount. Through regular communications sessions with senior management, ARTML engages its employees and keeps them abreast of its financial results and strategic business thrusts.

In September 2015, the Group conducted its third Employee Engagement Survey. An independent consultancy firm was appointed to administer the survey and to ensure confidentiality in soliciting honest responses from the staff. When the analysis of the survey findings is completed in 2016, the results will be shared with the employees.

Regular recreational, team-building and networking events are also held for the employees to reinforce engagement and cohesiveness.

Customers
Regular resident satisfaction surveys are conducted at all Ascott Reit's serviced residences. Feedback obtained is reviewed and relevant follow-up actions are taken to improve service levels to improve serviced residents' experience.

Supply Chain Management
The Group proactively engages contractors and suppliers on areas relating to quality of work and commitment to environment, health and safety (EHS). For more information, please refer to the EHS sub-section on page 57 of this Annual Report. The Group also adopts a strong stance against bribery and corruption. Third-party service providers and contractors can provide feedback, via a dedicated email address, in addition to the regular feedback channels.

Investors
For stakeholder engagement pertaining to investors, please refer to the section on Investor Relations on pages 51 to 53 of this Annual Report.

Human Capital
The Group believes people are its greatest assets and they contribute to the success of the organisation. It adopts an integrated human capital strategy to recruit, develop and motivate employees.

To support its business growth, ARTML actively seeks outstanding talents. They were recruited at different points in their careers, from fresh graduates to young, mid-career professionals and industry veterans in order to strengthen the management bench and talent pipeline for leadership succession planning. ARTML leverages on the Group's scale to provide a platform for cross-fertilisation of skills and capabilities, where its employees have the opportunity to rotate to different serviced residences, functions, cities or countries within the Group as part of their career development and growth.

ARTML believes continual learning is a fundamental building block of growth. Together with the Group, there is a suite of training and development programmes to acquire relevant knowledge and skills to achieve business excellence for the employees.

A total well-being programme is in place to promote personal development, healthy living and work-life harmony. Initiatives include a flexible medical and benefits plan, flexible work arrangements and employee engagement activities.

Community Development
ARTML continues to proactively support community initiatives that contribute to the well-being of the communities served by the serviced residences in the portfolio.

In 2015, staff from Ascott Reit properties, together with CapitaLand Hope Foundation, jointly organised the first CapitaLand International Volunteer Expedition to Chiang Rai province. The expedition reached out to over 500 students of Doi Wiangpha Pittaya School through the iCare Thailand Foundation where close to 50 staff volunteers helped to improve the rural school's facilities to create a better study environment and brighter future for the students.

In addition, Ascott Reit's properties spearheaded different community initiatives during the year. Some 20 staff and residents from Ho Chi Minh City's Somerset Serviced Residences visited the Dieu Phap orphanage in Dong Nai province to provide relief to more than 100 children and elderly people housed there. This assistance included basic necessities such as food, toys and books, worth VND40 million.

With the aim of supporting disadvantaged children at Yen Loc A Primary School in Nam Dinh province in Hanoi, over 50 residents and associates of Somerset Serviced Residences Hanoi and CapitaLand Vietnam made a day trip to the school to clean, paint and varnish furniture and to bring school supplies to its 300 students. Apart from helping with renovations, the residents and staff also spent time engaging with the students and teaching them origami. Prior to the visit, the associates of Somerset Serviced Residence Hanoi organised a number of fund-raising activities, including a car and bike wash, golf tournament and a sale of stationery and Christmas ornaments. A total of about VND110 million was raised for the school from these fund-raising activities. The proceeds were used for the rebuilding of two of the classrooms and purchasing of school supplies and equipment to improve overall classroom conditions.

Environment, Health and Safety (EHS)

The Group is committed to protecting the environment and upholding the occupational health and safety of its employees. The EHS Management System is externally audited to achieve ISO 14001 and OHSAS 18001 certification across 15 countries. The EHS Policy can be found on www.capitaland.com/sustainability/environment.

The Group incorporated EHS key performance indicators linked to the remuneration of all staff, as well as top management.

Its long-term energy and water reduction targets (using 2008 as base year) are:

- To reduce energy and water usage (per m^2) by 15.0% by 2015
- To reduce energy and water usage (per m^2) by 20.0% by 2020

For the first nine months of 2015, the reduction in energy usage in KWh/m^2 was 18.3% and the reduction in water usage in m^3/m^2 was 28.6% from the 2008 baseline for the serviced residences in Ascott Reit's portfolio.

There was no staff work-related permanent disability or fatality reported in FY 2015.

In 2015, Citadines St Georges Terrace Perth has been awarded the Green Mark Gold rating Certification by the Building and Construction Authority of Singapore (BCA), making it the Group's first BCA-awarded property in Australia. The property received the rating after implementing several changes that resulted in an estimated energy savings and water savings of 115,879 kWh per year and 2,206 m^3 per year respectively.

As part of our Sponsor's commitment towards Go Green @ Ascott, all Ascott Reit properties are active supporters of Earth Day activities every first Friday of the month. Besides switching off beacon signage lights and other non-essential lightings for ten hours from 8pm, Ascott Reit's serviced residences are encouraged to turn off selected lights that do not impact the safety and security of residents and employees.

Operations Review

Singapore

Properties

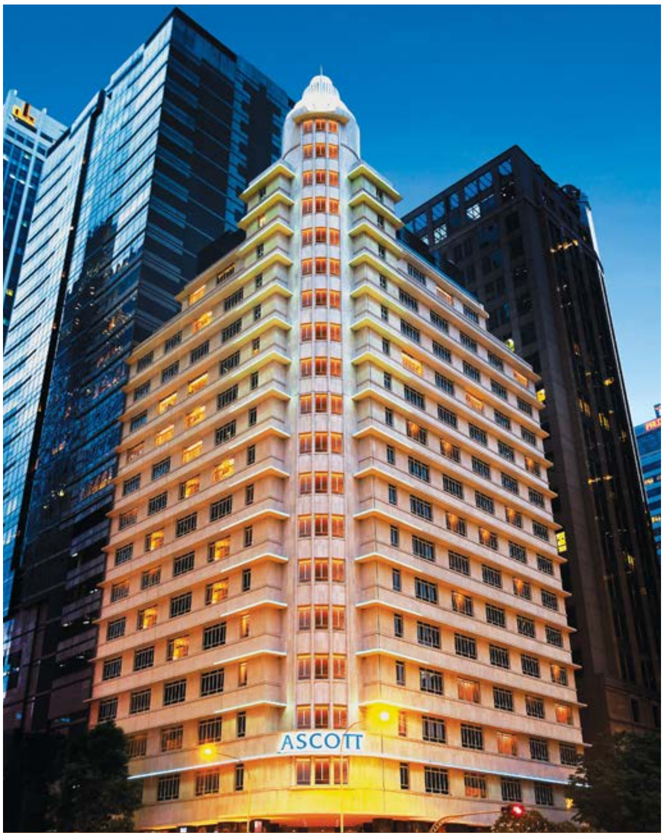
3

Units

497

Singapore remains a key and significant market in Ascott Reit's portfolio. Ascott Reit owns three leasehold properties in Singapore. The flagship 146-unit Ascott Raffles Place Singapore, a heritage building carefully restored to present a distinct residential experience, remains immensely popular among the corporate customers in the Central Business District. The 197-unit Somerset Liang Court Property Singapore, located close to the lively dining and entertainment hub of Clarke Quay, is a choice accommodation for families and corporate groups alike. The stylishly designed 154-unit Citadines Mount Sophia Property Singapore, a short walk away from bustling Little India and a vibrant art community, is a great location for the traveller looking for a balance of tradition amidst modernity.

The average length of stay at the Singapore properties is about three months.



Ascott Raffles Place Singapore

Total Revenue (2015)

S$35.2 million

Total Gross Profit (2015)

S$18.1 million

Valuation as at 31 December 2015

S$568.0 million

2015 Review

According to Economic Intelligence Unit (EIU), Singapore's Gross Domestic Product (GDP) grew 2.0% in 2015, which was lower than 2014's growth rate of 2.9%. Despite a strong financial sector, Singapore's economy struggled to fight spillover effects from China's slowdown through 2015. China is one of Singapore's key trading partners, as wholesale and retail trade make up nearly 20% of its GDP.

In 2015, visitor arrivals into Singapore recorded a 0.9% year-on-year (YoY) increase to reach 15.2 million. This is in line with Singapore Tourism Board's (STB) forecast of 15.1 million to 15.5 million visitor arrivals in 2015. With corporates continuing to rationalise their travel and accommodation budgets and coupled with increasing new hotel supply in Singapore outstripping growth in demand, we saw a slight decline in Average Daily Rate (ADR). Consequently, Revenue per Available Unit (RevPAU) declined by 5% YoY, from S$211 in 2014 to S$201 in 2015. Despite the decline in RevPAU, average occupancy for our three properties has exceeded 80% since 2013.

2016 Outlook

Singapore's economic growth is expected to remain moderate in 2016, with the Singapore government forecasting GDP growth of 1% to 3%. EIU predicts the economy to grow 2.4% in 2016. The accommodation market in Singapore will likely remain challenging with close to 4,000 rooms expected to be added to the current stock of rooms. This increase in supply coupled with projected slowdown in visitor arrivals will likely impact the hospitality market.

Despite the uncertain growth outlook, Singapore continues to be a key market for corporate travellers worldwide. Occupancy of our properties is likely to remain stable in 2016 as we continue to focus on the long-stay corporate segment. Major returning events in 2016 such as the biennial Singapore Airshow, Asia's largest Aviation Airshow, Food & Hotel Asia, CommunicAsia and the hugely popular Formula 1 Grand Prix are expected to increase visitor arrivals to Singapore. In addition, the Singapore Tourism Board targets to spend S$20 million over the next two years through its largest collaboration with Singapore Airlines and Changi Airport Group, boosting its marketing campaign to attract leisure, business and MICE arrivals from more than 15 markets worldwide. We believe STB's continual efforts to reposition Singapore to appeal to both corporate and leisure travellers alike would boost demand for both short- and long-term accommodation over the next two years.

The redevelopment of Somerset Grand Cairnhill Singapore, which Ascott Reit divested in 2012 and subsequently entered into a sale and purchase agreement in 2013 to acquire upon completion, is currently underway. The building is expected to obtain its temporary occupation permit by the end of 2016 and the property is on track to be delivered in end 2017.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Ascott Raffles Place Singapore	9,297	9,064	220.0
Citadines Mount Sophia Property Singapore	9,911	10,086	107.0
Somerset Liang Court Property Singapore	15,881	16,910	127.5

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Citadines Mount Sophia Property Singapore	176	179
Somerset Liang Court Property Singapore	221	235

Australia

Properties

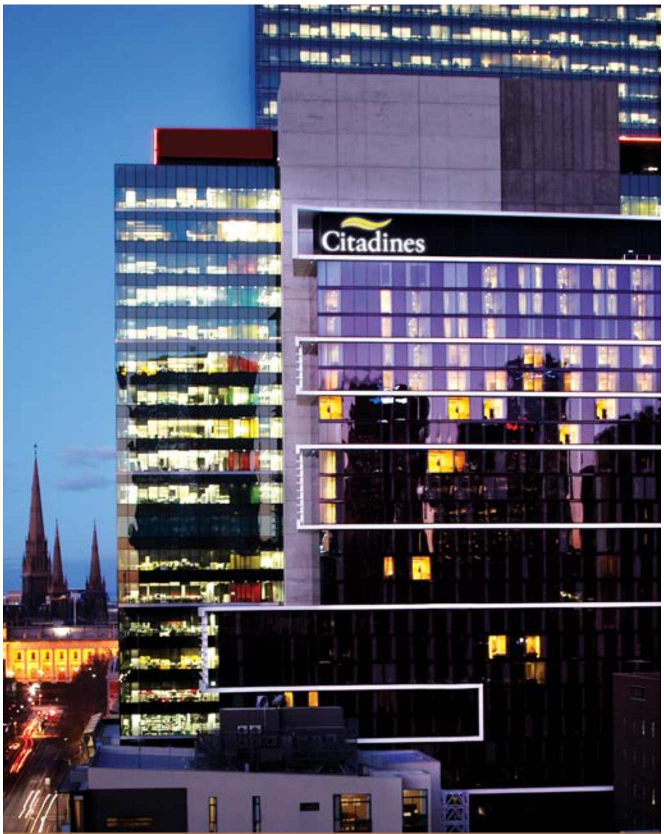
5

Units

777

Ascott Reit owns a leasehold and four freehold serviced residences in Australia. The 380-unit Citadines on Bourke Melbourne is situated in the heart of Melbourne's Central Business District, close to the Parliament House and 101 Collins Street while the 85-unit Citadines St Georges Terrace Perth is conveniently located in Perth's Central Business District, along St Georges Terrace. The 140-unit Quest Sydney Olympic Park is a 99-year leasehold property located in the heart of Sydney Olympic Park, near ANZ Stadium and Allphones Arena, a large entertainment and sporting complex. The 81-unit Quest Campbelltown is well located in south-west Sydney's urban hub, an established residential, commercial and industrial area with numerous restaurants near the property while the 91-unit Quest Mascot is a five-minute drive from Sydney Airport.

The average length of stay at our properties in Australia is less than one month.



Citadines on Bourke Melbourne

Total Revenue (2015)

S$22.1 million

Total Gross Profit (2015)

S$13.0 million

Valuation as at 31 December 2015

S$276.1 million

2015 Review

According to EIU, Australia's economy recorded a GDP growth of 2.3% in 2015. The hospitality and tourism sectors saw sustained and strong growth in both international and domestic arrivals. According to Tourism Research Australia, there were 7.4 million visitor arrivals to Australia for the year ended December 2015, an increase of 8.2% over 2014. In addition, international visitors to Australia spent a record A$36.6 billion in the year ending December 2015, an increase of 17.7% or A$5.5 billion more than the previous year. On the back of a stable economy coupled with strong demand in the hospitality sector, Ascott Reit seized the opportunity to scale up its presence in Australia through the successful acquisition of Citadines on Bourke Melbourne in July 2015.

Overall RevPAU decreased by 9% YoY from S$172 in 2014 to S$156 in 2015 mainly due to the newly acquired Citadines on Bourke Melbourne which has a lower ADR as compared to that of Citadines St Georges Terrace Perth. Despite the slowdown in demand from oil and mining industries which affected the hospitality market in Perth, Citadines St Georges Terrace Perth outperformed the market with a high occupancy of 88% for FY 2015.

2016 Outlook

According to EIU, Australia's GDP is expected to grow 2.6% in 2016. The Organisation for Economic Co-operation and Development (OECD) predicted that the economy is on track to recover to 3% by 2017. Ongoing decline in resource-sector investment will be offset by strengthening consumption, non-resource sector investment and exports. Consumer price inflation will increase gradually as the economic upswing gathers momentum and the labour market starts tightening.

In Perth, market conditions are expected to improve in 2016 as the economy diversifies away from the natural resource industries into sectors that offer further growth, namely agriculture, tourism and international education. Despite the new supply of hotels over the next two years, majority of the committed pipeline belongs to the luxury segment while new supply in the mid-scale category remains limited. In Sydney and Melbourne, the outlook for the hospitality sector remains positive, underpinned by strong corporate and leisure demand from rising inbound visitors. Significant new infrastructure will enhance the attractiveness of the location, while limited new supply will likely improve occupancy rates at our properties. We expect the properties in Australia to enjoy stable and healthy operational performance in 2016.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Citadines on Bourke Melbourne[1]	9,105	–	167.6
Citadines St Georges Terrace Perth	5,177	5,483	36.1
Quest Campbelltown[2]	1,655	104	21.3
Quest Mascot[2]	2,144	134	26.9
Quest Sydney Olympic Park[2]	3,337	202	44.8

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Citadines on Bourke Melbourne[1]	153	–
Citadines St Georges Terrace Perth	163	172

1 The property was acquired on 31 July 2015.
2 The property was acquired on 10 December 2014.

Belgium

Properties

2

Units

323

Ascott Reit owns two freehold serviced residences in Brussels. The 154-unit Citadines Toison d'Or Brussels is located in the shopping district of Avenue Louise, close to the Royal Palace and major embassies. The 169-unit Citadines Sainte-Catherine Brussels commands a prime location in the heart of the historical city near the famous flower market and Grand-Place, which has an impressive Flemish baroque architecture.

The average length of stay at our properties in Brussels is less than one month.

Citadines Toison d'Or Brussels

Total Revenue (2015)

S$12.7 million

Total Gross Profit (2015)

S$3.4 million

Valuation as at 31 December 2015

S$56.9 million

2015 Review

According to EIU, Belgium's GDP grew 1.3% in 2015. Brussels, the capital of Belgium and the European Union (EU), houses the EU's headquarters as well as several other major international organisations such as the North Atlantic Treaty Organisation (NATO). In 2015, approximately 75% of business tourism was a result of the presence of the European Institutions in 2015. On the other hand, the leisure tourism segment held up comparatively well in 2015 as the city welcomed an increasing number of travellers from neighbouring European countries as well as emerging economies in Asia and South America. Brussels continues to remain an attractive destination for business and leisure.

In 2015, both properties performed above the minimum guaranteed income and exceeded the hurdle amount, clearly demonstrating the success of the AEI which were completed in 4Q 2012 and 1Q 2014 respectively. Overall RevPAU from both properties remained stable at S$99 in 2015, unchanged from 2014.

2016 Outlook

According to EIU, Belgium's economy is expected to grow at a modest rate of 1.5% in 2016. According to OECD, improvement in private investment will be underpinned by favourable financial conditions and export growth is expected to benefit from stronger growth in Europe. However, gains in the external sector will likely be offset by slower private consumption going forward.

The construction of new headquarters for the NATO is currently underway and it is expected to be completed in 2016. The 41-hectare campus will include a highly secure data centre and 245,000 square metres of office, conference and recreational space. The growth of existing EU institutions, such as the new NATO headquarters, should further increase corporate and MICE demand. Furthermore, the number of overnight visitors in Brussels is expected to grow as the government aims for an additional three million overnight stays by foreign tourists to reach 10 million in 2020.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Citadines Sainte-Catherine Brussels	6,121	6,382	26.7
Citadines Toison d'Or Brussels	5,760	5,599	23.5

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Citadines Sainte-Catherine Brussels	98	102
Citadines Toison d'Or Brussels	100	97

Operations Review

China

Properties

10

Units

1,939

Ascott Reit owns 10 leasehold serviced residences across China in Beijing, Dalian, Guangzhou, Shanghai, Shenyang, Suzhou, Tianjin, Wuhan and Xi'an. The 180-unit Citadines Biyun Shanghai is located within the Jinqiao Export Processing Zone; the 168-unit Somerset Xu Hui Shanghai is in the exclusive Xu Hui residential district; the 185-unit Somerset Olympic Tower Property Tianjin is situated in Heping district, the city's prime commercial, entertainment and residential area; the 207-unit Ascott Guangzhou lies within the Tianhe Central Business District; the 270-unit Somerset Heping Shenyang lies in Heping district, the heart of Shenyang's main commercial and shopping district; the 167-unit Citadines Xinghai Suzhou is located within the West Jinji Lake Central Business District of the Suzhou Industrial Park; the 195-unit Somerset Grand Central Dalian is situated in the Dalian Development Area; the 251-unit Citadines Gaoxin Xi'an is located in the Xi'an High-Tech

Somerset Xu Hui Shanghai

Total Revenue (2015)

S$69.9 million

Total Gross Profit (2015)

S$18.7 million

Valuation as at 31 December 2015

S$803.4 million

Industries Development Zone of Xi'an; and the 249-unit Citadines Zhuankou Wuhan is situated in the Wuhan Economic and Technological Development Zone. In October 2013, Ascott Reit announced the strata sale of its 81 units in Fortune Garden Apartments in Beijing (formerly known as Somerset Grand Fortune Garden Property Beijing). As at 31 December 2015, 14 units have been sold to individual buyers while the sales for the remaining 67 units are currently ongoing.

The average length of stay at our properties in China is about seven months.

2015 Review

According to EIU, China's economy grew 6.9% in 2015, largely in line with the government's target of approximately 7.0% though it fell short of the 7.3% growth in 2014. Even with the slowdown, China remains one of the fastest growing countries among the world's major economies.

The Asset Enhancement Initiatives (AEI) at Somerset Grand Central Dalian and Somerset Olympic Tower Property Tianjin were successfully completed in 2015. The completion of AEI at Somerset Olympic Tower Property Tianjin has brought about an uplift of approximately 30% in Average Daily Rates (ADR) of the refurbished units. The phased AEI at Somerset Xu Hui Shanghai, which commenced in 2014, is currently ongoing. After the latest phase of AEI was completed in 2Q 2015, ADR of the refurbished apartment units at Somerset Xu Hui Shanghai increased by approximately 35%. The remaining phases of refurbishment works are on track for completion in 2Q 2016. The upgraded properties jointly contributed to an overall increase in RevPAU by 1% from S$92 in 2014 to S$93 in 2015.

China

2016 Outlook

According to EIU, China's economy growth is expected to slow to 6.5% in 2016. China's economy is expected to grow at a slower but sustainable pace of 6.5% from 2016 to 2020 as indicated by President Xi Jinping in early November 2015.

Moving ahead, Ascott Reit's properties in the first tier cities namely Tianjin, Guangzhou and Shanghai are expected to remain resilient while benefitting from regional developments that would bring about considerable opportunities: Airbus announced the establishment of an A320 final assembly line and delivery centre in Tianjin, coinciding with Boeing's plans to open a 737 completion centre as well in the city. Hainan Airlines' subsidiary Tianjin Airlines is planning to expand its footprint internationally through the launch of its Tianjin-Vancouver service, scheduled for mid-2016. Guangzhou is earmarked for Procter & Gamble's new logistics centre, as part of their growth plans in China. Shanghai Disneyland is likely to open by 1H 2016, estimated to be the largest theme park in China, drawing crowds of about 17 million annually. Intel, one of the world's largest semiconductor chip makers, has announced plans to upgrade its facility in Dalian in 2016 and may invest up to US$5.5 billion to support the production of leading-edge non-volatile memory chips. Wuhan is positioning itself as a "navigation centre" on the central government's Yangtze River Economic Belt in the hope of raising funds to expand its port container handling capacity. In January 2016, the Xi'an government launched its first ever innovation and entrepreneurship forum and lined up a series of activities to attract foreign talent to accelerate the construction of science and technology parks and innovation demonstration zone within the Xi'an Hi-Tech Industries Development Zone.

As we enter 2016, we continue to see a resilient domestic demand underpinned by China's central policies and the government's resolve to restructure the economy while ensuring a long-term sustainable economic growth rate.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Ascott Guangzhou	9,554	9,071	85.7
Citadines Biyun Shanghai	5,561	5,388	63.2
Citadines Gaoxin Xi'an[1]	6,388	2,994	55.1
Citadines Xinghai Suzhou	4,408	4,013	23.2
Citadines Zhuankou Wuhan[1]	6,230	2,591	51.4
Fortune Garden Apartments[2]	907	702	52.8
Somerset Grand Central Dalian[3]	8,705	3,224	118.6
Somerset Heping Shenyang	10,759	10,004	86.2
Somerset Olympic Tower Property Tianjin	8,414	8,039	76.8
Somerset Xu Hui Shanghai	5,724	5,890	51.5

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Ascott Guangzhou	126	120
Citadines Biyun Shanghai	85	82
Citadines Gaoxin Xi'an[1]	67	76
Citadines Xinghai Suzhou	72	65
Citadines Zhuankou Wuhan[1]	66	66
Somerset Grand Central Dalian[3]	113	85
Somerset Heping Shenyang	109	102
Somerset Olympic Tower Property Tianjin	106	103
Somerset Xu Hui Shanghai	93	96

1 The property was acquired on 18 August 2014.
2 Ascott Reit has commenced the strata sale of its 81 units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing) as announced in October 2013.
3 The property was acquired on 20 June 2014.

France

Properties

17

Units

1,671

Ascott Reit has 17 freehold serviced residences in France. Ten properties are located in the French capital, Paris, while seven are based in the regional cities of Cannes, Grenoble, Lille, Lyon, Marseille and Montpellier. Our properties in Paris are in prime areas near iconic landmarks such as the Louvre, Eiffel Tower, Notre Dame and Seine River. The remaining seven properties are all conveniently located in the cities' central districts.

All 17 properties are on master lease arrangements with Citadines SA, a wholly owned subsidiary of Ascott, and their remaining terms vary between one and three years.

Citadines Suites Louvre Paris

Total Revenue (2015)

S$35.1 million

Total Gross Profit (2015)

S$32.4 million

Valuation as at 31 December 2015

S$504.2 million

2015 Review

According to EIU, the French economy grew 1.1% in 2015 as compared to 0.2% growth in 2014. France remained the second largest European economy and the most visited country in the world, with close to 83.7 million tourists in 2014 (2015 figure is yet to be reported). In 2015, the French hospitality market saw RevPAU increase marginally by 0.1%. With major events including the Paris Air Show and Paris Fashion Week, the hospitality market enjoyed sustained demand from both corporate and leisure segments in the year. The terrorist attacks in November 2015 led to a three-month state of emergency declared across the country. The impact of the attacks was greatly felt by the hospitality market in the last two months of 2015. Consequently, within Paris alone, occupancy fell by 3.4 percentage points and RevPAU decreased 3.7% in 2015.

As all our properties in France are underpinned by master leases, operational risks relating to the attacks are mitigated. Master lease rental income remained stable. In 2015, the AEIs carried out by the Sponsor, the master lessee, at Citadines Tour Eiffel Paris and Citadines Antigone Montpellier has been successfully completed while ongoing AEIs at Citadines Montmartre Paris and Citadines Prado Chanot Marseille are on track for completion by 1H 2016.

2016 Outlook

According to EIU, GDP growth in France is expected to increase slightly by 1.3% in 2016. Despite a challenging economic and social climate, a weak euro and low energy prices are expected to keep France on a modest but steady recovery pace. France remain a top destination worldwide, drawing long-haul visitors from emerging economies like Brazil, China and increasingly, the Gulf region. Furthermore, in addition to the recurring events such as the Paris Motor Show, Roland Garros Tennis Open and the Paris Fashion Week, France will host the Euro football cup in June 2016. These major events are expected to boost France's visitor numbers in 2016.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Citadines Antigone Montpellier	788	879	13.8
Citadines Austerlitz Paris	488	542	9.6
Citadines Castellane Marseille	543	603	10.7
Citadines City Centre Grenoble	1,489	1,662	16.7
Citadines City Centre Lille	1,570	1,753	16.2
Citadines Croisette Cannes	469	524	8.4
Citadines Didot Montparnasse Paris	1,790	2,007	25.7
Citadines Les Halles Paris	5,030	5,616	88.2
Citadines Maine Montparnasse Paris	1,439	1,598	20.6
Citadines Montmartre Paris	3,000	3,349	40.4
Citadines Place d'Italie Paris	4,111	4,590	56.3
Citadines Prado Chanot Marseille	382	426	9.4
Citadines Presqu'île Lyon	1,200	1,339	21.4
Citadines République Paris	1,523	1,691	21.2
Citadines Suites Louvre Paris	2,388	2,667	40.3
Citadines Tour Eiffel Paris	3,293	3,682	59.2
Citadines Trocadéro Paris	3,168	3,536	51.3

Operations Review

Germany

Properties

3

Units

429

Ascott Reit owns three freehold serviced residences in Germany. The 117-unit Citadines Kurfürstendamm Berlin, the 146-unit Citadines Arnulfpark Munich and the 166-unit Madison Hamburg are conveniently located in the cities' central districts. Citadines Arnulfpark Munich and Citadines Kurfürstendamm Berlin are on master lease arrangements with Citadines Betriebsgesell-schaft mbH, a wholly owned subsidiary of Ascott, while Madison Hamburg is on master lease arrangement with a third-party operator, Madison Hotel GmbH. Their remaining terms vary between six and 14 years.

Citadines Kurfürstendamm Berlin

Total Revenue (2015)

S$9.0 million

Total Gross Profit (2015)

S$7.7 million

Valuation as at 31 December 2015

S$110.8 million

2015 Review

According to EIU, the German economy grew 1.5% in 2015 on the back of healthy private consumption and government spending though partially offset by weaker fixed investment and slower export growth, due to faltering demand from emerging markets.

The German hospitality market recorded positive performance for the first half of 2015 as RevPAU grew 8% compared with the same period in 2014. The hospitality market continued to be bolstered by the large number of events and fairs in the main cities. Berlin has emerged as a highly dynamic destination in Europe with the MICE sector accounting for a tremendous part of business travel in Germany. Being a first-class trade fair and congress location as well as offering rich cultural heritage in the heart of Europe, Munich remains Germany's best performing hospitality market, having seen strong growth in occupancy and average room rates over the past decade. In 2015, Munich Airport posted yet another all-time high having handled some 41 million passengers, crossing the 40-million mark for the first time. Hamburg, the second largest city in Germany and a major industry and transport hub in northern Germany, remained a choice leisure destination for both domestic and overseas visitors.

2016 Outlook

According to EIU, Germany's GDP growth is forecasted to pick up to reach 1.7% in 2016. OECD projected the German economy to strengthen in 2016 due to a robust labour market, low interest rate environment as well as low oil prices to continue to underpin private consumption. Weaker demand from emerging markets will gradually be offset by stronger exports to other European economies.

In 2016, more hotels will be ready to open in Berlin with a total of over 1,200 rooms to be added to the market. The opening of the long-awaited Berlin Brandenburg Airport is still delayed and not expected to open before 2017. Hamburg will continue to be a popular destination among corporate travellers given its strategic location as Germany's largest universal port and Europe's second largest container port, making it the ideal national as well as international logistic centre. In 2016, Munich will benefit from fairs like BAUMA (trade fair for Construction Machinery, Building Material Machines, Mining Machines and Construction Vehicles), the IFAT (trade fair for Water, Sewage, Waste and Raw Materials Management), EASD (European Association for the Study of Diabetes) Congress, Oktoberfest, ExpoReal (trade fair for real estate and investment) as well as Electronica (international gathering for the electronics industry).

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Citadines Arnulfpark Munich	1,994	2,182	34.0
Citadines Kurfürstendamm Berlin	1,558	1,718	21.1
Madison Hamburg	4,476	4,875	59.4

Operations Review

Indonesia

Properties

2

Units

408

Ascott Reit owns two leasehold properties in Indonesia. Located in Central Jakarta's Golden Triangle business and shopping district, both Ascott Jakarta and Somerset Grand Citra Jakarta have 204 units each.

The average length of stay at our properties in Indonesia is about six months.

Ascott Jakarta

Total Revenue (2015)

S$17.6 million

Total Gross Profit (2015)

S$6.4 million

Valuation as at 31 December 2015

S$108.1 million

2015 Review

According to EIU, Indonesia's economic growth moderated from 5.0% in 2014 to 4.8% in 2015 due to prolonged delays in government spending, sluggish private investment and the impact of weak global markets on external sector growth. Nevertheless, the economic growth is considerably higher and less volatile as compared with the region.

Despite the slow government spending on infrastructure, our properties in Indonesia performed well in 2015. RevPAU for our Indonesian properties rebounded 13% YoY from S$103 in 2014 to S$116 in 2015.

As part of our holistic asset enhancement programme, some underutilised areas in Somerset Grand Citra Jakarta were converted into commercial space and rented out to restaurants to generate additional income while the lobby was refurbished to enhance guest experience.

2016 Outlook

EIU forecasted that growth will accelerate slightly to 5.3% in 2016. While many economic challenges will continue this year, there is renewed hope that public investment and infrastructure spending will finally kick into higher gear and boost the country's economy. The government continues its push to remove bottlenecks and several large projects are set to begin. On 21 January 2016, President Joko Widodo inaugurated the construction of the country's first bullet train line, a key project in the government's broader plan to overhaul infrastructure and build investor confidence.

Despite a slowdown of business from oil, mining and commodities related industries, we have been successful at maintaining fair market share against the competitors with stable long-staying corporate guests from embassies and multinational corporations from consultancy and information technology industries. We have also targeted new businesses including cultural and entertainment groups as well as project groups related to infrastructure development.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Ascott Jakarta	9,942	8,373	43.0
Somerset Grand Citra Jakarta	6,898	6,485	54.6

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Ascott Jakarta	133	113
Somerset Grand Citra Jakarta	95	90

Japan

Properties

33

Units

2,595

Ascott Reit has four freehold serviced residences and 29 freehold rental housing properties in Japan. The 79-unit Somerset Azabu East Tokyo, 160-unit Citadines Shinjuku Tokyo and the 206-unit Citadines Central Shinjuku Tokyo have prime locations in central Tokyo with easy access to business and leisure districts. The 124-unit Citadines Karasuma-Gojo Kyoto enjoys a premium address next to the Gojo subway station and is close to entertainment, retail and food and beverage outlets. 19 of the rental housing properties are centrally located in nine wards within Tokyo: Minato, Bunkyo, Meguro, Nakano, Nerima, Setagaya, Shinjuku, Suginami and Taito. The other 10 rental housing properties are located across four cities of Osaka, Fukuoka, Sapporo and Hiroshima. The rental housing properties are conveniently located close to public transportation, supermarkets and other lifestyle amenities.

The average length of stay at the serviced residence properties in Japan is more than one month.

Citadines Central Shinjuku Tokyo

Total Revenue (2015)

S$58.4 million

Total Gross Profit (2015)

S$34.2 million

Valuation as at 31 December 2015

S$690.3 million

2015 Review

According to EIU, Japan's economy grew by 0.7% in 2015 as compared with -0.1% in 2014. Japan experienced an unprecedented tourism boom in 2015. According to the Japan National Tourism Organization, a record 19.7 million foreigners visited Japan in 2015, nearly 50% more than a year earlier and more than double that of 2012. The surge in visitor arrivals was largely attributed to the continued depreciation of the Yen, expansion of airline routes and government efforts, which included easing of visa rules and expanding the scope of duty-free shopping. On the other hand, the increase in supply has not been able to match the strong surge in demand for accommodation, with only 6,000 rooms or 6% of total room inventory in Tokyo being added in 2015.

Consequently, our properties in Japan delivered strong performance in 2015. Overall RevPAU for our serviced residences in Japan increased 5% from S$129 in 2014 to S$136 in 2015 even though the Yen depreciated approximately 6% against Singapore dollar during the period. Our rental housing properties in Tokyo continued to achieve strong and stable occupancy of approximately 96%, while the rental housing properties outside Tokyo achieved occupancy of over 98%.

In July 2015, Ascott Reit acquired the remaining 40% stake in Citadines Shinjuku Tokyo and Citadines Karasuma-Gojo Kyoto and made its foray into the city of Osaka through the acquisition of a portfolio of four rental housing properties.

As part of Ascott Reit's active asset management strategy to unlock the underlying value of properties which offer limited growth potential, as well as to enhance the quality of its portfolio, we successfully divested six rental housing properties in the regional cities of Japan. The properties were divested at a total sales consideration of S$53.1 million in 2015, realising a net gain of S$3.5 million.

2016 Outlook

According to EIU, Japan's GDP growth is forecasted to reach 1.2% in 2016. Moderate recovery is expected in 2016 due to a low unemployment rate, rising wages and low oil prices, coupled with stronger consumer confidence. Furthermore, the Bank of Japan (BoJ) surprised the market when it introduced an interest-rate dimension to its quantitative and qualitative easing programme at its January 2016 monetary policy meeting where negative interest rates to any new funding would be adopted effective from 16 February 2016. With this move, the BoJ intends to spur lending and weaken the Yen in an attempt to revitalise growth and counter mounting deflationary pressures.

Having already reached its goal of 20 million tourists by 2020, the government is deliberating on raising the earlier target to 30 million annual visitors by 2020. With the government's new tourism target, a weaker Yen and renewed interest in Japan leading up to the 2020 Olympics and 2019 Rugby World Cup, the uptrend in hospitality market is expected to continue.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Citadines Central Shinjuku Tokyo[1]	10,267	2,205	95.2
Citadines Karasuma-Gojo Kyoto	6,034	5,441	39.9[2]
Citadines Shinjuku Tokyo	8,713	8,162	84.3[3]
Somerset Azabu East	3,376	3,447	79.8

[1] The property was acquired on 16 October 2014. It was formerly known as Best Western Shinjuku Astina Hotel.

[2] Based on the latest agreed property value of JPY3.6 billion as stated in Ascott Reit's circular dated 29 June 2015 in relation to its acquisition of the remaining 40% stake of the property. Ascott Reit acquired the initial 60% stake in this property based on an agreed property value of JPY3.1 billion (approximately S$48.2 million).

[3] Based on the latest agreed property value of JPY7.6 billion as stated in Ascott Reit's circular dated 29 June 2015 in relation to its acquisition of the remaining 40% stake of the property. Ascott Reit acquired the initial 60% stake in this property based on an agreed property value of JPY5.8 billion (approximately S$98.1 million).

Japan

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Actus Hakata V-Tower	2,654	2,811	39.5
Asyl Court Nakano Sakaue Tokyo	869	915	20.3
Big Palace Kita 14jo	1,216	1,313	17.3
Gala Hachimanyama I Tokyo	911	966	20.1
Gala Hachimanyama II Tokyo	170	179	3.9
Grand E'terna Chioninmae[1]	216	308	4.8
Grand E'terna Nijojomae[1]	394	560	7.5
Grand E'terna Saga[1]	559	795	9.2
Grand E'terna Saga Idaidori[1]	214	305	3.2
Grand Mire Miyamachi[1]	602	866	10.9
Grand Mire Shintera[1]	353	502	6.5
Gravis Court Kakomachi	520	560	6.7
Gravis Court Kokutaiji	405	429	5.0
Gravis Court Nishiharaekimae	228	239	4.2
Infini Garden[2]	5,897	5,227	95.2
Joy City Koishikawa Shokubutsuen Tokyo	538	569	12.8
Joy City Kuramae Tokyo	834	914	19.1
Roppongi Residences Tokyo	1,987	2,067	57.1
S-Residence Fukushima Luxe[3]	774	–	31.1
S-Residence Hommachi Marks[3]	426	–	17.3
S-Residence Midoribashi Serio[3]	367	–	14.5
S-Residence Tanimachi 9 chome[3]	441	–	18.1
Zesty Akebonobashi Tokyo	173	194	4.8
Zesty Gotokuji Tokyo	184	189	4.2
Zesty Higashi Shinjuku Tokyo	258	281	6.2
Zesty Kagurazaka I Tokyo	261	274	6.0
Zesty Kagurazaka II Tokyo	259	257	5.6
Zesty Kasugacho Tokyo	338	353	8.0
Zesty Koishikawa Tokyo	171	179	3.5
Zesty Komazawa Daigaku II Tokyo	460	489	11.5
Zesty Nishi Shinjuku III Tokyo	415	460	10.5
Zesty Sakura Shinmachi Tokyo	236	287	7.0
Zesty Shin Ekoda Tokyo	209	226	4.7
Zesty Shoin Jinja Tokyo	211	229	4.7
Zesty Shoin Jinja II Tokyo	233	254	5.7

1 These properties were divested on 30 September 2015. These properties, with the exception of Grand Mire Miyamachi, were on master lease arrangements.
2 The property was acquired on 20 March 2014.
3 The property was acquired on 31 July 2015.

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Citadines Central Shinjuku Tokyo[1]	137	139
Citadines Karasuma-Gojo Kyoto	133	120
Citadines Shinjuku Tokyo	149	140
Somerset Azabu East	115	118

Rental Per Square Metre (S$)	FY 2015	FY 2014
Actus Hakata V-Tower	27	28
Asyl Court Nakano Sakaue Tokyo	47	49
Big Palace Kita 14jo	24	25
Gala Hachimanyama I Tokyo	39	43
Gala Hachimanyama II Tokyo	41	43
Grand Mire Miyamachi[2]	31	33
Gravis Court Kakomachi	23	24
Gravis Court Kokutaiji	24	25
Gravis Court Nishiharaekimae	22	23
Joy City Koishikawa Shokubutsuen Tokyo	44	46
Joy City Kuramae Tokyo	40	43
Roppongi Residences Tokyo	42	44
S-Residence Fukushima Luxe[3]	35	–
S-Residence Hommachi Marks[3]	30	–
S-Residence Midoribashi Serio[3]	30	–
S-Residence Tanimachi 9 chome[3]	33	–
Zesty Akebonobashi Tokyo	43	50
Zesty Gotokuji Tokyo	42	46
Zesty Higashi Shinjuku Tokyo	46	50
Zesty Kagurazaka I Tokyo	46	49
Zesty Kagurazaka II Tokyo	48	51
Zesty Kasugacho Tokyo	35	38
Zesty Koishikawa Tokyo	43	45
Zesty Komazawa Daigaku II Tokyo	40	44
Zesty Nishi Shinjuku III Tokyo	44	47
Zesty Sakura Shinmachi Tokyo	39	43
Zesty Shin Ekoda Tokyo	37	41
Zesty Shoin Jinja Tokyo	42	44
Zesty Shoin Jinja II Tokyo	38	41

1 The property was acquired on 16 October 2014. It was formerly known as Best Western Shinjuku Astina Hotel.
2 The property was divested on 30 September 2015.
3 The property was acquired on 31 July 2015.

Malaysia

Property

1

Units

205

Ascott Reit owns one freehold serviced residence in Kuala Lumpur. The 205-unit Somerset Ampang Kuala Lumpur has a prime location in Jalan Ampang and is within proximity to offices, embassies and shopping centres. The nearby Ampang Park Light Rail Transit station offers quick intra-city transportation.

The average length of stay at the property is about three months.

Somerset Ampang Kuala Lumpur

Total Revenue (2015)

S$6.8 million

Total Gross Profit (2015)

S$1.7 million

Valuation as at 31 December 2015

S$56.5 million

2015 Review

According to EIU, Malaysia's economy slowed to 4.8% in 2015, from 6.0% in 2014. The slowdown in the economy coupled with the decreasing oil prices and political instability has led to a decrease in demand for accommodation. Many oil and gas companies or project companies have reduced their corporate accommodation budget.

Consequently, the Kuala Lumpur hospitality market was negatively impacted as seen in the declining occupancy and ADR in 2015, particularly in Jalan Ampang. To attract a stable base of long-stay corporate travellers amidst the challenging operating conditions, ADR of Somerset Ampang Kuala Lumpur was reduced to maintain occupancy at 84% in 2015. Overall, RevPAU declined by 10% from S$101 in 2014 to S$91 in 2015. Nonetheless, the property outperformed its competitors in 2015.

2016 Outlook

EIU predicted Malaysia's GDP growth to slow to an average of 4.3% in 2016. Net exports are expected to be less of a drag on growth, but domestic demand will be slow from 2016 to 2020 as compared with the previous five years. Nevertheless, economic growth will continue to be supported by sustained increases in household, government and investment spending.

Looking ahead, an estimated 2,200 hotel rooms from the luxury segment are expected to enter Kuala Lumpur over the next three years. While the new supply of accommodation may trigger a short term decline in occupancy levels, ADR of the market will likely increase over time as new luxury hotels enter the industry.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Somerset Ampang Kuala Lumpur[1]	6,798	3,197	67.4

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Somerset Ampang Kuala Lumpur[1]	91	101

[1] The property was acquired on 18 August 2014.

Operations Review

The Philippines

Properties

2

Units

494

Ascott Reit has two serviced residences in the Philippines. The 362-unit Ascott Makati, a leasehold property, and the 132-unit Somerset Millennium Makati, a freehold property, are located in the heart of Makati City's central business and entertainment district.

The average length of stay at our properties in the Philippines is more than one month.

Ascott Makati

Total Revenue (2015)

S$28.1 million

Total Gross Profit (2015)

S$9.5 million

Valuation as at 31 December 2015

S$141.1 million

2015 Review

According to EIU, the Philippine economy grew at a slower pace of 5.7% in 2015 as compared to 6.1% in 2014. The slow infrastructure development, volatile investment climate and weaker exports weighed on the economy in 2015. Foreign Direct Investments (FDI) declined 3.4% in the first 11 months of 2015 as compared to the same period a year ago.

The hospitality industry was impacted by the country's economic performance. Overall RevPAU of Ascott Makati and Somerset Millennium Makati slipped by 6%, from S$127 in 2014 to S$120 in 2015.

As announced in November 2015, Salcedo Residences was divested for PHP240 million (approximately S$7.2 million), recording a net gain of S$6.4 million. To enhance guest experience, we embarked on an extensive AEI at Ascott Makati which begun in 4Q 2015, with the first phase of AEI expected to be completed in 2Q 2016. All 362 apartment units, the property's common areas and facilities will be refurbished. The AEI will be fully completed by 2017. The AEI at Somerset Millennium Makati will commence in 2Q 2016 and is expected to be completed by end 2016.

2016 Outlook

EIU estimated that the Philippine economy will expand at a rate of 6.0% in 2016 as private consumption and investment continue to boost growth. Lower global oil prices will increase households' purchasing power, while steady growth in employment and healthy inflows of workers' remittances will continue to underpin private consumption growth in 2016. However, raising public investment and continued efforts to strengthen budget execution will be needed to deliver social programmes and address infrastructure shortcomings.

Opportunities in the hospitality sector continue to lie in tapping various industries that have remained resilient such as business process outsourcing and call centres. These industries posted double-digit compound annual growth rates in revenue, at 15% and 18% respectively, over the last five years. Other growing industries include manufacturing, pharmaceutical, shipping, airline and construction. There are several infrastructure projects relating to the ongoing construction of the Metro Manila Skyway Stage 3. In addition, upcoming MICE events in 2016 will welcome significant groups from pharmaceutical conventions. Furthermore, the Department of Tourism launched a new tourism campaign dubbed "Visit the Philippines Again 2016", featuring a line-up of big events and retail-based promotions that is expected to draw six million visitors to the Philippines.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Ascott Makati	19,886	21,518	87.5
Somerset Millennium Makati	5,218	5,765	12.7

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Ascott Makati	150	162
Somerset Millennium Makati	94	103

Spain

Property

1

Units

131

Ascott Reit owns one freehold serviced residence in Barcelona under the Citadines brand. The 131-unit Citadines Ramblas Barcelona is located on the famous Las Ramblas boulevard, a top tourist and entertainment district in downtown Barcelona.

The average length of stay at the property is less than one month.

Citadines Ramblas Barcelona

Total Revenue (2015)

S$7.3 million

Total Gross Profit (2015)

S$3.3 million

Valuation as at 31 December 2015

S$52.7 million

2015 Review

According to EIU, Spain's GDP grew 3.2% in 2015, as compared to 1.4% in 2014 as the country remains on a growth path following years of recession. Spain's economy outperformed many of its European peers due to its strong domestic dynamics, underpinned by the lowest unemployment rate in over four years in 4Q 2015.

Tourism continues to remain one of the major driving forces of the Spanish economy. In 2015, Spain received a record high of 68.1 million international visitors, an increase of 4.9% as compared to the same period in 2014. The hotel supply in Barcelona is expected to slowdown due to a one-year moratorium on development and short-term rentals from July 2015. Citadines Ramblas Barcelona performed above the minimum guaranteed income in 2015. Overall RevPAU remained stable at S$141 in 2015, unchanged from 2014.

2016 Outlook

EIU forecasted a GDP growth of 2.6% for 2016. Despite the cloudy political outlook due to the change in governing party following the general election in December 2015, Spain's growth prospects are stable. An improving labour market and greater consumer confidence should fuel robust domestic demand this year.

The hospitality sector is expected to continue to grow on the back of stronger accommodation demand from particularly the MICE sector. The construction of a large cruise terminal at the port will further boost accommodation demand from the cruise business. Upcoming MICE events include Mobile World Congress which will be held in Barcelona annually until 2023, IBTM Fair (formerly known as Exhibition for the Incentive Business Travel and Meetings) which will be held annually in Barcelona until 2019, as well as the CPHI Worldwide Congress (chemical-pharmaceutical congress) in 2016 where over 15,000 participants are expected. Furthermore, a new programme, Barcelona Health, has been launched to further develop medical tourism in the city. We expect to enjoy stronger operational performance in 2016.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Citadines Ramblas Barcelona	6,917	6,900	56.7

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Citadines Ramblas Barcelona	141	141

The United Kingdom

Properties

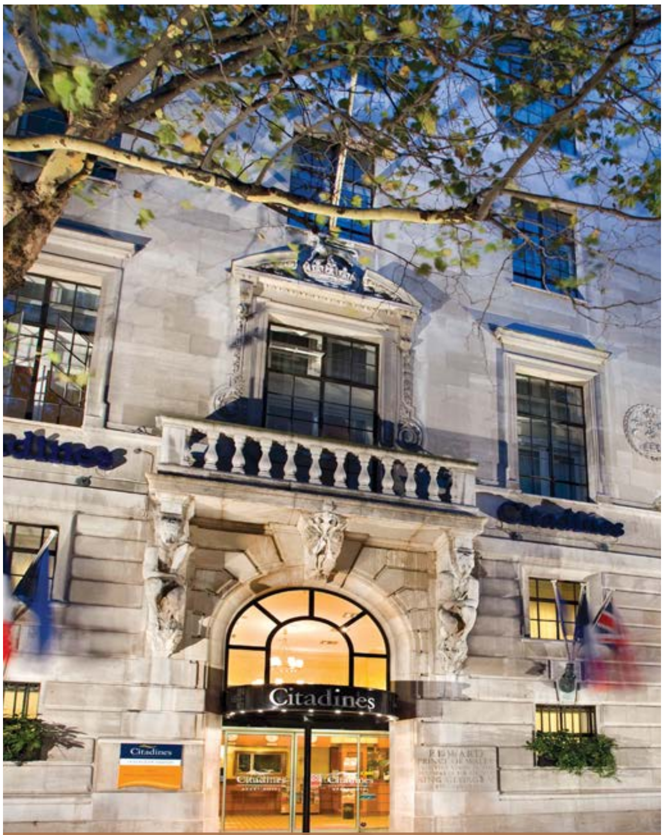
4

Units

600

Ascott Reit owns four freehold serviced residences in London under the Citadines brand. The 192-unit Citadines Holborn-Covent Garden London is located close to the financial district and West End; the 187-unit Citadines Trafalgar Square London commands a prime location near the River Thames, Trafalgar Square and Buckingham Palace; the 129-unit Citadines Barbican London is situated in the Square Mile; and the 92-unit Citadines South Kensington London is conveniently located close to embassies and popular tourist attractions in the fashionable residential area of Kensington.

The average length of stay at our properties in London is less than one month.



Citadines Trafalgar Square London

Total Revenue (2015)

S$57.4 million

Total Gross Profit (2015)

S$26.7 million

Valuation as at 31 December 2015

S$566.1 million

2015 Review

According to EIU, the British economy grew 2.4% in 2015, down from 2.9% in 2014. The country's macroeconomic fundamentals remain strong and a robust labour market has sustained growth. However, weak global demand in combination with a strong currency and growing uncertainty regarding the domestic economy weighed on growth.

Despite the ongoing uncertainties within the Eurozone coupled with the unfortunate terrorist attacks in November 2015 in Paris which had a spillover impact due to its proximity, the London hospitality market remains a buoyant place for the corporate segment as well as an attractive leisure travel destination.

In 2015, all our properties in the United Kingdom ended the year performing above minimum guaranteed income. Of which, three properties exceeded the hurdle amount. Consequently, overall RevPAU of our properties in the United Kingdom remained stable at S$246 in 2015, unchanged from 2014.

2016 Outlook

According to EIU, the United Kingdom's GDP is expected to grow 2.2% in 2016, supported by lower oil prices and continued recovery in wage growth. London's position as a leading international destination and the popularity of city breaks meant that while there is still a considerable demand for accommodation in London, the expected massive supply of 7,000 hotel rooms opening in 2016 may put additional pressure on room rates. PWC forecasted the hospitality market in London to achieve high occupancy rate of approximately 84% while ADR will remain stable in 2016.

As part of the Group's robust asset management strategy, we plan to commence AEI at Citadines Barbican London in 1Q 2016, which is expected to be completed in 2Q 2016. We expect to see uplift in occupancy and room rates following the AEI which will contribute to overall growth in RevPAU in 2016.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Citadines Barbican London	8,846	8,867	75.0
Citadines Holborn-Covent Garden London	18,162	17,956	127.5
Citadines South Kensington London	8,671	8,363	71.1
Citadines Trafalgar Square London	20,656	20,202	130.9

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Citadines Barbican London	185	186
Citadines Holborn-Covent Garden London	247	246
Citadines South Kensington London	244	234
Citadines Trafalgar Square London	289	295

The United States of America

Property

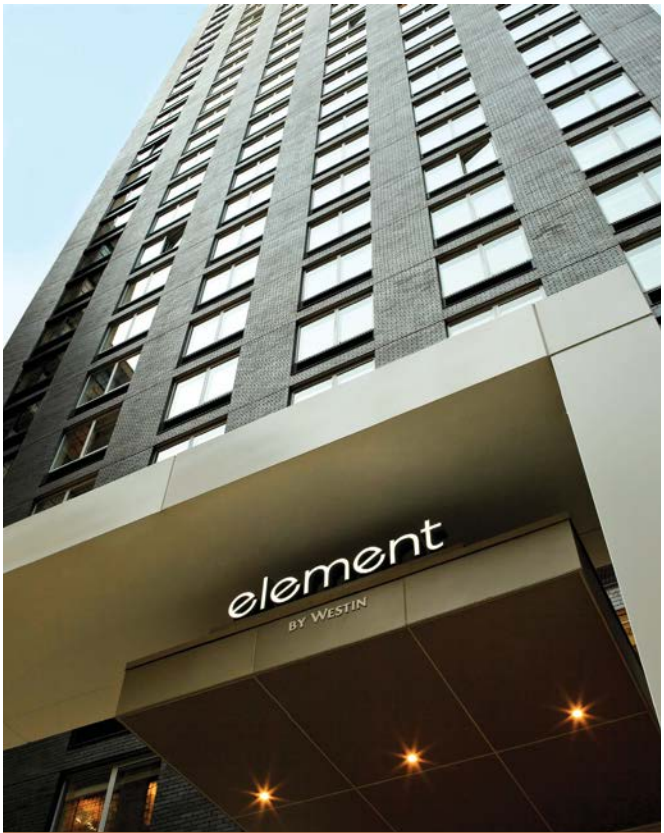
1

Units

411

Ascott Reit made its foray into the United States of America (US) through the acquisition of a leasehold extended-stay hotel in New York in August 2015. With a prime address on 39th Street between Eighth and Ninth Avenues, the 411-unit Element New York Times Square West is strategically located within blocks of 15 subway lines, three major commuter hubs, 50 million square feet of office space and 2.7 million square feet of retail space, to serve both leisure and corporate segments.

The average length of stay at Element New York Times Square West is less than one week.



Element New York Times Square West

Total Revenue (2015)

S$21.6 million

Total Gross Profit (2015)

S$8.1 million

Valuation as at 31 December 2015

S$247.4 million

2015 Review

The US economy expanded 2.5% in 2015, reflecting marginal growth against the prior year's 2.4%. As a key driver of the US economy, consumer spending though resilient did not benefit as much from low energy prices and labour market gains as expected. Amidst ongoing challenges at home and abroad, the US economy continued to grow at a steady rate and remained one of the major drivers of global growth in 2015. Tourism in New York City remained strong in 2015. The number of visitor arrivals to New York City reached a record high of 58.3 million in 2015, despite the increased strength of the US dollar against most currencies in the world.

In 2015, Element New York Times Square West delivered solid performance, outperforming our competitors with the largest RevPAU gain of 4.2%. We successfully ramped up occupancy rates while maintaining ADR through revenue management strategies and strong relationships with our customers.

2016 Outlook

EIU predicted the US GDP growth to slow to 2.4% in 2016. Despite the favourable domestic conditions such as growth in employment rate, increasing wages and sustained lower fuel prices, the overall financial investment environment may not be as impressive due to the strong dollar, limited exports and potential reduction in corporate profits. The Federal Reserve raised interest rates in December 2015 for the first time in nearly a decade and is considering making gradual increases on interest rates in 2016. This will likely have an impact on the country's economy; however, ongoing financial speculation and cloudy economic forecasts in China as well as the uncertainty in the recovery of the global economy appear to be potential hurdles for the projected interest rate increase.

According to STR, the US hotel industry is projected to register improved performance in 2016 with a 6.5% increase in RevPAU, 4.8% rise in ADR and a 1.7% increase in occupancy. Hotel supply in Manhattan will increase by another 4,000 rooms in 2016. Element New York Times Square West will adopt smarter and proactive pricing strategies to build a viable base of both transient and group customer accounts so as to continue to capture favourable market share and achieve stronger operational performance.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Element New York Times Square West[1]	21,388	–	220.7

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Element New York Times Square West[1]	383	–

[1] The property was acquired on 19 August 2015.

Operations Review

Vietnam

Properties

5

Units

818

Ascott Reit owns five leasehold properties in Hanoi and Ho Chi Minh City in Vietnam. The 185-unit Somerset Grand Hanoi is located in the Central Business District; the 90-unit Somerset West Lake Hanoi is situated in scenic West Lake; and the 206-unit Somerset Hoa Binh Hanoi is well positioned next to the business and financial districts as well as the flourishing Hoa Lac high technology development zone. The 172-unit Somerset Chancellor Court Ho Chi Minh City and 165-unit Somerset Ho Chi Minh City are both strategically located in Ho Chi Minh City's District 1, a prime commercial, diplomatic and shopping district.

The average length of stay at our properties in Vietnam is about seven months.

Somerset West Lake Hanoi

Total Revenue (2015)

S$39.9 million

Total Gross Profit (2015)

S$21.4 million

Valuation as at 31 December 2015

S$282.0 million

2015 Review

According to EIU, Vietnam's GDP grew from 6.0% in 2014 to reach 6.6% in 2015, exceeding the government's expectations of 6.2% growth. The significant improvement was mainly driven by the recovery of consumer confidence and strong expansion in industries such as manufacturing, construction and mining. In addition, the change in foreign ownership restrictions which came into effect in Q2 2015 has helped contribute to a tremendous surge in FDI into Vietnam. According to the General Statistics Office of Vietnam, FDI surged 17.4% YoY to a record US$14.5 billion in 2015.

Consequently, our properties in Vietnam delivered stronger YoY performance in 2015. Overall RevPAU for our serviced residences in Vietnam increased 7% from S$91 in 2014 to S$97 in 2015, mainly driven by stronger demand from the corporate sector. In addition, with the completion of the first phase of AEI at Somerset Ho Chi Minh City, ADR of the refurbished apartment units increased by approximately 27%.

In 2015, Somerset Grand Hanoi has consistently outperformed other Grade A office buildings in Hanoi. Furthermore, the completion of the refurbishment works at the office tower and retail podium at Somerset Grand Hanoi in 1Q 2015 has helped maintain its market leadership position.

2016 Outlook

EIU predicted Vietnam's GDP to grow at a solid pace to reach 6.8% in 2016, outperforming most of the ASEAN countries. The Trans-Pacific Partnership deal and free trade agreement between Vietnam and the European Union would likely open opportunities for Vietnam to attract additional foreign investment in 2016. Furthermore, the Ministry of Tourism, Vietnam has put in more emphasis on the tourism industry and is forecasting 8.9 million visitors for 2016 after receiving 7.9 million visitors in 2015. As such, we expect our properties in Vietnam to enjoy healthy operational performance in 2016 on the back of stronger demand from both corporate and leisure sectors.

Following the successful completion of the first phase of AEI at Somerset Ho Chi Minh City in 2015, we will embark on the final phase of AEI in 1Q 2016 and it is expected to be completed in 1Q 2017.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2015	FY 2014	
Somerset Chancellor Court Ho Chi Minh City	8,455	8,232	69.3
Somerset Grand Hanoi	14,102	12,984	105.7
Somerset Ho Chi Minh City	6,094	5,123	66.8
Somerset Hoa Binh Hanoi	6,285	6,079	54.9
Somerset West Lake Hanoi	2,615	2,445	29.4

Revenue Per Available Unit (S$)	FY 2015	FY 2014
Somerset Chancellor Court Ho Chi Minh City	105	104
Somerset Grand Hanoi	116	109
Somerset Ho Chi Minh City	100	84
Somerset Hoa Binh Hanoi	78	76
Somerset West Lake Hanoi	78	73

Financial Review

OPERATING PERFORMANCE

Revenue

Ascott Reit's revenue of S$421.1 million for the financial year ended 31 December 2015 ("FY 2015") comprised S$68.4 million (16% of total revenue) from serviced residences on master leases, S$77.4 million (18%) from serviced residences on management contracts with minimum guaranteed income and S$275.3 million (66%) from serviced residences on management contracts.

Revenue for FY 2015 increased by S$63.9 million or 18% as compared to the previous financial year ended 31 December 2014 ("FY 2014"). The increase in revenue was mainly due to the additional revenue of S$32.7 million from the nine properties acquired in 2014 (the "2014 Acquisitions") and S$33.4 million from the six properties acquired in 2015 (the "2015 Acquisitions").

The increase was partially offset by the decrease in revenue of S$1.1 million from the divestment of six rental housing properties in the regional cities of Japan and decrease of S$0.4 million due to the expiry of the deed of yield protection for Somerset West Lake Hanoi in March 2014.

On a same store basis, revenue decreased by S$0.7 million mainly due to lower revenue from France and Germany (arising from depreciation of EUR against SGD), partially offset by stronger performance from the Group's serviced residences in China and Vietnam.

Ascott Reit's portfolio occupancy remained stable at 80%. Revenue Per Available Unit (RevPAU) increased by S$5, or 4%, from S$128 in FY 2014 to S$133 in FY 2015. On a same store basis (excluding the 2014 Acquisitions and 2015 Acquisitions), RevPAU increased by 1%.

Gross Profit

Ascott Reit's gross profit of S$204.6 million for FY 2015 comprised S$60.9 million (30% of total gross profit) from serviced residences on master leases, S$33.4 million (16%) from serviced residences on management contracts with minimum guaranteed income and S$110.3 million (54%) from serviced residences on management contracts.

In line with the increase in revenue, gross profit for FY 2015 increased by S$24.4 million or 14% as compared to FY 2014.

	FY 2015		FY 2014	
	Revenue	Gross Profit	Revenue	Gross Profit
	S$'m	S$'m	S$'m	S$'m
Australia	7.1	6.7	0.4	0.4
France	35.1	32.4	39.0	36.2
Germany	9.0	7.7	9.8	8.6
Japan	7.9	6.2	8.0	5.9
Singapore	9.3	7.9	9.1	7.3
Master leases	**68.4**	**60.9**	**66.3**	**58.4**
Belgium	12.7	3.4	12.9	3.1
Spain	7.3	3.3	7.7	3.2
The United Kingdom	57.4	26.7	56.6	25.2
Management contracts with minimum guaranteed income	**77.4**	**33.4**	**77.2**	**31.5**
Australia	15.0	6.3	5.6	2.1
China	69.9	18.7	55.9	16.0
Indonesia	17.6	6.4	15.9	5.7
Japan	50.5	28.0	37.9	22.2
Malaysia	6.8	1.7	3.2	1.1
The Philippines	28.1	9.5	30.2	10.4
Singapore	25.9	10.2	27.1	12.5
The United States of America	21.6	8.1	–	–
Vietnam	39.9	21.4	37.9	20.3
Management contracts	**275.3**	**110.3**	**213.7**	**90.3**
Group	**421.1**	**204.6**	**357.2**	**180.2**

Financial Review

DISTRIBUTIONS

Ascott Reit achieved Unitholders' distribution of S$123.3 million for FY 2015, S$2.3 million or 2% lower as compared to FY 2014.

DPU for FY 2015 was 7.99 cents, 3% lower than FY 2014. Unitholders' distribution for FY 2015 included a one-off item of S$1.2 million relating to the interest expense incurred on the S$250.0 million perpetual securities issued in June 2015 prior to utilisation of the proceeds in 3Q 2015 to fund the acquisitions in Australia and the United States of America ("US"). Unitholders' distribution for FY 2014 included one-off items of S$9.1 million mainly pertaining to realised exchange gain arising from repayment of foreign currency bank loans. Excluding the effects from the one-off items, the DPU for FY 2015 would have been 8.06 cents and 6% higher than the adjusted DPU for FY 2014 of 7.61 cents.

Ascott Reit continued to pay out 100% of Unitholders' distribution, demonstrating a firm commitment to deliver stable returns to unitholders.

Breakdown of total Unitholders' distribution for FY 2015 is as follows:

Distribution	1 January 2015 to 30 June 2015	1 July 2015 to 31 December 2015	1 January 2015 to 31 December 2015
Distribution rate	**3.847 cents per unit**	**4.138 cents per unit**	**7.985 cents per unit**
Payment Date	28 August 2015	29 February 2016	

Ascott Reit will continue to make distributions to Unitholders on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six months period ending on each of the said dates.

ASSETS

The value of Ascott Reit's total assets as at 31 December 2015 was S$4,724.6 million, compared with S$4,121.9 million as at 31 December 2014. The increase of S$602.7 million was mainly due to the 2015 Acquisitions and increase in valuation of serviced residence properties, partially offset by the divestment of six rental housing properties in the regional cities of Japan and a serviced residence property in the Philippines.

CHANGE IN VALUE OF SERVICED RESIDENCE PROPERTIES AND ASSETS HELD FOR SALE

The net change in fair value of serviced residence properties has no impact on the Unitholder's distribution.

In accordance with the Code on Collective Investment Schemes issued by the Monetary Authority of Singapore, valuations of Ascott Reit's serviced residence properties are to be conducted once every year. Any increase or decrease in fair value is credited or charged to the Statement of Total Return as net appreciation or depreciation on revaluation of serviced residence properties.

As at 31 December 2015, independent full valuations for the Group's portfolio (except for Somerset Ampang Kuala Lumpur) were carried out by CBRE. The independent full valuation for Somerset Ampang Kuala Lumpur was carried out by C H Williams Talhar & Wong Sdn Bhd (as consultant to CBRE) on 31 December 2015 in accordance with Malaysian Valuation Standards.

In determining the fair value of the Group's portfolio, the discounted cash flow approach was used. Pursuant to the launch of the strata sale of the units at Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing), these units have been classified as assets held for sale and the valuation was based on the direct comparison approach. The valuation method used was consistent with that used for the 31 December 2014 valuation.

The Group's portfolio of serviced residence properties (including assets held for sale) was revalued at S$4,373.9 million, resulting in a surplus of S$84.3 million which was recognised in the Statement of Total Return in FY 2015. The surplus was mainly due to higher valuation of the Group's serviced residences in Japan, France and United Kingdom. The net impact on the Statement of Total Return was S$63.4 million (net of tax and non-controlling interests).

FUNDING AND BORROWINGS

Ascott Reit adopts a prudent and disciplined approach towards capital management so as to ensure financial flexibility in its funding structure.

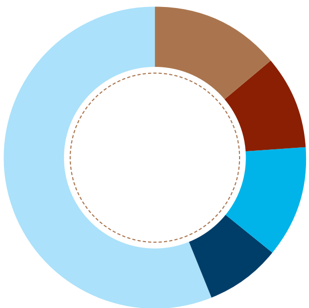
In 2015, Ascott Reit continued to actively tap the debt capital market to diversify its funding sources and mitigate interest rate volatility by issuing two tranches of seven-year fixed rate medium term notes. Through these issuances, the weighted average debt maturity was extended from 4.4 years as at 31 December 2014 to 4.6 years as at 31 December 2015. The seven year S$200.0 million medium term notes issued at a fixed rate of 4.21% in November 2015 were swapped into Euros amounting to EUR132.0 million at a fixed interest rate of 1.81% per annum for the same seven year term.

Following the maiden issuance of S$150.0 million fixed rate perpetual securities in October 2014, Ascott Reit issued S$250.0 million fixed rate perpetual securities on 30 June 2015. These perpetual securities are classified as equity instruments and recorded as equity in the Statements of Movements in Unitholders' Funds. The net proceeds from the issue of the perpetual securities were deployed to fund the acquisitions in Australia and US.

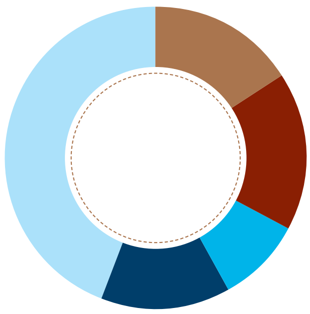
As at 31 December 2015, Ascott Reit's outstanding borrowings was S$1,815.2 million (2014: S$1,550.9 million), with an interest rate averaging 2.8% per annum for FY 2015 (2014: 3.0% per annum). The gearing of the Group as at 31 December 2015 was 39.3% (2014: 38.5%), below the 45.0% prescribed by the Monetary Authority of Singapore ("MAS") in the newly revised Property Funds Appendix of the Code on Collective Investment Schemes, effective from 1 January 2016.

Moody's Investors Service, Inc. ("Moody's") improved Ascott Reit's rating from Baa3 corporate family rating to Baa3 issuer rating. The outlook for the rating is stable. Such rating action by Moody's implies an improvement of Ascott Reit's senior unsecured credit quality, which will now be equivalent to its issuer rating of Baa3.

Debt Maturity Profile



Maturity	2015 S$'m	%
2016	258.4	14
2017	182.7	10
2018	223.9	12
2019	132.4	8
2020 & after	1,017.8	56
Total	**1,815.2[1]**	**100**



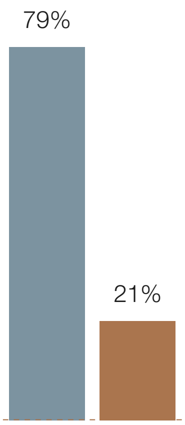
Maturity	2014 S$'m	%
2015	249.3	16
2016	261.8	17
2017	140.0	9
2018	221.3	14
2019 & after	678.5	44
Total	**1,550.9[1]**	**100**

[1] Net of unamortised fees and expenses incurred for debt raising exercise.

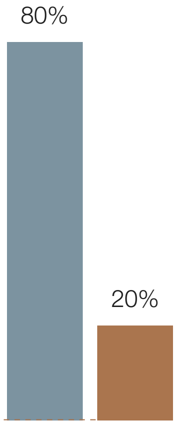
Out of the Group's total borrowings, 14% falls due in 2016, 10% falls due in 2017, 12% falls due in 2018, 8% falls due in 2019 and the balance falls due after 2019.

Financial Review

Fixed vs Floating Rate Profile



Maturity	2015 S$'m	2015 %
Fixed Rate	1,428.7	79
Floating Rate	386.5	21
Total	**1,815.2[1]**	**100**



Maturity	2014 S$'m	2014 %
Fixed Rate	1,234.5	80
Floating Rate	316.4	20
Total	**1,550.9[1]**	**100**

[1] Net of unamortised fees and expenses incurred for debt raising exercise.

Fixed Rate Loans

This has taken into account the interest rate swaps entered into to convert floating rate loans to fixed rate loans. As at 31 December 2015, S$1,428.7[1] million or 79% of the Group's borrowings are on fixed interest rates, including S$218.6[1] million due for refinancing in 2016, in line with the maturity dates of the underlying loans.

CASH FLOW

As at 31 December 2015, Ascott Reit's cash and cash equivalents was S$220.5 million, an increase of S$27.9 million over last year. The major cash flow movements are as follows:

	S$'m
Proceeds from issue of medium term notes	280.7
Proceeds from issue of perpetual securities, net of transaction costs	247.2
Cash generated from operations	201.6
Net proceeds from bank borrowings	90.0
Proceeds from divestments of serviced residence properties	58.1
Proceeds from disposal of assets held for sale	9.1
Acquisitions of serviced residence properties / plant and equipment	(430.4)
Repayment of medium term notes	(150.0)
Distributions to Unitholders and perpetual securities holders	(138.1)
Payment of interest and income tax	(72.7)
Capital expenditure on serviced residence properties	(35.2)
Payments for acquisition of ownership interests in subsidiaries with no change in control	(31.6)

Portfolio Overview

Competitive Strengths of our Properties

Location

Ascott Reit's 60 serviced residences and 29 rental housing properties are located in key gateway cities across Singapore, Australia, Belgium, China, France, Germany, Indonesia, Japan, Malaysia, the Philippines, Spain, the United Kingdom, the United States of America and Vietnam. The properties are well served by public transportation and within walking distance to amenities such as restaurants and supermarkets. In Japan, 19 of the rental housing properties are located in Tokyo while the remaining 10 rental housing properties are located in cities outside of Tokyo, namely Fukuoka, Hiroshima, Kyoto, Osaka, and Sapporo.

Brands

Four serviced residences are managed under the Ascott brand, 15 are managed under the Somerset brand while 36 are managed under the Citadines brand. In Japan, the rental housing properties are managed under the local brands. All serviced residences are managed by Serviced Residence Management Companies (SRMCs), with the exception of Element New York Times Square West, Madison Hamburg, Quest Sydney Olympic Park, Quest Mascot and Quest Campbelltown, which are managed by third-party operators in their respective brands.

Scale

The Ascott Limited (Ascott) is the largest international serviced residence owner-operator. Its strong global brand and over 30-year industry track record enables our properties to enjoy worldwide recognition as the preferred accommodation for extended-stay business travellers. Through a combination of serviced residence and rental housing units, Ascott Reit's portfolio of 11,298 apartment units cater to a wide range of customer needs. These include studio, one to three-bedroom, and penthouse apartment units. We leverage on Ascott to achieve economies of scale, benefitting from its global recognition, international sales, wide distribution and marketing networks and centralisation of key functions such as finance and procurement.

Awards

In 2015, Ascott Reit was conferred "Best REIT" in Asia by World Finance at its annual Real Estate Awards. This award signifies a vote of confidence by investors as Ascott Reit was nominated and assessed on its growth, income stability and global presence.

In addition, our award winning properties continue to enjoy worldwide recognition as the preferred accommodation for business and leisure travellers alike. These include the World Travel Awards 2015 where Citadines Suites Louvre Paris and Citadines Ramblas Barcelona were awarded the titles of "Leading Serviced Apartments" in France and Spain respectively, while Ascott Makati, Ascott Raffles Place Singapore and Citadines Sainte-Catherine Brussels retained their titles attained in 2014.

Our Extended-Stay Business Model

Our guest base comprises mainly expatriates' relocation, corporate assignments, project groups and extended-stay. Corporate travel, which is driven by long-term macroeconomic factors such as Gross Domestic Product (GDP) growth and Foreign Direct Investment (FDI), is generally more stable than the seasonal nature of tourism travel. Our flexible business model provides short to long-term accommodation. The average length of stay for properties on serviced residence management contracts is approximately four months, while rental housing properties with leases averaging one to two years offer greater income stability to the portfolio. Shorter-term stays also presents opportunities for yielding growth and higher operating margins. For Ascott Reit, income stability is also supported by master leases and serviced residence management contracts with minimum income guarantee.

Portfolio Overview

Master Leases

25 of our properties, 17 in France, three in Germany, three in Australia, one in Japan and one in Singapore, are on master leases. The master lessees pay fixed net rental per annum to Ascott Reit. The master leases in Europe are subject to annual rental revisions pegged to indices representing construction cost, inflation or commercial rental prices. The master leases in Australia are subject to fixed indexation per annum until the next market review. These master leases have an weighted average remaining tenure of about three years.

Serviced Residence Management Contracts

64 of our properties are on serviced residence management contracts, comprising seven properties on serviced residence management contracts with minimum guaranteed income and 57 properties on serviced residence management contracts without minimum guaranteed income. Serviced residence management contracts are entered into between Ascott Reit and SRMCs which provide serviced residence management services to Ascott Reit. Unlike the properties under master lease arrangements, guests will lease the units of the serviced residences directly from Ascott Reit or its subsidiaries (for serviced residences outside of Japan) or other entities acting on behalf of Ascott Reit (for serviced residences within Japan[1]). Therefore, the Manager of Ascott Reit has obtained a waiver from the Monetary Authority of Singapore in relation to paragraphs 11.1(c)(iv) and (v) of the Property Funds Appendix regarding the disclosures of lease maturity profile and weighted average lease expiry for properties under serviced residence management contracts, subject to the following disclosures:

(1) the average length of stay of guests of properties under the serviced residence management contracts (combined for both serviced residence management contracts with and without minimum guaranteed income) for current year and past five years; and
(2) the weighted average remaining term of the serviced residence management contracts with minimum guaranteed income.

Serviced Residence Management Contracts with Minimum Guaranteed Income

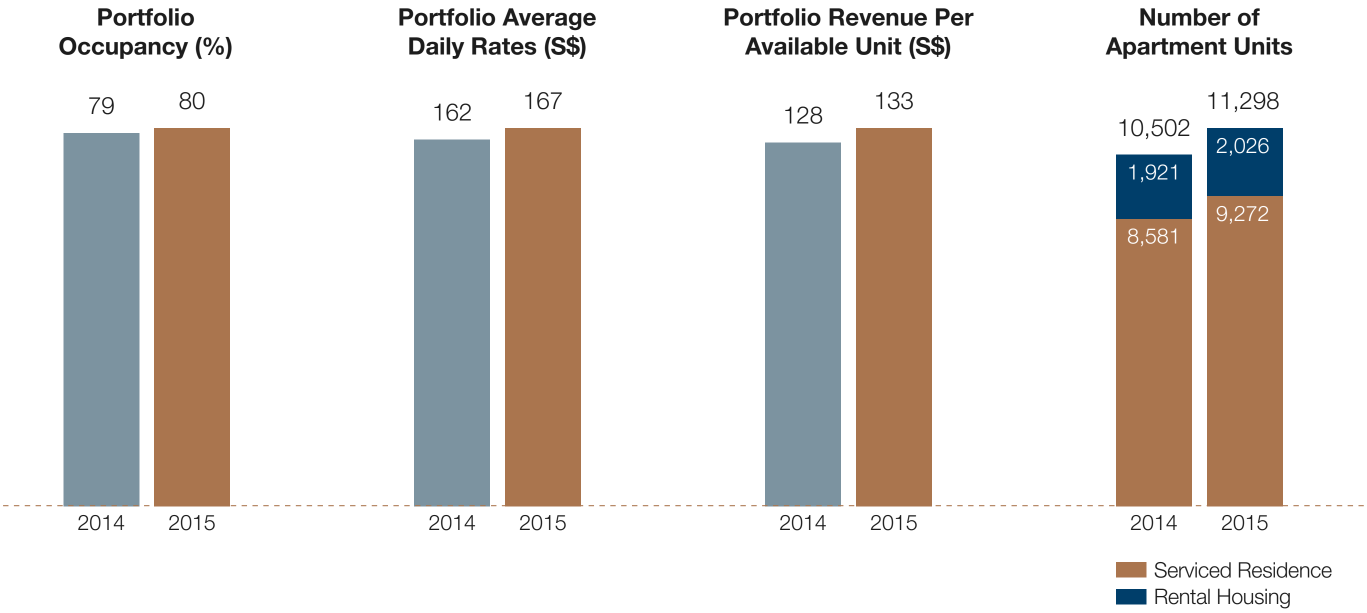
Seven of our properties across United Kingdom, Belgium and Spain are on serviced residence management contracts with minimum guaranteed income. Under the serviced residence management contracts with minimum guaranteed income, the SRMCs have provided a minimum income guarantee to Ascott Reit over the term of such management contracts which helps to ensure a stable income stream for Ascott Reit in the event that the properties under such management contracts do not generate applicable minimum income quantum. These management contracts have an weighted average remaining term of about five years.

Serviced Residence Management Contracts without Minimum Guaranteed Income

57 of our properties across Australia, China, Indonesia, Japan, Malaysia, the Philippines, Singapore, the United States of America and Vietnam are on serviced residence management contracts without minimum guaranteed income. Under the serviced residence management contracts without minimum income guarantee, the income stream is dependent on the revenue per available unit of the properties under such management arrangements.

[1] In Japan, Ascott Reit's interests in properties are indirectly held as trust beneficial interests through the godo kaisha and tokutei mokuteki kaisha structures and Singapore special purpose vehicles.

Key Statistics Of Ascott Reit's Portfolio[1]
(For the year ended 31 December 2015)



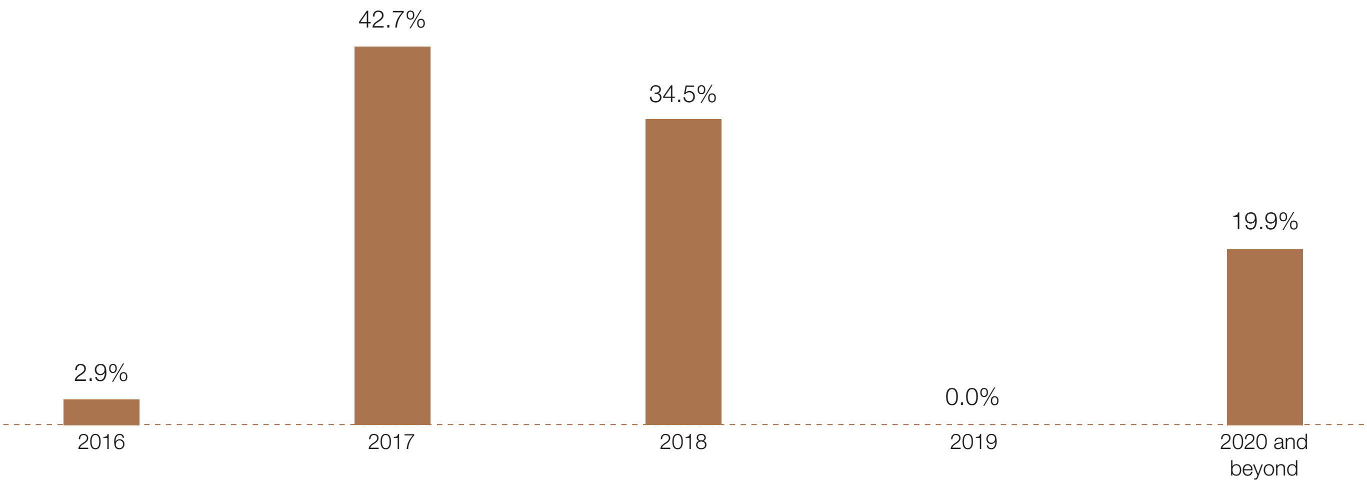
[1] Portfolio Occupancy, Portfolio Average Daily Rates and Portfolio Revenue per Available Unit information do not include statistics of the rental housing properties and properties on master leases.

Top 10 Corporate Clients Of Ascott Reit By Apartment Rental Income

Corporate Client	Industry	% of Total Apartment Rental Income
Embassies of OECD Countries	Government & NGOs	1.6%
Samsung	Consumers	1.2%
Toyota	Consumers	0.6%
Standard Chartered Bank	Financial Institutions	0.6%
Sanofi	Healthcare	0.5%
Accenture	Information Technology	0.5%
Qantas Airways	Consumers	0.5%
Thai Airways	Consumers	0.4%
BMW	Manufacturing	0.4%
Citigroup	Financial Institutions	0.4%
Total		**6.7%**

Portfolio Overview

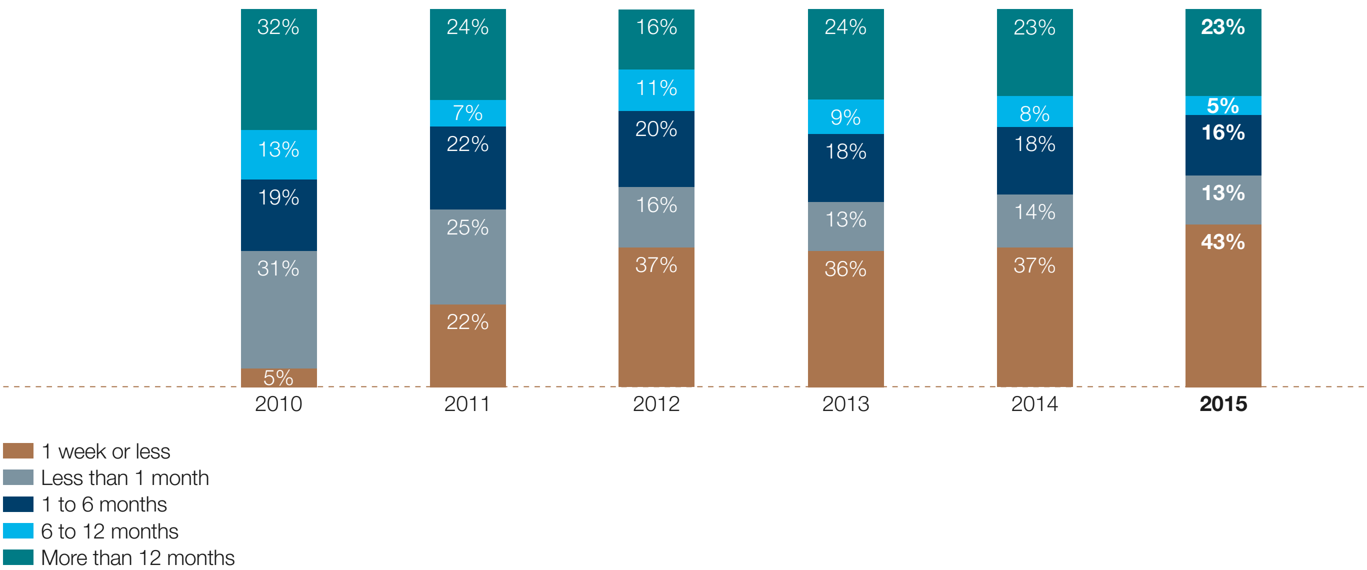
Lease Expiry Profile for Master Leases[1] (%)



[1] Percentage of gross rental income for master leases expiring at respective years over the total gross rental income for all master leases.

Portfolio Information by Length of Stay[2,3]
(Portfolio Apartment Rental Income)

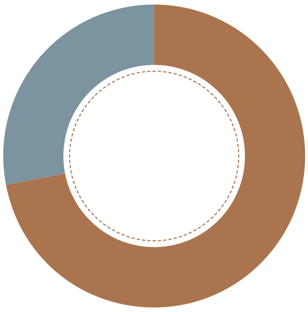
	2010	2011	2012	2013	2014	2015
Average length of stay	6 months	5 months	4 months	5 months	4 months	**4 months**



[2] Portfolio information excludes properties on master leases.
[3] Historical information is prepared for illustrative purposes only and are not guarantees of future performance.

FY 2015 Portfolio Information by Market Segment[1]

(Portfolio Apartment Rental Income)



	%
Corporate	72
Leisure	28

FY 2015 Portfolio Information by Industry[2]

(Portfolio Apartment Rental Income)

	%
Industrial	21
Financial Institutions	15
Consumers	14
Government & NGOs	13
Manufacturing	8
Information Technology	7
Energy & Utilities	6
Real Estate & Lodging	6
Healthcare	4
Others	3
Media & Telecommunications	3

[1] Portfolio information excludes properties on master leases.
[2] Based on apartment rental income for corporate accounts only.

Portfolio Listing

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
AUSTRALIA				
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000, Australia	380	Freehold	–
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000, Australia	85	Freehold	–
Quest Campbelltown	1 Rennie Road, Campbelltown, NSW 2560, Australia	81	Freehold	–
Quest Mascot	108-114 Robey Street, Mascot, NSW 2020, Australia	91	Freehold	–
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127, Australia	140	99	2111
CHINA				
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630, China	207	70	2074
Citadines Biyun Shanghai	Nos. 1-3, 9-12, 15-16, Lane 450 Hongfeng Road, Pudong District, Shanghai, China	180	70	2064
Citadines Gaoxin Xi'an	1-26/F, No. 13 Gaoxin Si Road, Xi'an Hi-Tech Industries Development Zone, Xi'an, Shaanxi Province, China	251	50	2056
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021, China	167	70	2066
Citadines Zhuankou Wuhan	Building C2 and C3, Xiang Long Times Business Center, Plot 3R2, Wuhan Economic and Technological Development Zone, Wuhan, Hubei Province, China	249	40	2043
Somerset Grand Central Dalian	Nos. 128-2 Jinma Road, Dalian Development Area, Dalian 116600, China	195	50	2056
Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing)	No 46 Liangmaqiao Road, Chaoyang District, Beijing 100125, China	67	70	2068
Somerset Heping Shenyang	No 80 Taiyuan North Street, Heping District, Shenyang 110000, China	270	40	2046
Somerset Olympic Tower Property Tianjin	No 126 Chengdu Dao, Heping District, Tianjin 300051, China	185	70	2062
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031, China	168	70	2066
INDONESIA				
Ascott Jakarta	Jalan Kebon Kacang Raya No 2, Jakarta 10230, Indonesia	204	26	2024
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940, Indonesia	204	30	2024

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
JAPAN				
Citadines Central Shinjuku Tokyo	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo, Japan	206	Freehold	–
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105, Japan	124	Freehold	–
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022, Japan	160	Freehold	–
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044, Japan	79	Freehold	–
JAPAN RENTAL HOUSING				
Actus Hakata V-Tower	3-15-10, Hakata Ekimae, Hakata-ku, Fukuoka, Japan	296	Freehold	–
Asyl Court Nakano Sakaue Tokyo	1-14-12 Honcho, Nakano-ku, Tokyo, Japan	62	Freehold	–
Big Palace Kita 14jo	4-1-6, Kita14jo Nishi, Kita-ku, Sapporo, Japan	140	Freehold	–
Gala Hachimanyama I Tokyo	2-1-18 Kamitakaido, Suginami-ku, Tokyo, Japan	76	Freehold	–
Gala Hachimanyama II Tokyo	2-1-2 Kamitakaido, Suginami-ku, Tokyo, Japan	16	Freehold	–
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima, Japan	63	Freehold	–
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima, Japan	48	Freehold	–
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima, Japan	29	Freehold	–
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka, Japan	389	Freehold	–
Joy City Koishikawa Shokubutsuen Tokyo	3-35-18 Otsuka, Bunkyo-ku, Tokyo, Japan	36	Freehold	–
Joy City Kuramae Tokyo	2-24-1 Kuramae, Taito-ku, Tokyo, Japan	60	Freehold	–
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032, Japan	64	Freehold	–
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka, Japan	178	Freehold	–
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka, Japan	110	Freehold	–
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka, Japan	98	Freehold	–
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka, Japan	102	Freehold	–

Portfolio Listing

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
JAPAN RENTAL HOUSING				
Zesty Akebonobashi Tokyo	1-17 Tomihisacho, Shinjuku-ku, Tokyo, Japan	12	Freehold	–
Zesty Gotokuji Tokyo	6-42-5 Matsubara, Setagaya-ku, Tokyo, Japan	15	Freehold	–
Zesty Higashi Shinjuku Tokyo	6-15-20 Shinjuku, Shinjuku-ku, Tokyo, Japan	19	Freehold	–
Zesty Kagurazaka I Tokyo	2-13 Nishigokencho, Shinjuku-ku, Tokyo, Japan	20	Freehold	–
Zesty Kagurazaka II Tokyo	123-3 Yaraicho, Shinjuku-ku, Tokyo, Japan	20	Freehold	–
Zesty Kasugacho Tokyo	6-4-15 Kasugacho, Nerima-ku, Tokyo, Japan	32	Freehold	–
Zesty Koishikawa Tokyo	5-41-7 Koishikawa, Bunkyo-ku, Tokyo, Japan	15	Freehold	–
Zesty Komazawa Daigaku II Tokyo	2-12-21 Higashigaoka, Meguro-ku, Tokyo, Japan	29	Freehold	–
Zesty Nishi Shinjuku III Tokyo	3-18-15 Nishishinjuku, Shinjuku-ku, Tokyo, Japan	29	Freehold	–
Zesty Sakura Shinmachi Tokyo	3-11-3 Tsurumaki, Setagaya-ku, Tokyo, Japan	17	Freehold	–
Zesty Shin Ekoda Tokyo	1-2-2 Toyotamakami, Nerima-ku, Tokyo, Japan	18	Freehold	–
Zesty Shoin Jinja Tokyo	4-3-3 Setagaya, Setagaya-ku, Tokyo, Japan	16	Freehold	–
Zesty Shoin Jinja II Tokyo	4-5-4 Setagaya, Setagaya-ku, Tokyo, Japan	17	Freehold	–
MALAYSIA				
Somerset Ampang Kuala Lumpur	No. 187, Jalan Ampang 50450, Kuala Lumpur, Malaysia	205	Freehold	–
THE PHILIPPINES				
Ascott Makati	4, Ayala Glorietta Centre, Makati City 1224, The Philippines	362	48	2044
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229, The Philippines	132	Freehold	–
SINGAPORE				
Ascott Raffles Place Singapore	No 2 Finlayson Green, Singapore 049247	146	999	–
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	154	96	2105
Somerset Liang Court Property Singapore	No 177B River Valley Road, Singapore 179032	197	97	2077

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
VIETNAM				
Somerset Chancellor Court Ho Chi Minh City	Nos 21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City, Vietnam	172	48	2041
Somerset Grand Hanoi	No 49 Hai Ba Trung Street, Hanoi, Vietnam	185	45	2038
Somerset Ho Chi Minh City	No 8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City, Vietnam	165	45	2039
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Hanoi, Vietnam	206	36	2042
Somerset West Lake Hanoi	No 254D Thuy Khue Road, Hanoi, Vietnam	90	49	2041
FRANCE				
Citadines City Centre Lille	Avenue Willy Brandt – Euralille, 59777 Lille, France	101	Freehold	–
Citadines City Centre Grenoble	9-11 rue de Strasbourg 38000 Grenoble, France	106	Freehold	–
Citadines Suites Louvre Paris	8 rue de Richelieu, 75001 Paris, France	51	Freehold	–
Citadines Trocadéro Paris	29 bis, rue Saint-Didier, 75116 Paris, France	97	Freehold	–
Citadines Presqu'île Lyon	2 rue Thomassin, 69002 Lyon, France	116	Freehold	–
Citadines Place d'Italie Paris	18 place d'Italie, 75013 Paris, France	169	Freehold	–
Citadines Montmartre Paris	16 avenue Rachel, 75018 Paris, France	111	Freehold	–
Citadines Tour Eiffel Paris	132 boulevard de Grenelle, 75015 Paris, France	104	Freehold	–
Citadines Antigone Montpellier	588 boulevard d'Antigone, 34000 Montpellier, France	122	Freehold	–
Citadines Castellane Marseille	60 rue du Rouet, 13006 Marseille, France	97	Freehold	–
Citadines Austerlitz Paris	27 rue Esquirol, 75013 Paris, France	50	Freehold	–
Citadines République Paris	75 bis, avenue Parmentier, 75011 Paris, France	76	Freehold	–
Citadines Maine Montparnasse Paris	67 avenue du Maine, 75014 Paris, France	67	Freehold	–
Citadines Prado Chanot Marseille	9-11 boulevard de Louvain, 13008 Marseille, France	77	Freehold	–
Citadines Les Halles Paris	4 rue des Innocents, 75001 Paris, France	189	Freehold	–
Citadines Didot Montparnasse Paris	94 rue Didot, 75014 Paris, France	80	Freehold	–
Citadines Croisette Cannes	1 rue le Poussin, 06400 Cannes, France	58	Freehold	–

Portfolio Listing

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
THE UNITED KINGDOM				
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH, The United Kingdom	129	Freehold	–
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF, The United Kingdom	192	Freehold	–
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL, The United Kingdom	92	Freehold	–
Citadines Trafalgar Square London	18-21 Northumberland Avenue, London WC2N 5EA, The United Kingdom	187	Freehold	–
BELGIUM				
Citadines Sainte-Catherine Brussels	51 Quai au Bois à Brûler 1000 Brussels, Belgium	169	Freehold	–
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels, Belgium	154	Freehold	–
GERMANY				
Citadines Arnulfpark Munich	Arnulfstrasse 51, 80636 München, Germany	146	Freehold	–
Citadines Kurfürstendamm Berlin	Olivaer Platz 1, 10707 Berlin-Wilmersdorf, Germany	117	Freehold	–
Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg, Germany	166	Freehold	–
SPAIN				
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona, Spain	131	Freehold	–
THE UNITED STATES OF AMERICA				
Element New York Times Square West	311 West 39th Street, between 8th and 9th Avenue, New York, New York 10018, The United States of America	411	99	2112

Financial Statements

Report of the Trustee

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of Ascott Residence Trust (the "Trust") held by it or through its subsidiaries in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of Ascott Residence Trust Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 19 January 2006 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries (the "Group") during the year covered by these financial statements, set out on pages 109 to 217 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Soh Ee Fong
Director

Singapore
25 February 2016

Statement by the Manager

In the opinion of the directors of Ascott Residence Trust Management Limited, the accompanying financial statements of Ascott Residence Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 109 to 217 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds and Portfolio Statements of the Group and of the Trust, the Consolidated Statement of Cash Flows of the Group and Notes to the Financial Statements have been drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2015, and the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
Ascott Residence Trust Management Limited

Lim Jit Poh
Chairman

Singapore
25 February 2016

Independent Auditors' Report

Unitholders of Ascott Residence Trust

(Constituted under a Trust Deed in the Republic of Singapore)

We have audited the accompanying financial statements of Ascott Residence Trust (the "Trust") and its subsidiaries (collectively, the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 December 2015, and the Statements of Total Return, Distribution Statements and Statements of Movements in Unitholders' Funds of the Group and the Trust and the Consolidated Statement of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 109 to 217.

Manager's responsibility for the financial statements

Ascott Residence Trust Management Limited, the Manager of the Trust, is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the Statement of Financial Position, Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Portfolio Statement of the Trust present fairly, in all material respects, the financial position of the Group and the Trust as at 31 December 2015 and the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
25 February 2016

Statements of Financial Position

As at 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Non-current assets					
Serviced residence properties	4	4,289,711	3,724,036	563,091	558,693
Plant and equipment	5	52,506	54,100	4,909	6,307
Subsidiaries	6	–	–	347,535	297,603
Associate	8	3,479	3,152	3,958	3,638
Deferred tax assets	10	3,983	3,382	–	–
Deposits	11	20,250	20,250	20,250	20,250
		4,369,929	3,804,920	939,743	886,491
Current assets					
Inventories		296	286	–	–
Trade and other receivables	12	49,707	36,374	2,270,111	1,973,582
Financial derivative assets	9	–	353	–	353
Assets held for sale	13	84,207	87,403	–	–
Cash and cash equivalents	14	220,467	192,556	38,150	50,618
		354,677	316,972	2,308,261	2,024,553
Total assets		4,724,606	4,121,892	3,248,004	2,911,044
Non-current liabilities					
Financial liabilities	15	1,556,773	1,301,564	279,064	460,996
Financial derivative liabilities	9	10,313	14,120	7,098	10,429
Deferred tax liabilities	10	88,851	77,244	–	–
		1,655,937	1,392,928	286,162	471,425
Current liabilities					
Trade and other payables	16	136,453	118,534	746,691	597,472
Financial liabilities	15	258,404	249,348	202,385	13,561
Financial derivative liabilities	9	1,222	15	1,145	12
Provision for taxation		4,014	7,831	–	70
		400,093	375,728	950,221	611,115
Total liabilities		2,056,030	1,768,656	1,236,383	1,082,540
Net assets		2,668,576	2,353,236	2,011,621	1,828,504
Represented by:					
Unitholders' funds	17	2,189,714	2,106,078	1,614,527	1,679,153
Perpetual securities holders	18	397,094	149,351	397,094	149,351
Non-controlling interests	7	81,768	97,807	–	–
		2,668,576	2,353,236	2,011,621	1,828,504
Units in issue ('000)	18	1,548,736	1,535,023	1,548,736	1,535,023
Net asset value per Unit attributable to Unitholders ($)		1.41	1.37	1.04	1.09

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

Statements of Total Return

Year ended 31 December 2015

		Group		Trust	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Gross revenue	19	421,114	357,205	35,191	36,601
Direct expenses	20	(216,544)	(177,031)	(17,086)	(16,330)
Gross profit		204,570	180,174	18,105	20,271
Finance income	21	1,603	2,123	178	78
Dividend income		–	–	64,439	70,317
Other income		438	6,341	691	913
Finance costs	21	(49,856)	(43,341)	(32,275)	(29,245)
Manager's management fees	22	(19,820)	(17,210)	(19,820)	(17,210)
Professional fees	23	(2,249)	(2,787)	(1,066)	(1,137)
Trustee's fees		(436)	(384)	(436)	(384)
Audit fees		(2,365)	(2,211)	(249)	(242)
Foreign exchange (loss)/gain		(4,977)	(2,505)	29,313	(2,117)
Other operating expenses		(1,014)	(1,184)	(8,053)	(11,699)
Net income before share of results of associate		125,894	119,016	50,827	29,545
Share of results of associate (net of tax)		7	–	–	–
Net income	24	125,901	119,016	50,827	29,545
Net change in fair value of serviced residence properties and assets held for sale		84,318	63,030	4,241	1,650
Net change in fair value of financial derivatives		(675)	1,291	(3,873)	1,291
Profit from divestments	25	9,924	–	–	–
Assets written off	4	(3,717)	(16,022)	–	–
Total return for the year before income tax		215,751	167,315	51,195	32,486
Income tax (expense)/benefit	26	(36,761)	(36,943)	2	(81)
Total return for the year		178,990	130,372	51,197	32,405
Total return attributable to:					
Unitholders of the Trust/perpetual securities holders		165,183	122,468	51,197	32,405
Non-controlling interests	7	13,807	7,904	–	–
		178,990	130,372	51,197	32,405
Earnings per Unit (cents)	27				
Basic		9.85	7.92	2.45	2.03
Diluted		9.85	7.92	2.45	2.03

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

Distribution Statements

Year ended 31 December 2015

		Group		Trust	
	Note	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Amount available for distribution to Unitholders at beginning of the year		65,506	56,350	65,506	56,350
Total return for the year attributable to Unitholders/perpetual securities holders		165,183	122,468	51,197	32,405
Less: Total return attributable to perpetual securities holders		(13,430)	(1,356)	(13,430)	(1,356)
Distribution adjustments	A	(28,414)	4,512	85,572	94,575
Income for the year available for distribution to Unitholders	B	123,339	125,624	123,339	125,624
Amount available for distribution to Unitholders		188,845	181,974	188,845	181,974
Distributions to Unitholders during the year					
- Distribution of 3.70 cents per Unit for the period from 1 July 2013 to 31 December 2013		–	(56,302)	–	(56,302)
- Distribution of 3.94 cents per Unit for the period from 1 January 2014 to 30 June 2014		–	(60,166)	–	(60,166)
- Distribution of 4.26 cents per Unit for the period from 1 July 2014 to 31 December 2014		(65,453)	–	(65,453)	–
- Distribution of 3.85 cents per Unit for the period from 1 January 2015 to 30 June 2015		(59,258)	–	(59,258)	–
		(124,711)	(116,468)	(124,711)	(116,468)
Amount available for distribution to Unitholders at end of the year		64,134	65,506	64,134	65,506

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

Distribution Statements

Year ended 31 December 2015

Note A – Distribution adjustments

	Group		Trust	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Distribution adjustment items:				
- Net change in fair value of serviced residence properties and assets held for sale	(84,318)	(63,030)	(4,241)	(1,650)
- Net change in fair value of financial derivatives	675	(1,291)	3,873	(1,291)
- Profit from divestments	(9,924)	–	–	–
- Assets written off	3,717	16,022	–	–
- Depreciation of plant and equipment	16,634	16,267	2,571	2,913
- Manager's fees paid/payable in Units	14,768	13,251	14,768	13,251
- Trustee's fees	58	59	58	59
- Unrealised exchange loss/(gain)	10,671	10,739	(28,998)	8,984
- Deferred tax expense	12,636	11,707	–	–
- Non-controlling interests' share of adjustments	6,620	345	–	–
- Other adjustments	49	443	144	352
- Impairment losses on non-trade amounts due from subsidiaries	–	–	4,002	9,730
- Impairment of subsidiaries	–	–	3,715	1,542
- Net overseas income* not distributed to the Trust	–	–	89,680	60,685
Net effect of distribution adjustments	(28,414)	4,512	85,572	94,575

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

	Group		Trust	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Comprises:				
- from operations	33,040	63,521	33,040	63,521
- from Unitholders' contributions	90,299	62,103	90,299	62,103
Income for the year available for distribution to Unitholders	123,339	125,624	123,339	125,624

* Net overseas income is defined in Significant accounting policies (see note 3.15).

Statements of Movements in Unitholders' Funds

Year ended 31 December 2015

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operations				
At 1 January	707,167	615,777	214,631	212,960
Total return attributable to Unitholders/perpetual securities holders	165,183	122,468	51,197	32,405
Total return attributable to perpetual securities holders	(13,430)	(1,356)	(13,430)	(1,356)
Distributions to Unitholders	(59,891)	(29,378)	(59,891)	(29,378)
Change in ownership interests in subsidiaries with no change in control	6,225	(154)	–	–
Transfer to capital reserve	–	(190)	–	–
At 31 December	805,254	707,167	192,507	214,631
Unitholders' contributions				
At 1 January	1,476,104	1,547,895	1,476,104	1,547,895
Creation of Units:				
- Manager's fees paid in Units	14,265	12,821	14,265	12,821
- Acquisition fees paid in Units	2,903	2,478	2,903	2,478
Distributions to Unitholders	(64,820)	(87,090)	(64,820)	(87,090)
At 31 December	1,428,452	1,476,104	1,428,452	1,476,104
Foreign currency translation reserve				
At 1 January	(64,084)	(61,641)	–	–
Change in ownership interests in subsidiaries with no change in control	(7,215)	–	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	35,039	(2,443)	–	–
At 31 December	(36,260)	(64,084)	–	–

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

Statements of Movements in Unitholders' Funds

Year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000	Trust 2015 $'000	Trust 2014 $'000
Capital reserve					
At 1 January		2,008	1,818	–	–
Transfer from operations		–	190	–	–
At 31 December		2,008	2,008	–	–
Hedging reserve					
At 1 January		(15,117)	(10,769)	(11,582)	(9,608)
Effective portion of change in fair values of cash flow hedges		5,377	(4,348)	5,150	(1,974)
At 31 December		(9,740)	(15,117)	(6,432)	(11,582)
Unitholders' funds at 31 December		2,189,714	2,106,078	1,614,527	1,679,153
Perpetual securities					
At 1 January		149,351	–	149,351	–
Issue of perpetual securities		250,000	150,000	250,000	150,000
Issue expenses	28	(2,321)	(2,005)	(2,321)	(2,005)
Total return attributable to perpetual securities holders		13,430	1,356	13,430	1,356
Distribution to perpetual securities holders		(13,366)	–	(13,366)	–
At 31 December		397,094	149,351	397,094	149,351
Non-controlling interests					
At 1 January		97,807	94,050	–	–
Total return attributable to non-controlling interests		13,807	7,904	–	–
Distribution to non-controlling interests		(3,382)	(3,228)	–	–
Change in ownership interests in subsidiaries with no change in control		(30,330)	154	–	–
Effective portion of change in fair values of cash flow hedges		166	(156)	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		3,700	(917)	–	–
At 31 December		81,768	97,807	–	–
		2,668,576	2,353,236	2,011,621	1,828,504

Portfolio Statements
As at 31 December 2015

By Geography
Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2015	Remaining Term of Lease 2014	At Valuation 2015 $'000	At Valuation 2014 $'000	Percentage of Unitholders' funds 2015 %	Percentage of Unitholders' funds 2014 %
Serviced residence properties (including rental housing properties)									
Singapore									
Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	61 years	62 years	207,544	206,701	9.5	9.8
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	89 years	90 years	133,002	132,730	6.1	6.3
Ascott Raffles Place Singapore[10]	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	875 years – 877 years	876 years – 878 years	222,545	219,262	10.2	10.4
Australia									
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000	Freehold	Not applicable	Not applicable	Not applicable	26,223	27,723	1.2	1.3
Citadines on Bourke Melbourne[1]	131-135 Bourke Street, Melbourne, Victoria 3000	Freehold	Not applicable	Not applicable	–	160,333	–	7.3	–
Quest Campbelltown[9]	1 Rennie Road, Campbelltown NSW 2560	Freehold	Not applicable	Not applicable	Not applicable	19,321	20,719	0.9	1.0
Quest Mascot[9]	108-114 Robey Street, Mascot NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	26,431	27,447	1.2	1.3
Quest Sydney Olympic Park[9]	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127	Leasehold	99 years	96 years	97 years	42,202	43,054	1.9	2.0
Balance carried forward						837,601	677,636	38.3	32.1

(1) On 31 July 2015, the Group completed the acquisition of one serviced residence property in Australia from related corporations and four rental housing properties in Japan from related corporations and unrelated third parties. The valuations were based on the discounted cash flow approach.

(9) On 10 December 2014, the Group acquired a portfolio of three serviced residence properties located in Greater Sydney namely, Quest Campbelltown, Quest Mascot and Quest Sydney Olympic Park from subsidiaries of QSA Group Pty Ltd, an unrelated third party. The valuations were based on the discounted cash flow approach.

(10) As at 31 December 2015, these 20 serviced residence properties are leased to related corporations under master lease arrangements.

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

Portfolio Statements

As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						837,601	677,636	38.3	32.1
People's Republic of China									
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630	Leasehold	70 years	59 years	60 years	108,865	103,068	5.0	4.9
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031	Leasehold	70 years	50 years	51 years	73,728	67,590	3.3	3.2
Somerset Olympic Tower Property Tianjin	No. 126 Chengdu Dao, Heping District, Tianjin 300051	Leasehold	70 years	47 years	48 years	70,149	71,366	3.2	3.4
Citadines Biyun Shanghai	Nos. 1-3, 9-12, 15-16, Lane 450 Hongfeng Road, Pudong District, Shanghai	Leasehold	70 years	49 years	50 years	72,485	72,287	3.3	3.4
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021	Leasehold	70 years	51 years	52 years	29,101	26,912	1.3	1.3
Balance carried forward						1,191,929	1,018,859	54.4	48.3

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

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						1,191,929	1,018,859	54.4	48.3
People's Republic of China *(continued)*									
Somerset Heping Shenyang	No. 80 Taiyuan North Street, Heping District, Shenyang 110000	Leasehold	40 years	31 years	32 years	88,734	90,181	4.1	4.3
Somerset Grand Central Dalian(6)	Nos. 128-2 Jinma Road, Dalian Development Area, Dalian 116600	Leasehold	50 years	41 years	42 years	118,580	120,255	5.4	5.7
Citadines Gaoxin Xi'an(7)	1-26/F, No. 13 Gaoxin Si Road, Hi-Tech Zone, Xi'an, Shaanxi Province	Leasehold	50 years	40 years	41 years	58,425	56,824	2.7	2.7
Citadines Zhuankou Wuhan(7)	Building C2 and C3, Xiang Long Times Business Center, Plot 3R2, Wuhan Economic and Technological Development Zone, Wuhan, Hubei Province	Leasehold	40 years	28 years	29 years	49,517	53,257	2.2	2.5
Indonesia									
Ascott Jakarta	Jalan Kebon Kacang Raya No 2, Jakarta 10230	Leasehold	26 years	8 years	9 years	64,324	58,872	2.9	2.8
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940	Leasehold	30 years	9 years	10 years	40,685	37,956	1.9	1.8
Balance carried forward						1,612,194	1,436,204	73.6	68.1

(6) On 20 June 2014, the Group completed the acquisition of a serviced residence property in the People's Republic of China from Winner Sight Investments Limited, an unrelated third party. The valuation was based on the discounted cash flow approach.

(7) On 18 August 2014, the Group completed the acquisition of two serviced residence properties in the People's Republic of China and one serviced residence property in Malaysia from related corporations. The valuations were based on the discounted cash flow approach.

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

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						1,612,194	1,436,204	73.6	68.1
Japan									
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044	Freehold	Not applicable	Not applicable	Not applicable	40,533	38,526	1.9	1.8
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022	Freehold	Not applicable	Not applicable	Not applicable	97,970	68,710	4.5	3.3
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105	Freehold	Not applicable	Not applicable	Not applicable	48,954	35,565	2.2	1.7
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032	Freehold	Not applicable	Not applicable	Not applicable	34,530	33,120	1.6	1.6
Asyl Court Nakano Sakaue Tokyo*	1-14-12 Honcho, Nakano-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	15,538	14,760	0.7	0.7
Gala Hachimanyama I Tokyo*	2-1-18 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	15,308	14,771	0.7	0.7
Gala Hachimanyama II Tokyo*	2-1-2 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	2,970	2,992	0.1	0.1
Joy City Koishikawa Shokubutsuen Tokyo*	3-35-18 Otsuka, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	9,220	8,744	0.4	0.4
Joy City Kuramae Tokyo*	2-24-1 Kuramae, Taito-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	13,812	13,138	0.6	0.6
Balance carried forward						1,891,029	1,666,530	86.3	79.0

* collectively known as "Zenith Residences"

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

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						1,891,029	1,666,530	86.3	79.0
***Japan** (continued)*									
Zesty Akebonobashi Tokyo*	1-17 Tomihisacho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,257	3,224	0.2	0.2
Zesty Gotokuji Tokyo*	6-42-5 Matsubara, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,200	3,157	0.2	0.1
Zesty Higashi Shinjuku Tokyo*	6-15-20 Shinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,892	4,416	0.2	0.2
Zesty Kagurazaka I Tokyo*	2-13 Nishigokencho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,823	4,438	0.2	0.2
Zesty Kagurazaka II Tokyo*	123-3 Yaraicho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,708	4,626	0.2	0.2
Zesty Kasugacho Tokyo*	6-4-15 Kasugacho, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,421	5,476	0.3	0.3
Zesty Koishikawa Tokyo*	5-41-7 Koishikawa, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,073	2,826	0.1	0.1
Zesty Komazawa Daigaku II Tokyo*	2-12-21 Higashigaoka, Meguro-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	8,345	8,148	0.4	0.4
Zesty Nishi Shinjuku III Tokyo*	3-18-15 Nishishinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	8,333	7,816	0.4	0.4
Zesty Sakura Shinmachi Tokyo*	3-11-3 Tsurumaki, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,800	4,714	0.2	0.2
Balance carried forward						1,941,881	1,715,371	88.7	81.3

* collectively known as "Zenith Residences"

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

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						1,941,881	1,715,371	88.7	81.3
***Japan** (continued)*									
Zesty Shin Ekoda Tokyo*	1-2-2 Toyotamakami, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,430	3,411	0.1	0.2
Zesty Shoin Jinja Tokyo*	4-3-3 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,844	3,511	0.2	0.2
Zesty Shoin Jinja II Tokyo*	4-5-4 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,385	4,206	0.2	0.2
Actus Hakata V-Tower	3-15-10 Hakata Ekimae, Hakata-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	41,083	39,368	1.9	1.9
Big Palace Kita 14jo	4-1-6 Kita14jo Nishi, Kita-ku, Sapporo	Freehold	Not applicable	Not applicable	Not applicable	17,035	16,229	0.8	0.8
Grand Mire Miyamachi[(3)]	1-1-62, Miyamachi, Aoba-ku, Sendai	Freehold	Not applicable	–	Not applicable	–	10,775	–	0.5
Grand Mire Shintera[(3)]	4-9-37, Shintera, Wakabayashi-ku, Sendai	Freehold	Not applicable	–	Not applicable	–	6,525	–	0.3
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	6,768	6,447	0.3	0.3
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	5,041	4,725	0.2	0.2
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	4,259	3,941	0.2	0.2
Balance carried forward						2,027,726	1,814,509	92.6	86.1

* collectively known as "Zenith Residences"

(3) On 30 September 2015, the Group completed the sale of the trust beneficiary interest of six rental housing properties to Samty Co., Ltd, an unrelated third party. The valuations were based on the direct capitalisation method.

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

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2015	Remaining Term of Lease 2014	At Valuation 2015 $'000	At Valuation 2014 $'000	Percentage of Unitholders' funds 2015 %	Percentage of Unitholders' funds 2014 %
Balance brought forward						2,027,726	1,814,509	92.6	86.1
***Japan** (continued)*									
Grand E'terna Saga[(3)]	1167-3, Ipponmatsu, Honjo, Honjomachi, Saga	Freehold	Not applicable	–	Not applicable	–	9,726	–	0.5
Grand E'terna Saga Idaidori[(3)]	4-3-4, Nabeshima, Saga	Freehold	Not applicable	–	Not applicable	–	3,411	–	0.2
Gravis E'terna Nijojomae[(3)]	469-2, Taruyacho, Nakagyo-ku, Kyoto	Freehold	Not applicable	–	Not applicable	–	7,474	–	0.3
Grand E'terna Chioninmae[(3)]	577-3, Inaricho, Minamigumi, Higashiyama-ku, Kyoto	Freehold	Not applicable	–	Not applicable	–	4,880	–	0.2
Infini Garden[(5)]	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	75,502	72,195	3.5	3.4
Citadines Central Shinjuku (formerly known as Best Western Shinjuku Astina Hotel)[(8)]	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	111,326	91,353	5.1	4.3
Balance carried forward						2,214,554	2,003,548	101.2	95.0

(3) On 30 September 2015, the Group completed the sale of the trust beneficiary interest of six rental housing properties to Samty Co., Ltd, an unrelated third party. The valuations were based on the direct capitalisation method.

(5) On 20 March 2014, the Group completed the acquisition of a rental housing property in Japan from a related corporation and an unrelated third party. The valuation was based on the discounted cash flow approach.

(8) On 16 October 2014, the Group acquired Citadines Central Shinjuku (formerly known as Best Western Shinjuku Astina Hotel) from an unrelated third party, Kabushiki Kaisha Oumi. The valuation was based on the discounted cash flow approach.

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

Portfolio Statements

As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						2,214,554	2,003,548	101.2	95.0
***Japan** (continued)*									
S-Residence Hommachi Marks[1]	2-3-6, Tokuicho Chuo-ku, Osaka	Freehold	Not applicable	Not applicable	–	17,035	–	0.8	–
S-Residence Tanimachi 9 chome[1]	4-29, Ikutamamaemachi, Tennoji-ku, Osaka	Freehold	Not applicable	Not applicable	–	18,531	–	0.8	–
S-Residence Midoribashi Serio[1]	3-17-6, Nakamoto, Higashinari-ku, Osaka	Freehold	Not applicable	Not applicable	–	15,654	–	0.7	–
S-Residence Fukushima Luxe[1]	7-22-9, Fukushima, Fukushima-ku, Osaka	Freehold	Not applicable	Not applicable	–	34,990	–	1.6	–
The Philippines									
Ascott Makati	4, Ayala Glorietta Centre, Makati City 1224	Leasehold	48 years	29 years	30 years	118,769	116,790	5.4	5.5
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229	Freehold	Not applicable	Not applicable	Not applicable	15,054	14,476	0.7	0.7
Salcedo Residences[4]	HV Dela Costa, Corner LP Leviste Street, Salcedo Village, Makati City 1227	Freehold	Not applicable	–	Not applicable	–	985	–	–
Balance carried forward						2,434,587	2,135,799	111.2	101.2

[1] On 31 July 2015, the Group completed the acquisition of one serviced residence property in Australia from related corporations and four rental housing properties in Japan from related corporations and unrelated third parties. The valuations were based on the discounted cash flow approach.

[4] On 2 November 2015, the Group completed the sale of Salcedo Residences to Infinity Primetowers Makati, Inc., an unrelated third party. The valuation was based on the discounted cash flow approach.

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

Portfolio Statements

As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						2,434,587	2,135,799	111.2	101.2
Malaysia									
Somerset Ampang Kuala Lumpur[7]	No. 187 Jalan Ampang, 50450 Kuala Lumpur	Freehold	Not applicable	Not applicable	Not applicable	56,355	62,809	2.6	3.0
United States of America									
Element New York Times Square West[2]	311 West 39th Street, between 8th and 9th Avenue, New York, New York, 10018	Leasehold	99 years	97 years	–	246,121	–	11.3	–
Vietnam									
Somerset Grand Hanoi	No. 49 Hai Ba Trung Street, Hanoi	Leasehold	45 years	22 years	23 years	109,519	102,080	5.0	4.8
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Hanoi	Leasehold	36 years	26 years	27 years	48,307	48,231	2.2	2.3
Somerset West Lake Hanoi	No. 254D Thuy Khue Road, Hanoi	Leasehold	49 years	26 years	27 years	15,569	16,495	0.7	0.8
Somerset Chancellor Court Ho Chi Minh City	Nos. 21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City	Leasehold	48 years	26 years	27 years	59,845	54,528	2.7	2.6
Somerset Ho Chi Minh City	No. 8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City	Leasehold	45 years	24 years	25 years	44,553	41,432	2.0	2.0
Balance carried forward						3,014,856	2,461,374	137.7	116.7

(2) On 19 August 2015, the Group acquired the Element New York Times Square West property from LG-39 Ground Tenant LLC, an unrelated third party. The valuation was based on the discounted cash flow approach.

(7) On 18 August 2014, the Group completed the acquisition of two serviced residence properties in the People's Republic of China and one serviced residence property in Malaysia from related corporations. The valuations were based on the discounted cash flow approach.

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

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						3,014,856	2,461,374	137.7	116.7
France									
Citadines City Centre Lille[10]	Avenue Willy Brandt – Euralille, 59777 Lille	Freehold	Not applicable	Not applicable	Not applicable	15,422	16,847	0.7	0.8
Citadines City Centre Grenoble[10]	9-11 rue de Strasbourg 38000 Grenoble	Freehold	Not applicable	Not applicable	Not applicable	11,229	13,121	0.5	0.6
Citadines Suites Louvre Paris[10]	8 rue de Richelieu, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	47,793	52,292	2.2	2.5
Citadines Trocadéro Paris[10]	29 bis, rue Saint-Didier, 75116 Paris	Freehold	Not applicable	Not applicable	Not applicable	43,315	43,107	2.0	2.0
Citadines Presqu'île Lyon[10]	2 rue Thomassin, 69002 Lyon	Freehold	Not applicable	Not applicable	Not applicable	20,512	20,541	0.9	1.0
Citadines Place d'Italie Paris[10]	18 place d'Italie, 75013 Paris	Freehold	Not applicable	Not applicable	Not applicable	53,452	51,822	2.5	2.5
Citadines Montmartre Paris[10]	16 avenue Rachel, 75018 Paris	Freehold	Not applicable	Not applicable	Not applicable	35,485	37,566	1.6	1.8
Citadines Tour Eiffel Paris[10]	132 boulevard de Grenelle, 75015 Paris	Freehold	Not applicable	Not applicable	Not applicable	70,520	68,523	3.2	3.3
Balance carried forward						3,312,584	2,765,193	151.3	131.2

[10] As at 31 December 2015, these 20 serviced residence properties are leased to related corporations under master lease arrangements.

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

Portfolio Statements

As at 31 December 2015

By Geography (continued)

Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						3,312,584	2,765,193	151.3	131.2
***France** (continued)*									
Citadines Antigone Montpellier[10]	588 boulevard d'Antigone, 34000 Montpellier	Freehold	Not applicable	Not applicable	Not applicable	13,924	14,304	0.6	0.7
Citadines Castellane Marseille[10] [11]	60 rue du Rouet, 13006 Marseille	Freehold	20 years	4 years	5 years	10,032	10,141	0.5	0.5
Citadines Austerlitz Paris[10] [11]	27 rue Esquirol, 75013 Paris	Freehold	20 years	4 years	5 years	9,882	9,963	0.4	0.5
Citadines République Paris[10] [11]	75 bis, avenue Parmentier, 75011 Paris	Freehold	20 years	4 years	5 years	20,812	22,388	0.9	1.1
Citadines Maine Montparnasse Paris[10] [11]	67 avenue du Maine, 75014 Paris	Freehold	20 years	4 years	5 years	23,058	26,227	1.1	1.2
Citadines Prado Chanot Marseille[10]	9-11 boulevard de Louvain, 13008 Marseille	Freehold	Not applicable	Not applicable	Not applicable	8,534	9,801	0.4	0.5
Citadines Croisette Cannes[10]	1 rue le Poussin, 06400 Cannes	Freehold	Not applicable	Not applicable	Not applicable	6,139	6,949	0.3	0.3
Balance carried forward						3,404,965	2,864,966	155.5	136.0

(10) As at 31 December 2015, these 20 serviced residence properties are leased to related corporations under master lease arrangements.

(11) As at 31 December 2015, these five freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						3,404,965	2,864,966	155.5	136.0
France *(continued)*									
Citadines Didot Montparnasse Paris[10] [11]	94 rue Didot, 75014 Paris	Freehold	18 years	3 years	4 years	21,126	21,027	1.0	1.0
Citadines Les Halles Paris[10]	4 rue des Innocents, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	92,979	99,740	4.2	4.7
United Kingdom									
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH	Freehold	Not applicable	Not applicable	Not applicable	80,844	75,351	3.7	3.6
Citadines Trafalgar Square London	18-21 Northumberland Avenue, London WC2N 5EA	Freehold	Not applicable	Not applicable	Not applicable	199,366	186,035	9.1	8.8
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL	Freehold	Not applicable	Not applicable	Not applicable	86,133	76,334	3.9	3.6
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF	Freehold	Not applicable	Not applicable	Not applicable	186,486	172,265	8.5	8.2
Belgium									
Citadines Sainte-Catherine Brussels	51 Quai au Bois à Brûler 1000 Brussels	Freehold	Not applicable	Not applicable	Not applicable	28,530	28,688	1.3	1.4
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels	Freehold	Not applicable	Not applicable	Not applicable	27,049	27,724	1.3	1.3
Balance carried forward						4,127,478	3,552,130	188.5	168.6

(10) As at 31 December 2015, these 20 serviced residence properties are leased to related corporations under master lease arrangements.
(11) As at 31 December 2015, these five freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

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

Portfolio Statements
As at 31 December 2015

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Balance brought forward						4,127,478	3,552,130	188.5	168.6
Germany									
Citadines Kurfürstendamm Berlin[10]	Olivaer Platz 1, 10707 Berlin-Wilmersdorf	Freehold	Not applicable	Not applicable	Not applicable	15,721	20,573	0.7	1.0
Citadines Arnulfpark Munich[10]	Arnulfstrasse 51, 80636 München	Freehold	Not applicable	Not applicable	Not applicable	33,239	31,265	1.5	1.5
Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg	Freehold	Not applicable	Not applicable	Not applicable	61,836	67,438	2.8	3.2
Spain									
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	Freehold	Not applicable	Not applicable	Not applicable	51,437	52,630	2.4	2.5
Portfolio of serviced residence properties						4,289,711	3,724,036	195.9	176.8
Other assets and liabilities (net)						(1,621,135)	(1,370,800)	(74.0)	(65.1)
Net assets of Group						2,668,576	2,353,236	121.9	111.7
Perpetual securities						(397,094)	(149,351)	(18.2)	(7.1)
Non-controlling interests						(81,768)	(97,807)	(3.7)	(4.6)
Unitholders' funds						2,189,714	2,106,078	100.0	100.0

(10) As at 31 December 2015, these 20 serviced residence properties are leased to related corporations under master lease arrangements.

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

Portfolio Statements

As at 31 December 2015

No secondary segment has been presented as the Group invests predominantly in serviced residences and rental housing properties.

On 31 December 2015, Somerset Liang Court Property Singapore, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Citadines Biyun Shanghai, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Gaoxin Xi'an, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Zenith Residences, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Somerset Ampang Kuala Lumpur, Element New York Times Square West, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City, Somerset Ho Chi Minh City and Citadines Suites Louvre Paris were pledged as securities to banks for banking facilities granted to certain subsidiaries (see note 15).

On 31 December 2014, Somerset Liang Court Property Singapore, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Citadines St Georges Terrace Perth, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Citadines Biyun Shanghai, Citadines Xinghai Suzhou, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Gaoxin Xi'an, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Zenith Residences, Actus Hakata V-Tower, Big Palace Kita 14jo, Grand Mire Miyamachi, Grand Mire Shintera, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Grand E'terna Saga, Grand E'terna Saga Idaidori, Grand E'terna Nijojomae, Grand E'terna Chioninmae, Infini Garden, Citadines Central Shinjuku, Somerset Ampang Kuala Lumpur, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City, Somerset Ho Chi Minh City and Citadines Suites Louvre Paris were pledged as securities to banks for banking facilities granted to certain subsidiaries (see note 15).

Portfolio Statements

As at 31 December 2015

Trust

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2015	2014	2015 $'000	2014 $'000	2015 %	2014 %
Serviced residence properties									
Singapore									
Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	61 years	62 years	207,544	206,701	12.9	12.3
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	89 years	90 years	133,002	132,730	8.2	7.9
Ascott Raffles Place Singapore	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	875 years – 877 years	876 years – 878 years	222,545	219,262	13.8	13.1
Portfolio of serviced residence properties						563,091	558,693	34.9	33.3
Other assets and liabilities (net)						1,448,530	1,269,811	89.7	75.6
Net assets of Trust						2,011,621	1,828,504	124.6	108.9
Perpetual securities						(397,094)	(149,351)	(24.6)	(8.9)
Unitholders' funds						1,614,527	1,679,153	100.0	100.0

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

Portfolio Statements

As at 31 December 2015

No secondary segment has been presented as the Trust invests predominantly in serviced residence properties.

On 31 December 2015 and 31 December 2014, Somerset Liang Court Property Singapore, Citadines Mount Sophia Property Singapore and Ascott Raffles Place Singapore were pledged as securities to banks for banking facilities granted to the Trust (see note 15).

On 31 December 2015, the Manager engaged independent valuers, CBRE, to carry out valuations of the Group's serviced residences and rental housing properties, except for Somerset Ampang Kuala Lumpur. Somerset Ampang Kuala Lumpur was valued by C H Williams Talhar & Wong Sdn Bhd (as consultant to CBRE).

On 31 December 2014, the Manager engaged independent valuers, Jones Lang LaSalle Property Consultants Pte Ltd, to carry out valuations of the Group's serviced residences and rental housing properties, except for Quest Campbelltown, Quest Mascot, Quest Sydney Olympic Park, Citadines Central Shinjuku and Somerset Ampang Kuala Lumpur.

Quest Campbelltown, Quest Mascot and Quest Sydney Olympic Park were acquired on 10 December 2014 and the valuations obtained for the acquisition as at 1 August 2014 by the independent valuer, Savills Valuations Pty Ltd, were adopted as at 31 December 2014. Citadines Central Shinjuku was acquired on 16 October 2014 and the valuation obtained for the acquisition as at 10 September 2014 by the independent valuer, Savills Japan Co., Ltd., was adopted as at 31 December 2014. Somerset Ampang Kuala Lumpur was valued by C H Williams Talhar & Wong Sdn Bhd (as consultant to Jones Lang LaSalle Property Consultants Pte Ltd).

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The valuations included plant and equipment located in the serviced residences and rental housing properties. The valuations adopted in the portfolio table above were adjusted for values ascribed to plant and equipment.

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000
Cash flows from operating activities			
Total return for the year before income tax		215,751	167,315
Adjustments for:			
Depreciation of plant and equipment		16,634	16,267
Finance costs		49,856	43,341
Finance income		(1,603)	(2,123)
Foreign exchange loss – unrealised		10,671	10,739
Loss on disposal of plant and equipment		81	224
Manager's management fees paid/payable in Units		14,768	13,251
Net change in fair value of financial derivatives		675	(1,291)
Net change in fair value of serviced residence properties and assets held for sale		(84,318)	(63,030)
Profit from divestments		(9,924)	–
Assets written off		3,717	16,022
Impairment loss on trade and other receivables		22	(14)
Share of profit of associate		(7)	–
Operating income before working capital changes		216,323	200,701
Changes in working capital:			
Inventories		14	129
Trade and other receivables		(13,762)	(5,772)
Trade and other payables		(1,024)	(20,123)
Cash generated from operations		201,551	174,935
Income tax paid		(24,058)	(22,384)
Net cash from operating activities		177,493	152,551
Cash flows from investing activities			
Acquisition of serviced residence properties, net of cash acquired	34	(418,835)	(428,357)
Capital expenditure on serviced residence properties		(35,235)	(30,225)
Proceeds from disposal of assets held for sale		9,054	5,457
Proceeds from divestments of serviced residence properties		58,137	–
Interest received		1,603	2,123
Proceeds from sale of plant and equipment		154	180
Purchase of plant and equipment		(11,546)	(9,802)
Net cash used in investing activities		(396,668)	(460,624)
Balance carried forward		(219,175)	(308,073)

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

Consolidated Statement of Cash Flows

Year ended 31 December 2015

	Note	Group 2015 $'000	Group 2014 $'000
Balance brought forward		(219,175)	(308,073)
Cash flows from financing activities			
Distributions to Unitholders		(124,711)	(116,468)
Distributions to perpetual securities holders		(13,366)	–
Dividends paid to non-controlling interests		(3,382)	(3,228)
Interest paid		(48,628)	(41,851)
Payments for acquisition of ownership interests in subsidiaries with no change in control	34	(31,552)	–
Payment of finance lease		(2,799)	(3,676)
Proceeds from borrowings		450,702	545,670
Proceeds from issue of medium term notes		280,672	212,657
Proceeds from issue of perpetual securities		250,000	150,000
Payment of transaction costs on issue of perpetual securities		(2,774)	(1,502)
Repayment of borrowings		(360,735)	(443,525)
Repayment of medium term notes		(150,000)	–
Net cash from financing activities		243,427	298,077
Net increase/(decrease) in cash and cash equivalents		24,252	(9,996)
Cash and cash equivalents at 1 January		192,556	204,518
Effect of exchange rate changes on balances held in foreign currency		3,659	(1,966)
Cash and cash equivalents at 31 December		220,467	192,556

Significant Non-Cash Transactions

A total of 12,203,288 (2014: 10,640,537) Units were issued or will be issued as payment of the Manager's management fees amounting to $14,768,000 (2014: $13,251,000) in respect of the year ended 31 December 2015.

During the financial year ended 31 December 2015, 2,378,952 (2014: 2,020,654) Units were issued to the Manager as payment of acquisition fee in relation to the completion of the acquisition of serviced residence properties.

Notes to the Financial Statements

Year ended 31 December 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 25 February 2016.

1 General

Ascott Residence Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 19 January 2006 (as amended) (the "Trust Deed") between Ascott Residence Trust Management Limited (the "Manager") and DBS Trustee 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 held by it or through its subsidiaries (collectively, the "Group") 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 31 March 2006 and was included under the Central Provident Fund ("CPF") Investment Scheme on 31 March 2006.

The principal activities of the Trust and its subsidiaries are those relating to investment in real estate and real estate related assets which are income-producing and which are used or predominantly used, as serviced residences, rental housing properties and other hospitality assets in any country in the world.

For financial reporting purposes, the Group is regarded as a subsidiary of The Ascott Limited ("TAL"). Accordingly, the ultimate holding company is CapitaLand Limited. The immediate and ultimate holding companies are incorporated in Singapore.

The consolidated financial statements relate to the Group and the Group's interest in its associate.

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

(i) Trustee's fees

Pursuant to Clause 16.2 of the Trust Deed, the Trustee's fee shall not exceed 0.1% per annum of the value of the assets of the Group ("Deposited Property"), subject to a minimum of $10,000 per month, excluding out-of-pocket expenses and goods and services tax which is borne by 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 monthly in arrears.

(ii) Manager's fees

Management fees

The Manager is entitled under Clauses 15.1.1 and 15.1.2 of the Trust Deed to the following management fees:

(a) a base fee of 0.3% per annum of the property values; and

Notes to the Financial Statements

Year ended 31 December 2015

1 General (continued)

(ii) Manager's fees (continued)

Management fees (continued)

(b) an annual performance fee of:

- base performance fee of 4.0% per annum of the Group's share of gross profit for each financial year; and
- in the event that the Group's share of gross profit increases by more than 6.0% annually, an outperformance fee of 1.0% of the difference between the Group's share of that financial year's gross profit and 106% of the Group's share of the preceding year's gross profit.

The management fees payable in cash and in the form of Units shall be payable quarterly in arrears. When management fees are payable in Units, the issue prices will be determined based on the volume weighted average traded price per Unit for all trades done on SGX-ST in the ordinary course of trading for 5 business days immediately preceding the respective date of issue of the new Units, or where the Manager believes such market price is not a fair reflection of the market price of a Unit, such amount as determined by the Trustee at its discretion (after consultation with a stockbroker appointed by the Trustee) upon request by the Manager to review the market price of a Unit, as being the fair market price of a Unit.

Acquisition fee

Pursuant to Clause 15.2.1 of the Trust Deed, the Manager is entitled to receive the following acquisition fees:

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

(b) in the event that there is payment to third party agents or brokers in connection with the acquisition, such payment shall be paid out of the Deposited Property, provided that the Manager shall charge an acquisition fee of 0.5% instead of 1.0%.

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

The Manager may opt to receive such acquisition fee in the form of cash or Units or a combination of cash and Units as it may determine.

In the event that the Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of Units to be issued by the Trust at the market price.

1 **General** (continued)

(ii) Manager's fees (continued)

Divestment fee

The Manager is entitled under Clause 15.2.1 of the Trust Deed to receive a divestment fee of 0.5% of the Enterprise Value of any real estate or real estate related asset disposed directly or indirectly by the Trust, prorated if applicable to the proportion of the Trust's interest.

The divestment fee is payable to the Manager in the form of cash. In the event that the Manager receives a divestment fee in connection with a transaction with a related party, any such divestment fee shall be paid in the form of Units to be issued by the Trust at the market price.

(iii) Fees under serviced residence management agreements

The serviced residence management fee for each property is agreed between the Group and the relevant serviced residence management company as follows:

(a) each property (with the exception of properties located in Belgium, Spain and United Kingdom) is charged:

- basic management fees of between 2.0% and 3.0% per annum of the total revenue of each property; and
- incentive management fees of up to 10.0% per annum of gross operating profit of each property; and

(b) each property located in Belgium, Spain and United Kingdom is charged:

- basic management fees of 3.0% per annum of the total revenue and 6.0% per annum of net operating profit ("NOP") of each property; and
- incentive management fees of 50% of any excess NOP achieved above the NOP hurdle of each property.

Notes to the Financial Statements
Year ended 31 December 2015

2 Basis of preparation

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for serviced residence properties, assets held for sale and certain financial assets and liabilities which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make judgements, estimates and assumptions that affect the application of 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 judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are included in the following notes:

- Note 13 – classification of assets held for sale
- Note 34 – accounting for acquisition of serviced residence properties and subsidiaries

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

- Note 10 – utilisation of tax losses
- Note 33 – valuation of serviced residence properties and assets held for sale
- Note 33 – valuation of financial instruments

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.

The Group has an established control framework with respect to the measurement of fair values. Significant fair value measurements, including Level 3 fair values, will be reported directly to the Chief Executive Officer ("CEO").

Management regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as valuation of investment property by external valuers, is used to measure fair values, then management assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

The valuation of significant assets and their financial impact are discussed by the Audit Committee and Board of Directors.

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

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

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

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

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

- Note 33 – valuation of serviced residence properties, assets held for sale and financial instruments

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements and have been applied consistently by the entities in the Group.

3.1 Basis of consolidation

(i) Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

The Group's acquisitions of subsidiaries are primarily accounted for as acquisitions of assets as the subsidiaries are special purpose vehicles established for the sole purpose of holding assets.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as transactions with owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the statement of total return. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary. Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the statement of total return. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(ii) Associates

Associates are those entities in which the Group has significant influence, but not control, or joint control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. Associates are accounted for using the equity method and are recognised initially at cost.

The consolidated financial statements include the Group's share of the income, expenses and equity movements of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

3 Significant accounting policies (continued)

3.1 Basis of consolidation (continued)

(iii) 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 associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(iv) Accounting for subsidiaries and associate by the Trust

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

3.2 Foreign currency

(i) Foreign currency transactions

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency").

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

Foreign currency differences arising on retranslation are recognised in the statement of total return, except for differences arising on the retranslation of financial liabilities designated as a hedge of the net investment in a foreign operation (see note 3.2 (iii)) or qualifying cash flow hedges to the extent the hedge is effective, which are recognised in Unitholders' funds.

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (continued)

3.2 Foreign currency (continued)

(ii) Foreign operations

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

Foreign currency differences are recognised in Unitholders' funds. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve is transferred to total return as part of the profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

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

(iii) Hedge of a net investment in foreign operation

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

Foreign currency differences arising on the retranslation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in Unitholders' funds to the extent that the hedge is effective, and are presented within equity in the foreign currency translation reserve. To the extent that the hedge is ineffective, such differences are recognised in the statement of total return. When the hedged net investment is disposed of, the relevant amount in the foreign currency translation reserve is transferred to the statement of total return as part of the profit or loss on disposal.

3.3 Serviced residence properties

Serviced residence properties comprise serviced residences, rental housing properties and other hospitality assets. Serviced residence properties 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. Transaction costs are included in the initial measurement. Fair value is determined in accordance with the Trust Deed, which requires the serviced residence properties to be valued by independent registered valuers in the following events:

- at least once in each period of 12 months following the acquisition of each parcel of real estate property; and
- for acquisition and disposal of real estate property as required by the CIS Code issued by MAS.

3 **Significant accounting policies** (continued)

3.3 **Serviced residence properties** (continued)

Acquisition of serviced residence properties are accounted for by the Group and Trust as acquisition of assets.

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 serviced residence properties.

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

Serviced residence properties are not depreciated. The properties are subject to continual maintenance and regularly revalued on the basis set out above.

3.4 **Plant and equipment**

Recognition and measurement

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

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and are recognised net within other income/ other expenses in total return.

Subsequent costs

The cost of replacing a component 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 component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in total return as incurred.

Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in the statement of total return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

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

Renovation	-	8 to 12 years
Motor vehicles	-	5 years
Office equipment, computers and furniture	-	3 to 8 years

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

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (continued)

3.5 Financial instruments

Non-derivative financial assets

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

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

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

The Group has the following non-derivative financial assets: loans and receivables, and cash and cash equivalents.

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

Non-derivative financial liabilities

The Group initially recognises all financial liabilities (including liabilities designated at fair value through the statement of total return) on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

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

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

3 Significant accounting policies (continued)

3.5 Financial instruments (continued)

Derivative financial instruments, including 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 economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through total return.

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

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect total return, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in the statement of total return.

When the hedged item is a non-financial asset, the amount recognised in the hedging reserve is reclassified to total return in the same period or periods during which the non-financial item affects total return. In other cases, the amount recognised in the hedging reserve is transferred to total return in the same period that the hedged item affects total return. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in the hedging reserve is recognised immediately in the statement of total return.

Fair value hedges

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

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in total return.

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (continued)

3.5 Financial instruments (continued)

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Trust that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the statement of total return.

Unitholders' funds

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

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

Perpetual securities

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

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

3.6 Impairment

Non-derivative financial assets

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

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

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

3 Significant accounting policies (continued)

3.6 Impairment (continued)

Non-derivative financial assets (continued)

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

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

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than serviced residence properties, inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGUs on a *pro rata* basis.

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

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (continued)

3.7 Inventories

Inventories comprise principally food and beverage and other serviced residence and rental property related consumable stocks. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

3.8 Assets held for sale

Assets comprising assets and liabilities, that are expected to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets and liabilities are measured in accordance with applicable FRSs. Thereafter the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell except for the following assets which are measured in accordance with applicable FRSs:

(a) Deferred tax assets (FRS 12 – *Income Taxes*); and

(b) Non-current assets that are accounted for in accordance with the fair value model in FRS 40 – *Investment Property*.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the statement of total return. Gains are not recognised in excess of any cumulative impairment loss.

3.9 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the statement of total return in the periods during which services are rendered by employees.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

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

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3 Significant accounting policies (continued)

3.11 Leases

When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are apportioned between finance expense and reduction of lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the statement of total return on a straight-line basis over the term of the lease. Lease incentives received are recognised in the statement of total return as an integral part of the total lease payments made. Contingent rentals are charged to the statement of total return in the accounting period in which they are incurred.

When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in serviced residence properties (see note 3.3).

3.12 Revenue

Rental income from operating leases

Rental income receivable under operating leases is recognised on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received. Contingent rentals are recognised as income in the accounting period in which they are earned.

Hospitality income

Hospitality income from serviced residence operations is recognised on an accrual basis, upon rendering of the relevant services. Hospitality income includes fees from usage of the business centres and laundry facilities, recoveries from guests for utilities including telephone charges, income earned from the sales of food and beverages, recoveries of shortfall of net operating profit or earnings before net interest expenses, tax, depreciation and amortisation, service and maintenance fees, recoveries of property taxes and maintenance costs from tenants and fees for managing public areas as well as other miscellaneous income.

Car park income

For car parks which are leased to an external operator, car park income is recognised on a straight-line basis over the term of the lease.

For other car parks, car park income is recognised on an accrual basis.

Dividend income

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

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (continued)

3.13 Expenses

Direct expenses

Direct expenses consist of serviced residence management fees, property taxes, staff costs and other property outgoings in relation to serviced residence properties where such expenses are the responsibility of the Group.

Trustee's fees

The Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in note 1(i).

Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula, stipulated in note 1(ii).

Serviced residence management fees

The serviced residence management fees are recognised on an accrual basis using the applicable formula, stipulated in note 1(iii).

3.14 Finance income and finance costs

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

Finance costs comprise interest expense on loans and borrowings and amortisation of loans and borrowings related costs. Finance costs are recognised in the statement of total return using the effective interest method.

3.15 Income tax

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

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;

- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

3 Significant accounting policies (continued)

3.15 Income tax (continued)

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 period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which 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.

The Inland Revenue Authority of Singapore (the “IRAS”) has issued a tax ruling on the income tax treatment of the Trust. Subject to compliance with the terms and conditions of the tax ruling, the Trust is not subject to tax on the taxable income of the Trust. Instead, the distributions made by the Trust out of such taxable income are distributed free of tax deducted at source to individual Unitholders and qualifying Unitholders. Qualifying Unitholders are companies incorporated and tax resident in Singapore, Singapore branches of foreign companies that have obtained waiver from the IRAS from tax deducted at source in respect of the distributions from the Trust, and bodies of persons registered or constituted in Singapore. This treatment is known as the tax transparency treatment.

The Trustee will deduct tax at the reduced rate of 10% from distributions made out of the Trust’s taxable income that is not taxed at the Trust’s level to beneficial Unitholders who are qualifying foreign non-individual investors. A qualifying foreign non-individual investor is one who is not a resident of Singapore for income tax purposes, and does not have a permanent establishment in Singapore. Where the non-individual investor carries on any operation in Singapore through a permanent establishment in Singapore, the funds used by that person to acquire the Units cannot be obtained from that operation to qualify for the reduced tax rate.

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 Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source by the Trustee.

Notes to the Financial Statements

Year ended 31 December 2015

3 Significant accounting policies (continued)

3.15 Income tax (continued)

Distribution policy

The Trust will distribute at least 90% of its taxable income, other than gains from the sale of real estate properties that are determined by the IRAS to be trading gains, and net overseas income.

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

Distributions are made on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions declared within 60 days of the end of each distribution period. Distributions, when paid, will be in Singapore dollars.

3.16 Earnings per unit

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

3.17 Segment reporting

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

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

Segment capital expenditure is the total costs incurred on serviced residence properties and plant and equipment during the year.

3 Significant accounting policies (continued)

3.18 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations on the financial statements of the Group and the Trust.

These new standards include among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for adoption by the Group on 1 January 2018.

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

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

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Trust in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Trust. The Group is currently assessing the impact of FRS 115 and FRS 109 and plans to adopt the new standards on the required effective date.

Notes to the Financial Statements

Year ended 31 December 2015

4 Serviced residence properties

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	3,724,036	3,177,020	558,693	556,392
Acquisition of subsidiaries and serviced residence properties (Note 34)	461,618	546,441	–	–
Capital expenditure	38,138	34,816	157	526
Divestments of serviced residence properties	(48,175)	–	–	–
Net change in fair value of serviced residence properties	78,460	57,203	4,241	1,650
Assets written off	(3,717)	(16,022)	–	–
Transfer from plant and equipment (Note 5)	683	734	–	125
Translation difference	38,668	(76,156)	–	–
At 31 December	4,289,711	3,724,036	563,091	558,693

Certain serviced residence properties of the Group with an aggregate carrying value of $2,456,330,000 (2014: $2,128,641,000) are pledged as securities to banks for banking facilities granted to certain subsidiaries (see note 15).

The Group held interest in five (2014: five) serviced residence properties in France under finance lease arrangements. Under each of these finance lease arrangement, the Group may acquire legal title to the relevant property by exercising its option to purchase the property (a) prior to the expiry of the finance lease by, among others, providing six months' notice to the finance company and making prepayment for the outstanding rentals due to the finance company, or (b) at the expiry of the finance lease by making a nominal payment of $1 to the finance company. Upon the exercise of the option by serving the six months' notice, the legal title will, in accordance with the finance lease arrangements, be delivered to the Group. At 31 December 2015, the carrying value of these serviced residence properties was $84,910,000 (2014: $89,746,000).

The serviced residence properties of the Trust with an aggregate carrying value of $563,091,000 (2014: $558,693,000) are pledged as securities to banks for banking facilities granted to the Trust (see note 15).

During the year, the Group carried out asset enhancement initiatives on certain serviced residence properties. As a result of such asset enhancement initiatives, assets no longer in use amounting to $3,717,000 (2014: $16,022,000) were written off.

5 Plant and equipment

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group					
Cost					
At 1 January 2014	8,443	326	69,986	962	79,717
Acquisition of subsidiaries and serviced residence properties (Note 34)	–	70	8,616	112	8,798
Additions	861	–	8,514	427	9,802
Disposals	(42)	(49)	(7,373)	–	(7,464)
Written off	–	–	(9)	–	(9)
Transfer to serviced residence properties (Note 4)	(158)	–	(205)	(371)	(734)
Reclassifications	(530)	–	1,143	(613)	–
Translation difference	(98)	(28)	(673)	26	(773)
At 31 December 2014	8,476	319	79,999	543	89,337
At 1 January 2015	8,476	319	79,999	543	89,337
Acquisition of subsidiaries and serviced residence properties (Note 34)	–	–	2,802	–	2,802
Additions	284	94	6,916	4,252	11,546
Divestments of serviced residence properties	–	–	(78)	–	(78)
Disposals	(1)	(26)	(2,001)	–	(2,028)
Written off	(15)	–	(170)	–	(185)
Transfer to serviced residence properties (Note 4)	–	–	(509)	(174)	(683)
Translation difference	240	8	2,169	21	2,438
At 31 December 2015	8,984	395	89,128	4,642	103,149

Notes to the Financial Statements

Year ended 31 December 2015

5 Plant and equipment (continued)

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group					
Accumulated depreciation					
At 1 January 2014	5,673	45	20,757	–	26,475
Charge for the year	675	116	15,476	–	16,267
Disposals	(21)	(39)	(7,002)	–	(7,062)
Written off	–	–	(7)	–	(7)
Reclassifications	(489)	–	489	–	–
Translation difference	(67)	(38)	(331)	–	(436)
At 31 December 2014	5,771	84	29,382	–	35,237
At 1 January 2015	5,771	84	29,382	–	35,237
Charge for the year	734	140	15,760	–	16,634
Divestments of serviced residence properties	–	–	(40)	–	(40)
Disposals	–	(18)	(1,775)	–	(1,793)
Written off	(15)	–	(170)	–	(185)
Translation difference	82	(4)	712	–	790
At 31 December 2015	6,572	202	43,869	–	50,643
Carrying amounts					
At 1 January 2014	2,770	281	49,229	962	53,242
At 31 December 2014	2,705	235	50,617	543	54,100
At 31 December 2015	2,412	193	45,259	4,642	52,506

5 Plant and equipment (continued)

	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Trust			
Cost			
At 1 January 2014	15,575	232	15,807
Additions	1,291	–	1,291
Disposals	(228)	–	(228)
Transfer to serviced residence properties (Note 4)	–	(125)	(125)
Reclassifications	107	(107)	–
At 31 December 2014	16,745	–	16,745
At 1 January 2015	16,745	–	16,745
Additions	871	385	1,256
Disposals	(255)	–	(255)
At 31 December 2015	17,361	385	17,746
Accumulated depreciation			
At 1 January 2014	7,699	–	7,699
Charge for the year	2,913	–	2,913
Disposals	(174)	–	(174)
At 31 December 2014	10,438	–	10,438
At 1 January 2015	10,438	–	10,438
Charge for the year	2,571	–	2,571
Disposals	(172)	–	(172)
At 31 December 2015	12,837	–	12,837
Carrying amounts			
At 1 January 2014	7,876	232	8,108
At 31 December 2014	6,307	–	6,307
At 31 December 2015	4,524	385	4,909

Notes to the Financial Statements

Year ended 31 December 2015

6 Subsidiaries

	Trust	
	2015 $'000	2014 $'000
Unquoted equity shares, at cost	355,498	301,851
Allowance for impairment loss	(7,963)	(4,248)
	347,535	297,603

The Trust recognised an impairment loss of $3,715,000 (2014: $1,542,000) on its investment in certain subsidiaries due to indicators of impairment arising from lower valuations of the properties held by these subsidiaries. The Trust assessed the recoverable amount of its investment in subsidiaries based on their fair value less costs to sell. The recoverable amounts for the relevant subsidiaries were determined based on the fair value of the net assets as at the reporting date, taking into consideration the fair values of the underlying properties held by the subsidiaries, where applicable. This fair value measurement is categorised under Level 3 in the fair value hierarchy.

(a) Details of the significant subsidiaries directly held by the Trust are as follows:

Name of subsidiaries	Principal place of business/Country of incorporation	Effective equity interest held by the Group	
		2015 %	2014 %
Somerset FG Pte. Ltd.	China; Singapore	100	100
Ascott REIT MTN Pte. Ltd.	Singapore	100	100
Ascott REIT MTN (Euro) Pte. Ltd.	Singapore	100	100

(b) Other significant subsidiaries in the Group are as follows:

Name of subsidiaries	Principal place of business/Country of incorporation	Effective equity interest held by the Group	
		2015 %	2014 %
Ascott REIT Seven Campbelltown Trust[(a)]	Australia	100	100
Ascott REIT Eight Mascot Trust[(a)]	Australia	100	100
Ascott REIT Nine SOP Trust[(a)]	Australia	100	100
Citadines Melbourne on Bourke Unit Trust[(a), (i)]	Australia	100	–
Citadines St Georges Terrace (Perth) Unit Trust[(a)]	Australia	100	100
Citadines (Xi'an) Property Co., Ltd.[(a)]	China	100	100
Gain Mark Properties (Shanghai) Ltd.[(a)]	China	100	100
Guangzhou Hai Yi Property Development Company[(a)]	China	100	100
Shanghai Xin Wei Property Development Co., Ltd.[(a)]	China	100	100
Somerset Heping (Shenyang) Property Co., Ltd.[(a)]	China	100	100

6 Subsidiaries (continued)

Name of subsidiaries	Principal place of business/Country of incorporation	Effective equity interest held by the Group 2015 %	2014 %
Suzhou Chong Rui Xin Shi Ji Real Estate Co., Ltd.[(a)]	China	100	100
Tianjin Consco Property Development Co., Ltd.[(a)]	China	100	100
Wangze (Dalian) Enterprise Co., Limited[(a)]	China	100	100
Wuhan Citadines Property Development Co., Ltd.[(a)]	China	100	100
Oriville SAS[(a)]	France	100	100
PT Bumi Perkasa Andhika[(a)]	Indonesia	100	99
PT Ciputra Liang Court [(a)]	Indonesia	57	57
ARC-CapitaLand Three TMK[(a)]	Japan	100	100
ARC-CapitaLand Four TMK[(a), (i)]	Japan	100	–
Ascott REIT Six TMK[(a)]	Japan	100	100
Citadines Kyoto Gojo TMK[(a), (ii)]	Japan	100	60
Citadines Shinjuku TMK[(a), (ii)]	Japan	100	60
Infini Garden TMK[(a)]	Japan	100	100
Somerset Azabu East TMK[(a)]	Japan	100	100
Somerset Roppongi TMK[(a)]	Japan	100	100
Zenith Residences Tokyo Tokutei Mokuteki Kaisha[(a)]	Japan	100	100
Ascott REIT (Jersey) Limited[(b)]	Jersey	100	100
Somerset Ampang (Malaysia) Sdn. Bhd.[(a)]	Malaysia	100	100
Ascott Hospitality Holdings Philippines, Inc[(a)]	Philippines	100	100
Ascott Makati, Inc[(a)]	Philippines	100	100
SQ Resources, Inc[(a)]	Philippines	63	63
SN Resources, Inc[(a)]	Philippines	97	97
SM Ascott LLC[(a), (iii)]	United States of America	100	–
Hanoi Tower Center Company Ltd[(a)]	Vietnam	76	76
Mekong-Hacota Joint Venture Company Ltd[(a)]	Vietnam	65	66
Saigon Office and Serviced Apartment Co. Limited[(a)]	Vietnam	67	67
Somerset Hoa Binh Joint Venture Company Limited[(a)]	Vietnam	90	90
West Lake Development Company Limited[(a)]	Vietnam	70	70

All significant subsidiaries are audited by KPMG LLP Singapore except for the following:

(a) Audited by other member firms of KPMG International.

(b) Audit not required in the country of incorporation.

(i) These subsidiaries were acquired during the year. See note 34.

(ii) The remaining 40% interest in Citadines Kyoto Gojo TMK and Citadines Shinjuku TMK was acquired by the Group on 31 July 2015. See note 34.

(iii) This entity is wholly-owned by USA Hotel REIT LLC, which itself is 100% owned by the Trust. These two subsidiaries were established in the United States of America. See note 34.

Notes to the Financial Statements

Year ended 31 December 2015

7 Non-controlling interests

The following subsidiaries have material non-controlling interests ("NCI") and operate serviced residence properties.

Name of subsidiaries	Principal place of business/Country of incorporation	Ownership interests held by NCI	
		2015 %	2014 %
Citadines Shinjuku TMK	Japan	–[a]	40
Hanoi Tower Center Company Ltd	Vietnam	24	24
Mekong-Hacota Joint Venture Company Ltd	Vietnam	35	34
PT Ciputra Liang Court	Indonesia	43	43
Saigon Office and Serviced Apartment Co. Limited	Vietnam	33	33
Somerset Hoa Binh Joint Venture Company Limited	Vietnam	10	10
West Lake Development Company Limited	Vietnam	30	30

[a] The remaining 40% interest in Citadines Shinjuku TMK was acquired by the Group on 31 July 2015. See note 34.

7 Non-controlling interests (continued)

The following summarises the financial information of each of the Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with FRSs, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	Citadines Shinjuku TMK $'000	Hanoi Tower Center Company Ltd $'000	Mekong-Hacota Joint Venture Company Ltd $'000	PT Ciputra Liang Court $'000	Saigon Office and Serviced Apartment Co. Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2015									
Revenue	5,092	15,060	6,446	7,149	8,957	6,684	2,739		
Profit	17,489 [1]	8,765	1,943	(651)	6,584	230	(944)		
Attributable to NCI:									
- Profit	6,995	2,104	653	(277)	2,173	23	(283)	2,419	13,807
Non-current assets	–	112,019	45,045	41,735	63,011	48,229	16,977		
Current assets	–	10,100	2,848	10,233	9,955	2,501	1,565		
Non-current liabilities	–	(5,118)	–	–	(13,857)	–	–		
Current liabilities	–	(24,883)	(6,261)	(7,413)	(2,606)	(16,250)	(7,258)		
Net assets	–	92,118	41,632	44,555	56,503	34,480	11,284		
Net assets attributable to NCI	–	22,108	14,338	18,967	18,646	3,448	3,385	876	81,768
Cash flows from operating activities	2,090	7,511	2,102	1,148	4,743	2,733	933		
Cash flows used in investing activities	(32)	(388)	(1,895)	(1,483)	–	(14)	(14)		
Cash flows used in financing activities	(1,861)	(7,405)	(928)	(138)	(4,781)	(4,615)	(1,311)		
Net increase/(decrease) in cash and cash equivalents	197	(282)	(721)	(473)	(38)	(1,896)	(392)		
Dividends paid to NCI	–	1,426	250	–	1,225	126	81		

[1] Included in the profit for Citadines Shinjuku TMK is an amount of $15.3 million relating to revaluation gain from a serviced residence property.

7 Non-controlling interests (continued)

	Citadines Shinjuku TMK $'000	Hanoi Tower Center Company Ltd $'000	Mekong-Hacota Joint Venture Company Ltd $'000	PT Ciputra Liang Court $'000	Saigon Office and Serviced Apartment Co. Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2014									
Revenue	8,465	14,356	5,481	7,035	8,623	6,488	2,555		
Profit	6,311	7,007	119	1,088	3,972	3,204	(607)		
Attributable to NCI:									
- Profit	2,524	1,682	39	463	1,311	320	(182)	1,747	7,904
Non-current assets	68,779	104,920	39,076	38,990	57,976	48,476	17,903		
Current assets	3,731	9,329	3,591	9,320	9,599	4,147	1,934		
Non-current liabilities	(34,686)	(24,944)	(4,356)	–	(1,305)	(287)	–		
Current liabilities	(2,043)	(2,846)	(2,175)	(6,682)	(14,234)	(17,969)	(7,739)		
Net assets	35,781	86,459	36,136	41,628	52,036	34,367	12,098		
Net assets attributable to NCI	14,313	20,750	12,134	17,721	17,172	3,437	3,629	8,651	97,807
Cash flows from operating activities	3,655	8,225	3,035	1,875	4,135	2,320	747		
Cash flows (used in)/from investing activities	(121)	(884)	(1,816)	(546)	253	(203)	(29)		
Cash flows used in financing activities	(2,483)	(6,691)	(1,150)	(126)	(3,929)	(1,456)	(1,069)		
Net increase/(decrease) in cash and cash equivalents	1,051	650	69	1,203	459	661	(351)		
Dividends paid to NCI	–	1,288	347	–	972	115	122		

8 Associate

	Group		Trust	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Interest in an associate	3,479	3,152	3,958	3,638

Details of the associate are as follows:

Company name	East Australia Trading Company Limited
Nature of relationship with the Group	Investment holding company held by the Group
Principal place of business/Country of incorporation	Hong Kong
Ownership interest/Voting rights held	40% (2014: 40%)

The associate is immaterial to the Group.

A member firm of KPMG International is the auditor of the associate.

In 2015 and 2014, the Group did not receive dividends from the associate.

The following table summarises the financial information for the Group's interest in the associate, based on the amounts reported in the Group's consolidated financial statements:

	2015 $'000	**2014 $'000**
Profit after taxation	7	–

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Year ended 31 December 2015

9 Financial derivatives

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Financial derivative assets				
Current				
Forward exchange contracts	–	353	–	353
Financial derivative liabilities				
Non-current				
Interest rate swaps	(7,115)	(14,120)	(3,900)	(10,429)
Cross currency swaps	(3,198)	–	(3,198)	–
	(10,313)	(14,120)	(7,098)	(10,429)
Current				
Interest rate swaps	(900)	(15)	(823)	(12)
Forward exchange contracts	(322)	–	(322)	–
	(1,222)	(15)	(1,145)	(12)

During the year, the Group entered into cross currency swaps to swap fixed rate SGD loans of $200.0 million for fixed rate EUR obligations. The SGD loans, which together with the cross currency swaps arrangement, have been used to hedge the Group's foreign exchange risk on the net investment in the subsidiaries in Europe. There is no ineffectiveness in the financial year ended 31 December 2015. As at 31 December 2015, the Group held cross currency swaps with a notional principal amount of $200.0 million (2014: Nil) for a term of seven years (2014: Nil).

The Group entered into forward exchange contracts with a total notional principal amount of $38.4 million (2014: $26.6 million) to hedge the foreign currency income from the overseas assets. These contracts are settled within one year.

10 Deferred tax

Movements in deferred tax assets and liabilities (prior to offsetting of balances) are as follows:

	At 1 January 2014 $'000	Credited/ (charged) to statement of total return (Note 26) $'000	Acquisition of subsidiaries (Note 34) $'000	Translation differences $'000	At 31 December 2014 $'000	Credited/ (charged) to statement of total return (Note 26) $'000	Acquisition of subsidiaries (Note 34) $'000	Translation differences $'000	At 31 December 2015 $'000
Group									
Deferred tax assets									
Unutilised capital allowances	–	118	34	(6)	146	101	–	(23)	224
Unutilised tax losses	2,271	391	–	(105)	2,557	190	–	(138)	2,609
Provisions and accruals	168	–	22	5	195	(75)	–	5	125
Unrealised foreign exchange loss – trade	1,234	(743)	–	(7)	484	528	–	13	1,025
	3,673	(234)	56	(113)	3,382	744	–	(143)	3,983
Deferred tax liabilities									
Serviced residence properties	(54,119)	(12,442)	–	1,249	(65,312)	(12,823)	–	1,260	(76,875)
Unrealised foreign exchange gain – trade	–	–	–	–	–	(316)	–	–	(316)
Provisions	(1,898)	(153)	(31)	106	(1,976)	55	–	149	(1,772)
Plant and equipment	(11,753)	1,038	–	759	(9,956)	(296)	–	378	(9,874)
Unremitted interests	(84)	84	–	–	–	–	(14)	–	(14)
	(67,854)	(11,473)	(31)	2,114	(77,244)	(13,380)	(14)	1,787	(88,851)
Net deferred tax (liabilities)/assets	(64,181)	(11,707)	25	2,001	(73,862)	(12,636)	(14)	1,644	(84,868)

Notes to the Financial Statements

Year ended 31 December 2015

10 Deferred tax (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the statements of financial position as follows:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax assets	3,983	3,382	–	–
Deferred tax liabilities	(88,851)	(77,244)	–	–

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Tax losses	54,339	57,058	–	–
Deductible temporary differences	2,899	2,200	–	–

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. The deductible temporary differences do not expire under the current tax legislation.

Unrecognised tax losses brought forward of the Group amounting to $3,795,000 (2014: $229,000) expired during the year. In addition, $8,777,000 (2014: $2,986,000) of the losses brought forward were utilised to set off against current year's taxable profit. The remaining balance of $44,486,000 (2014: $24,932,000), unrecognised tax losses arising during the year of $9,160,000 (2014: $16,260,000) and unrecognised tax losses of $693,000 (2014: $15,866,000) arising from acquisition of subsidiaries have been carried forward and are subject to expiration as follows:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Expiry dates				
- Within 1 to 5 years	42,733	45,540	–	–
- After 5 years	11,606	11,518	–	–
	54,339	57,058	–	–

11 Deposits

The deposit as at 31 December 2015 relates to the 5% (2014: 5%) deposit paid upon the execution of the sale and purchase agreement with related corporations for the acquisition of a new serviced residence property in Singapore.

12 Trade and other receivables

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables	16,817	13,359	1,028	1,234
Impairment loss	(148)	(157)	–	–
	16,669	13,202	1,028	1,234
Non-trade amounts due from subsidiaries	–	–	2,327,461	2,027,573
Impairment loss	–	–	(59,514)	(55,512)
	–	–	2,267,947	1,972,061
Amounts due from related parties:				
- trade	1,079	1,602	–	1
- non-trade	8,807	6,298	–	–
Deposits	2,192	1,111	39	39
Other receivables	11,842	10,751	1,001	137
Impairment loss	(312)	(287)	–	–
	11,530	10,464	1,001	137
	40,277	32,677	2,270,015	1,973,472
Prepayments	9,430	3,697	96	110
	49,707	36,374	2,270,111	1,973,582

Concentration of credit risk relating to trade receivables is limited due to the Group's varied tenants. These tenants are from a wide range of nationalities and engaged in a wide spectrum of business activities. The Group's historical experience in the collection of accounts receivables 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.

Notes to the Financial Statements

Year ended 31 December 2015

12 Trade and other receivables (continued)

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date by geographic region was:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Singapore	2,067	1,412	2,270,015	1,973,472
Australia	991	132	–	–
China	13,511	13,023	–	–
Europe (excluding United Kingdom)	3,426	4,166	–	–
Indonesia	5,266	4,259	–	–
Japan	2,327	2,855	–	–
Malaysia	409	559	–	–
Philippines	4,270	3,467	–	–
United Kingdom	2,923	1,922	–	–
United States of America	3,460	–	–	–
Vietnam	1,627	882	–	–
	40,277	32,677	2,270,015	1,973,472

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

Impairment losses

The ageing of trade and other receivables (excluding prepayments) at the reporting date is as follows:

	Gross 2015 $'000	Impairment losses 2015 $'000	Gross 2014 $'000	Impairment losses 2014 $'000
Group				
Not past due	33,673	–	28,795	–
Past due 0 - 30 days	3,944	–	2,493	–
Past due 30 - 60 days	1,861	–	1,048	–
Past due more than 60 days	1,259	460	785	444
	40,737	460	33,121	444
Trust				
Not past due	2,269,803	–	1,973,255	–
Past due 0 - 30 days	173	–	157	–
Past due 30 - 60 days	38	–	52	–
Past due more than 60 days	59,515	59,514	55,520	55,512
	2,329,529	59,514	2,028,984	55,512

12 Trade and other receivables (continued)

Impairment losses (continued)

The movement in impairment losses in respect of trade and other receivables during the year is as follows:

	Group		Trust	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
At 1 January	444	525	55,512	45,782
Impairment losses recognised/(reversed)	7	(22)	4,002	9,730
Utilised during the year	(7)	(11)	–	–
Translation difference	16	(48)	–	–
At 31 December	460	444	59,514	55,512

Based on historical default rates, the Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables and other receivables not past due. These receivables relate to customers that have a good credit record with the Group.

The non-trade amounts due from subsidiaries are written down to their respective recoverable amounts, taking into consideration the fair values of the underlying properties held by the subsidiaries, where applicable.

13 Assets held for sale

The Group announced on 18 October 2013 that it had launched the strata sale of the 81 individual units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing). In view of the Group's commitment to the strata sale plan, the plant and equipment and serviced residence property pertaining to these 81 units were classified as assets held for sale in the consolidated statement of financial position as at 31 December 2013 until completion of the strata sale.

During the current financial year, eight units (2014: six units) had been divested ("Divested Units"). Based on the contracted sale price, the fair value less costs to sell of these Divested Units was $9.1 million (2014: $5.4 million) and an uplift in fair value of $0.3 million (2014: $0.9 million) pertaining to these units has been recognised in net change in fair value of serviced residence properties and assets held for sale in the statement of total return.

On 31 December 2015, independent valuation of the remaining 67 units (2014: 75 units) was undertaken by CBRE (2014: Jones Lang LaSalle Property Consultants Pte Ltd). The fair value less costs to sell of these units was $84.2 million as at 31 December 2015 (2014: $87.4 million) and an uplift in fair value of $5.6 million (2014: $4.9 million) pertaining to these units has been recognised in net change in fair value of serviced residence properties and assets held for sale in the statement of total return.

Notes to the Financial Statements

Year ended 31 December 2015

14 Cash and cash equivalents

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash at bank and in hand	123,694	90,271	4,913	5,991
Fixed deposits with financial institutions	96,773	102,285	33,237	44,627
	220,467	192,556	38,150	50,618

As at 31 December 2015, the interest rates per annum for cash and cash equivalents for the Group and the Trust ranged from 0% to 7.5% (2014: 0% to 5.5%) and 0% to 1.3% (2014: 0% to 1.9%) respectively.

15 Financial liabilities

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current liabilities				
Secured bank loans	806,687	847,058	175,897	377,692
Unsecured bank loans	103,167	83,304	103,167	83,304
Medium term notes	640,635	361,274	–	–
Finance lease liabilities	6,284	9,928	–	–
	1,556,773	1,301,564	279,064	460,996
Current liabilities				
Intra-group financial guarantees	–	–	1,306	602
Secured bank loans	254,060	96,422	199,627	12,959
Unsecured bank loans	1,452	–	1,452	–
Medium term notes	–	149,938	–	–
Finance lease liabilities	2,892	2,988	–	–
	258,404	249,348	202,385	13,561
	1,815,177	1,550,912	481,449	474,557

15 Financial liabilities (continued)

Finance lease liabilities

The Group had obligations under finance leases that are payable as follows:

	31 December 2015		
	Principal $'000	Interest $'000	Payments $'000
Repayable:			
Within 1 year	2,892	94	2,986
After 1 year but within 5 years	6,284	74	6,358
	9,176	168	9,344

	31 December 2014		
	Principal $'000	Interest $'000	Payments $'000
Repayable:			
Within 1 year	2,988	157	3,145
After 1 year but within 5 years	9,928	204	10,132
	12,916	361	13,277

(a) The Group's secured bank loans are secured on the following:

- serviced residence properties with an aggregate carrying value of $2,456,330,000 (2014: $2,128,641,000);
- pledge of shares of certain subsidiaries;
- assignment of rental proceeds from the properties;
- assignment of insurance policies on the properties; and
- corporate guarantee from the Trust.

The Trust's secured bank loans are secured on the following:

- serviced residence properties with an aggregate carrying value of $563,091,000 (2014: $558,693,000);
- pledge of shares of certain subsidiaries;
- assignment of rental proceeds from the properties; and
- assignment of insurance policies on the properties.

Notes to the Financial Statements

Year ended 31 December 2015

15 Financial liabilities (continued)

(b) On 9 September 2009, a subsidiary, Ascott REIT MTN Pte. Ltd., launched a $1.0 billion Multi-currency Medium Term Note Programme (“MTN Programme”). Under this MTN Programme, Ascott REIT MTN Pte. Ltd. may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed or floating interest rate notes with aggregate principal amounts of $1.0 billion.

On 30 November 2011, a subsidiary, Ascott REIT MTN (Euro) Pte. Ltd., established a US$2.0 billion Euro-Medium Term Note Programme (“EMTN Programme”). Under this EMTN Programme, Ascott REIT MTN (Euro) Pte. Ltd. may, subject to any applicable legal or regulatory restrictions, from time to time issue fixed or floating interest rate notes in series or tranches in Euro, Great British Pound, US Dollar, Singapore Dollar, Chinese Renminbi or, any other currency agreed between Ascott REIT MTN (Euro) Pte. Ltd. and the relevant dealer of the programme.

As at 31 December 2015, notes issued by the Group are as follows:

- under the MTN Programme:

  (i) $300.0 million (2014: $250.0 million) of fixed rate notes maturing between 2018 to 2022; and

  (ii) JPY19.3 billion (2014: JPY12.0 billion) of fixed rate notes maturing between 2018 to 2022.

- under the EMTN Programme:

  (i) EUR80.0 million (2014: EUR80.0 million) of fixed rate notes maturing in 2024.

(c) The weighted average effective interest rates per annum relating to bank loans and medium term notes at the reporting date for the Group and Trust are 2.78% (2014: 2.87%) and 2.72% (2014: 2.95%) respectively.

Included in the Group’s and the Trust’s bank loans and medium term notes is an amount of $12,800,000 (2014: $9,125,000) and $3,383,000 (2014: $3,794,000) respectively, relating to unamortised transaction costs. Transaction costs amortised during the year by the Group and the Trust of $2,957,000 (2014: $2,988,000) and $1,257,000 (2014: $1,266,000) respectively, were recognised as finance costs in the statement of total return.

15 Financial liabilities (continued)

Terms and debt repayment schedule

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

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group					
2015					
Medium term notes	EUR	2.75	2024	119,780	119,186
Medium term notes	SGD	4.21 – 4.30	2018 – 2022	300,000	299,306
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	222,143	222,143
Secured fixed rate loans	USD	3.75	2016	9,895	9,893
Secured floating rate loans	EUR	1.05 – 1.99	2016 – 2021	298,608	297,237
Secured floating rate loans	GBP	1.85 – 2.49	2016 – 2021	96,546	95,732
Secured floating rate loan	JPY	0.35 – 6.97	2017 – 2021	333,308	329,922
Secured floating rate loans	MYR	4.85	2021	11,632	11,551
Secured floating rate loans	RMB	4.66 – 6.33	2017 – 2026	104,449	104,430
Secured floating rate loans	USD	1.86 – 4.18	2016 – 2022	216,585	211,982
Unsecured floating rate loan	AUD	4.09	2016	472	442
Unsecured floating rate loans	EUR	1.75 – 1.79	2016 – 2017	7,820	7,701
Unsecured floating rate loans	GBP	2.33	2017	30,164	29,937
Unsecured floating rate loans	JPY	1.83 – 1.88	2017 – 2022	59,622	58,820
Unsecured floating rate loan	USD	2.12	2017	7,777	7,719
Finance leases	EUR	1.25	2018 – 2019	9,176	9,176
				1,827,977	1,815,177
2014					
Medium term notes	EUR	2.75	2024	129,595	128,940
Medium term notes	SGD	3.80 – 4.30	2015 – 2018	250,000	249,793
Medium term notes	JPY	1.65 – 2.01	2018 – 2020	132,480	132,480
Secured fixed rate loans	USD	3.75	2016	9,096	9,053
Secured floating rate loans	AUD	4.27	2021	1,450	1,426
Secured floating rate loans	EUR	1.13 – 1.57	2015 – 2021	316,735	314,226
Secured floating rate loans	GBP	1.86 – 2.46	2016 – 2021	95,250	94,121
Secured floating rate loan	JPY	0.65 – 1.12	2018 – 2021	332,984	329,410
Secured floating rate loans	MYR	4.81	2021	13,140	13,035
Secured floating rate loans	RMB	5.76 – 6.77	2015 – 2026	105,179	105,140
Secured floating rate loans	USD	2.48 – 4.13	2015 – 2017	77,308	77,068
Unsecured floating rate loans	GBP	1.86 – 2.31	2017	26,717	26,543
Unsecured floating rate loans	JPY	1.86	2017	57,187	56,761
Finance leases	EUR	1.46	2018 – 2019	12,916	12,916
				1,560,037	1,550,912

Notes to the Financial Statements
Year ended 31 December 2015

15 Financial liabilities (continued)

Terms and debt repayment schedule (continued)

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Trust					
2015					
Secured floating rate loans	EUR	1.05 – 1.80	2016 – 2021	281,125	279,792
Secured floating rate loans	GBP	1.85 – 2.49	2016 – 2021	96,546	95,732
Unsecured floating rate loan	AUD	4.09	2016	472	442
Unsecured floating rate loans	EUR	1.75 – 1.79	2016 – 2017	7,820	7,701
Unsecured floating rate loans	GBP	2.33	2017	30,164	29,937
Unsecured floating rate loans	JPY	1.83 – 1.88	2017 – 2022	59,622	58,820
Unsecured floating rate loan	USD	2.12	2017	7,777	7,719
				483,526	480,143
2014					
Secured floating rate loans	AUD	4.27	2021	1,450	1,426
Secured floating rate loans	EUR	1.13 – 1.57	2015 – 2021	297,145	295,104
Secured floating rate loans	GBP	1.86 – 2.46	2016 – 2021	95,250	94,121
Unsecured floating rate loans	GBP	1.86 – 2.31	2017	26,717	26,543
Unsecured floating rate loans	JPY	1.86	2017	57,187	56,761
				477,749	473,955

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Trust to banks in respect of various banking facilities amounting to $71,354,000 (2014: $69,991,000) granted to subsidiaries which expire in 2016, 2020 and 2022. The earliest period that the guarantees could be called is within one year (2014: one year) from the reporting date.

At the reporting date, the Trust does not consider it probable that a claim will be made against the Trust under the guarantees.

16 Trade and other payables

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables and accrued operating expenses	60,960	53,388	13,152	13,934
Amounts due to:				
- associate (non-trade)	2,076	1,891	–	–
- subsidiaries (non-trade)				
- interest free	–	–	82,619	62,799
- interest-bearing	–	–	641,923	512,075
- related parties				
- trade	8,823	8,322	522	1,064
- non-trade	7,393	3,551	–	–
- the Manager	5,588	6,688	5,446	4,543
- the Trustee	118	103	118	103
- non-controlling interests (non-trade)	1,332	1,891	–	–
Interest payable	6,033	3,989	1,456	1,295
Rental deposits and advance rental	44,130	38,711	1,455	1,659
	136,453	118,534	746,691	597,472

Non-trade amounts due to subsidiaries are unsecured and repayable on demand. The interest-bearing loans due to subsidiaries bore interest rates ranging from 1.17% to 4.30% (2014: 1.65% to 4.30%) per annum. Non-trade amounts due to associate and related parties are unsecured, interest-free and repayable on demand.

17 Unitholders' funds

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.

Capital reserve

The subsidiaries incorporated in China are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of China, to a general reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The capital reserve of the subsidiary can be used to make good previous years' losses, if any, and may be converted to paid-in capital of the subsidiary in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

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Year ended 31 December 2015

17 Unitholders' funds (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to forecast hedged transactions.

Capital management

The Manager reviews the Group's and the Trust's capital structure regularly, which the Group defines as total Unitholders' funds (excluding non-controlling interests) and the level of distribution to Unitholders. The Group uses a combination of debt and equity to fund acquisition and asset enhancement projects.

The objectives of the Manager are to:

a. maintain a strong balance sheet by adopting and maintaining a target gearing range;

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

c. adopt a proactive interest rate management strategy to manage risks related to interest rate fluctuations; and

d. manage the foreign currency exposure of income and capital values of overseas assets through hedging, where appropriate.

The Manager seeks to maintain a combination of debt and equity in order to balance the cost of capital and the returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted complies with the requirements.

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

The Group has a credit rating of Baa3 from Moody's. The Aggregate Leverage of the Group as at 31 December 2015 was 39.3% (2014: 38.5%) of the Group's Deposited Property. This complied with the Aggregate Leverage limit.

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

18 Units in issue and perpetual securities

(a) Units in issue

	Group and Trust	
	2015 Number of Units '000	2014 Number of Units '000
At 1 January	1,535,023	1,522,495
Issue of new Units:		
- As Manager's fees paid in Units	11,334	10,507
- As Manager's acquisition fees paid in Units	2,379	2,021
At 31 December	1,548,736	1,535,023

During the financial year ended 31 December 2015, the Trust issued Units as follows:

(a) 11,334,276 Units were issued at issue prices ranging from $1.2136 to $1.2860 per Unit, amounting to $14,265,000 as payment of the Manager's fee for the period from 1 October 2014 to 30 September 2015.

(b) On 14 October 2015, the Trust issued 2,378,952 Units at an issue price of $1.2202 per Unit as payment of the acquisition fee in relation to the completion of the acquisition (directly or indirectly through the acquisition of shareholding interests) of four rental housing properties in Japan, the remaining 40% interest in two serviced residence properties in Japan and one serviced residence property in Australia.

During the financial year ended 31 December 2014, the Trust issued Units as follows:

(a) 10,506,622 Units were issued at issue prices ranging from $1.1850 to $1.2466 per Unit, amounting to $12,821,000 as payment of the Manager's fee for the period from 1 October 2013 to 30 September 2014.

(b) On 30 May 2014, the Trust issued 690,108 Units at an issue price of $1.2216 per Unit as payment of the acquisition fee in relation to the completion of the acquisition of a rental housing property in Japan.

(c) On 30 October 2014, the Trust issued 1,330,546 Units at an issue price of $1.2289 per Unit as payment of the acquisition fee in relation to the completion of the acquisition (directly or indirectly through the acquisition of shareholding interests) of two serviced residence properties in the People's Republic of China and one serviced residence property in Malaysia.

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 of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;

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Year ended 31 December 2015

18 Units in issue and perpetual securities (continued)

(a) 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 to indemnify the Trustee or any creditor of the Trustee in the event that liabilities of the Trust exceed its assets.

(b) Perpetual securities

On 30 June 2015, the Trust issued $250.0 million of fixed rate perpetual securities with an initial distribution rate of 4.68% per annum with the first distribution rate reset falling on 30 June 2020 and subsequent resets occurring every five years thereafter.

On 27 October 2014, the Trust issued $150.0 million of fixed rate perpetual securities with an initial distribution rate of 5.0% per annum with the first distribution rate reset falling on 27 October 2019 and subsequent resets occurring every five years thereafter.

The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution will be payable semi-annually at the discretion of the Trust and will be non-cumulative.

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

- These perpetual securities rank pari passu with the holders of preferred units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.

- The Trust shall not declare or pay any distributions to the Unitholders, or make redemptions, unless the Trust declares or pays any distributions to the holders of the perpetual securities.

These perpetual securities are classified as equity instruments and recorded in equity in the Statements of Movements in Unitholders' Funds. The $397,094,000 (2014: $149,351,000) presented on the Statements of Financial Position represents the $400,000,000 (2014: $150,000,000) perpetual securities net of issue costs and include total return attributable to perpetual securities holders from issue date.

19 Gross revenue

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Gross rental income	399,210	336,059	35,090	36,060
Hospitality income	20,511	19,830	101	541
Carpark income	1,393	1,316	–	–
	421,114	357,205	35,191	36,601

20 Direct expenses

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Operations and maintenance expenses	42,684	36,577	3,292	3,136
Staff costs	47,730	39,519	3,417	3,596
Serviced residence management fees	28,216	23,722	2,133	2,303
Property tax	17,001	13,923	1,865	1,807
Depreciation of plant and equipment	16,634	16,267	2,571	2,913
Marketing and selling expenses	15,353	9,719	688	486
Administrative and general expenses	23,520	20,015	1,052	1,344
Operating lease expense	5,035	2,064	–	–
Other direct expenses	20,371	15,225	2,068	745
	216,544	177,031	17,086	16,330

Included in the Group's and Trust's staff costs are contributions to defined contribution plans of $5,636,000 (2014: $4,721,000) and $419,000 (2014: $387,000) respectively.

21 Finance income and costs

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Finance income				
Bank deposits	1,603	2,123	178	78
Finance costs				
Amortisation of transaction costs	(2,957)	(2,988)	(1,257)	(1,266)
Interest on bank loans and interest rate swaps	(46,707)	(39,663)	(14,168)	(15,664)
Cross currency swaps	502	–	502	–
Loans from related parties	–	(86)	(16,911)	(11,910)
Others	(694)	(604)	(441)	(405)
	(49,856)	(43,341)	(32,275)	(29,245)

Notes to the Financial Statements

Year ended 31 December 2015

22 Manager's management fees

Manager's management fees of the Group and the Trust include base management fees of $12,032,000 (2014: $10,378,000) and performance fees of $7,788,000 (2014: $6,832,000).

The total units issued/to be issued for manager's management fees amounted to 12,203,288 (2014: 10,640,537) Units, amounting to $14,768,000 (2014: $13,251,000).

23 Professional fees

Professional fees of the Group and the Trust include valuation fees of $836,000 (2014: $819,000).

24 Net income

The following items have been included in arriving at net income for the year:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-audit fees paid to*:				
- auditors of the Trust	12	26	12	23
- other auditors	50	23	–	–
Loss on disposal of plant and equipment	81	224	82	50
Impairment loss on trade and other receivables recognised/(reversed)	7	(22)	4,002	9,730
Impairment of subsidiaries	–	–	3,715	1,542
Write-off of trade and other receivables	15	8	–	–

* Total non-audit fees amounted to $213,000 (2014: $278,000), of which $81,000 (2014: $81,000) has been capitalised as capital expenditure and $70,000 (2014: $148,000) has been included in issue expenses (see note 28).

25 Profit from divestments

	Group	
	2015 $'000	2014 $'000
Gain on divestment	12,128	–
Divestment expenses	(2,204)	–
Profit from divestments	9,924	–

Profit from divestments relate to the divestment of six rental housing properties in the regional cities of Japan and a serviced residence property in the Philippines.

26 Income tax expense/(benefit)

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current tax expense/(benefit)				
Current year	21,076	21,530	–	70
(Over)/under provided in prior years	(670)	716	(2)	11
Withholding tax	3,719	2,990	–	–
	24,125	25,236	(2)	81
Deferred tax expense				
Origination and reversal of temporary differences	12,583	11,451	–	–
Under provided in prior years	53	256	–	–
	12,636	11,707	–	–
Income tax expense/(benefit)	36,761	36,943	(2)	81

Notes to the Financial Statements
Year ended 31 December 2015

26 Income tax expense/(benefit) (continued)

Reconciliation of effective tax rate

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Total return before income tax	215,751	167,315	51,195	32,486
Income tax using the Singapore tax rate of 17% (2014: 17%)	36,678	28,444	8,703	5,523
Effect of different tax rates in foreign jurisdictions	35,299	19,302	–	–
Tax rebate/relief/exemption	(36)	(18)	(11,091)	(12,117)
Income not subject to tax	(63,097)	(32,001)	(5,791)	(500)
Tax benefits not recognised	3,026	1,434	–	–
Expenses not deductible for tax purposes	27,524	18,754	10,053	9,499
Utilisation of previously unrecognised tax losses	(3,861)	(599)	–	–
Tax transparency	(1,874)	(2,335)	(1,874)	(2,335)
(Over)/under provision in prior years	(617)	972	(2)	11
Withholding tax	3,719	2,990	–	–
	36,761	36,943	(2)	81

No income tax effects have been recognised for those items recognised directly in Unitholders' funds.

27 Earnings per Unit

The calculation of basic earnings per Unit for the Group and Trust was based on the total return for the year attributable to Unitholders and a weighted average number of Units outstanding:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Total return attributable to Unitholders/ perpetual securities holders	165,183	122,468	51,197	32,405
Less: Total return attributable to perpetual securities holders	(13,430)	(1,356)	(13,430)	(1,356)
Total return attributable to Unitholders	151,753	121,112	37,767	31,049

27 Earnings per Unit (continued)

	Group and Trust	
	2015 Number of Units '000	2014 Number of Units '000
Issued units at the beginning of the year	1,535,023	1,522,495
Effect of issue of new Units:		
- As Manager's fees paid in Units	5,872	5,503
- As Manager's acquisition fees paid in Units	515	638
Weighted average number of Units outstanding during the year	1,541,410	1,528,636

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

28 Issue expenses – perpetual securities

	Group and Trust	
	2015 $'000	2014 $'000
Underwriting fees and selling commissions	2,068	1,271
Professional fees	180	493
Other expenses	73	241
	2,321	2,005

Included in issue expenses are non-audit fees paid to auditors of the Group and the Trust of $70,000 (2014: $148,000) for services performed in connection with the issuance of perpetual securities.

29 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. There were no changes in the Group's approach to financial risk management during the year.

Notes to the Financial Statements

Year ended 31 December 2015

29 Financial instruments (continued)

Financial risk management (continued)

Risk management framework

The Manager has overall responsibility for the establishment and oversight of the Group's risk management framework.

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 management 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 customer or a counterparty to settle its financial and contractual obligations to the Group as and when they fall due.

The Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the serviced residence management companies before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

As at 31 December 2015 and 31 December 2014, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the statements of financial position.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate 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 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

29 Financial instruments (continued)

Liquidity risk (continued)

As at 31 December 2015, the Group has unutilised credit facilities of approximately $282.6 million (2014: $270.0 million) expiring between February 2016 and June 2022 (2014: between February 2015 and February 2021), that can be drawn down to meet short-term financing needs.

In addition, the Group has put in place a $1.0 billion MTN Programme, under which notes of $522.1 million (2014: $382.5 million) have been issued as at 31 December 2015. In 2011, the Group established a US$2.0 billion EMTN Programme, under which notes of $119.8 million (2014: $129.6 million) have been issued as at 31 December 2015.

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

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Group					
2015					
Non-derivative financial liabilities					
Floating rate loans	1,155,473	(1,243,723)	(266,800)	(636,010)	(340,913)
Fixed rate loans	650,528	(769,308)	(29,716)	(304,791)	(434,801)
Finance lease liabilities	9,176	(9,344)	(2,986)	(6,358)	–
Trade and other payables^	130,152	(130,152)	(130,152)	–	–
	1,945,329	(2,152,527)	(429,654)	(947,159)	(775,714)
Derivative financial liabilities					
Interest rate swaps	8,015	(11,588)	(5,330)	(5,716)	(542)
Forward exchange contracts	322	(322)	(322)	–	–
Cross currency swaps	3,198	32,635	4,671	18,647	9,317
	11,535	20,725	(981)	12,931	8,775
	1,956,864	(2,131,802)	(430,635)	(934,228)	(766,939)
2014					
Non-derivative financial liabilities					
Floating rate loans	1,017,730	(1,092,647)	(114,987)	(618,561)	(359,099)
Fixed rate loans	520,266	(591,719)	(166,281)	(199,795)	(225,643)
Finance lease liabilities	12,916	(13,277)	(3,145)	(10,132)	–
Trade and other payables^	112,700	(112,700)	(112,700)	–	–
	1,663,612	(1,810,343)	(397,113)	(828,488)	(584,742)
Derivative financial (assets)/liabilities					
Interest rate swaps	14,135	(16,640)	(7,889)	(8,365)	(386)
Forward exchange contracts	(353)	353	353	–	–
	13,782	(16,287)	(7,536)	(8,365)	(386)
	1,677,394	(1,826,630)	(404,649)	(836,853)	(585,128)

^ Excluding advance rental and liability for employee benefits.

Notes to the Financial Statements

Year ended 31 December 2015

29 Financial instruments (continued)

Liquidity risk (continued)

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Trust					
2015					
Non-derivative financial liabilities					
Floating rate loans	480,143	(503,439)	(207,281)	(128,371)	(167,787)
Trade and other payables^	745,819	(745,819)	(745,819)	–	–
	1,225,962	(1,249,258)	(953,100)	(128,371)	(167,787)
Derivative financial liabilities					
Interest rate swaps	4,723	(5,292)	(2,908)	(2,384)	–
Forward exchange contracts	322	(322)	(322)	–	–
Cross currency swaps	3,198	32,635	4,671	18,647	9,317
	8,243	27,021	1,441	16,263	9,317
	1,234,205	(1,222,237)	(951,659)	(112,108)	(158,470)
2014					
Non-derivative financial liabilities					
Floating rate loans	473,955	(501,720)	(20,384)	(347,643)	(133,693)
Trade and other payables^	596,530	(596,530)	(596,530)	–	–
	1,070,485	(1,098,250)	(616,914)	(347,643)	(133,693)
Derivative financial (assets)/liabilities					
Interest rate swaps	10,441	(10,987)	(6,574)	(4,413)	–
Forward exchange contracts	(353)	353	353	–	–
	10,088	(10,634)	(6,221)	(4,413)	–
	1,080,573	(1,108,884)	(623,135)	(352,056)	(133,693)

^ Excluding advance rental and liability for employee benefits.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

29 Financial instruments (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and 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. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

Foreign currency risk

The Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk are Singapore Dollar, Australian Dollar, Chinese Renminbi, Euro, Great British Pound, Hong Kong Dollar, Indonesian Rupiah, Japanese Yen, Malaysian Ringgit, Philippine Peso, US Dollar and Vietnamese Dong.

In order to manage the foreign currency risk, the Manager adopts foreign currency risk management strategies that may include:

- entering into foreign currency forward contracts to hedge the foreign currency income from the overseas assets as a natural hedge;

- the use of certain foreign currency denominated borrowings to match the capital values of the overseas assets as a natural hedge, whenever possible; and

- the use of certain foreign currency denominated borrowings, which include bank loans and medium term notes, and cross currency swaps to hedge against the currency risk arising from the Group's net investments in certain subsidiaries in Europe and Japan. As at the reporting date, the carrying amount of these EUR, GBP and JPY denominated borrowings was $649,098,000 (2014: $567,116,000) and the fair value of the borrowings was $652,517,000 (2014: $567,757,000). As at the reporting date, the fair value of the cross currency swaps was $3,198,000 (2014: $Nil). No ineffectiveness was recognised from the net investment hedges.

Notes to the Financial Statements

Year ended 31 December 2015

29 Financial instruments (continued)

Foreign currency risk (continued)

The Group's and Trust's exposures to foreign currencies risk were as follows based on notional amounts:

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Great British Pound $'000	Hong Kong Dollar $'000	Indonesian Rupiah $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Philippine Peso $'000	US Dollar $'000	Vietnamese Dong $'000	Total foreign currencies $'000
Group													
31 December 2015													
Loan receivables – intra-group and associate	29,500	142,341	–	275,217	117,757	–	–	–	21,603	–	72,939	–	659,357
Trade and other receivables*	2,073	991	13,511	2,525	3,824	–	4,078	2,321	409	4,336	4,579	1,630	40,277
Intra-group receivables	479,531	266,560	20,339	566,073	429,443	(3)	2,252	335,570	9,927	4,097	565,975	–	2,679,764
Cash and cash equivalents	32,083	10,397	23,426	7,320	18,858	10	2,903	57,986	1,886	22,305	19,145	24,148	220,467
Loan payables – intra-group	(29,500)	(142,341)	–	(275,217)	(117,757)	–	–	–	(21,603)	–	(68,981)	–	(655,399)
Trade and other payables^	(11,665)	(5,465)	(33,790)	(14,257)	(11,269)	(14,143)	(2,908)	(15,068)	(1,280)	(4,983)	3,573	(7,001)	(118,256)
Intra-group payables	(479,531)	(266,560)	(20,339)	(566,073)	(429,443)	3	(2,252)	(335,570)	(9,927)	(4,097)	(565,975)	–	(2,679,764)
Financial liabilities	(295,329)	(472)	(104,430)	(435,346)	(126,710)	–	–	(611,687)	(11,551)	–	(229,652)	–	(1,815,177)
Gross currency exposure	(272,838)	5,451	(101,283)	(439,758)	(115,297)	(14,133)	4,073	(566,448)	(10,536)	21,658	(198,397)	18,777	(1,668,731)
Add/(less): Net exposure denominated in the respective entities' functional currencies	185,308	152,264	76,637	439,841	125,102	(173)	2,252	384,205	42,053	(20,944)	200,630	(18,777)	1,568,398
Add: Loan designated for net investment hedge	–	–	–	408,724	60,276	–	–	183,159	–	–	–	–	652,159
Add/(less): Loan receivables/ payables – quasi -equity	29,500	(142,341)	–	(275,217)	(117,757)	–	–	–	(21,603)	–	(72,939)	–	(600,357)
Net exposure	(58,030)	15,374	(24,646)	133,590	(47,676)	(14,306)	6,325	916	9,914	714	(70,706)	–	(48,531)

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

29 Financial instruments (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Great British Pound $'000	Hong Kong Dollar $'000	Indonesian Rupiah $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Philippine Peso $'000	US Dollar $'000	Vietnamese Dong $'000	Total foreign currencies $'000
Group													
31 December 2014													
Loan receivables – intra-group and associate	29,500	72,235	–	297,769	113,265	–	–	–	24,403	–	67,046	–	604,218
Trade and other receivables*	1,163	145	12,140	4,384	1,704	–	1,990	2,904	559	3,735	3,067	886	32,677
Intra-group receivables	460,967	144,529	17,575	789,468	445,736	66	2,428	474,550	11,079	6,114	532,862	636	2,886,010
Cash and cash equivalents	5,410	1,766	29,140	36,116	23,970	2	748	37,448	1,068	15,771	14,526	26,591	192,556
Loan payables – intra-group	(29,500)	(72,235)	–	(297,769)	(113,265)	–	–	–	(24,403)	–	(63,410)	–	(600,582)
Trade and other payables^	(12,722)	(2,086)	(27,218)	(10,871)	(14,198)	(13,017)	(2,897)	(10,430)	(1,117)	(5,474)	5,399	(7,132)	(101,763)
Intra-group payables	(460,967)	(144,529)	(17,575)	(789,468)	(445,736)	(66)	(2,428)	(474,550)	(11,079)	(6,114)	(532,862)	(636)	(2,886,010)
Financial liabilities	(245,346)	(1,450)	(105,140)	(459,149)	(121,967)	–	–	(518,704)	(13,035)	–	(86,211)	90	(1,550,912)
Gross currency exposure	(251,495)	(1,625)	(91,078)	(429,520)	(110,491)	(13,015)	(159)	(488,782)	(12,525)	14,032	(59,583)	20,435	(1,423,806)
Add/(less): Net exposure denominated in the respective entities' functional currencies	166,961	82,721	79,245	472,249	121,909	(102)	2,428	400,185	47,987	(11,490)	73,683	(19,769)	1,416,007
Add: Loan designated for net investment hedge	–	–	–	426,740	53,068	–	–	90,775	–	–	–	–	570,583
Add/(less): Loan receivables/ payables – quasi -equity	29,500	(72,235)	–	(297,769)	(113,265)	–	–	–	(24,403)	–	(67,046)	–	(545,218)
Net exposure	(55,034)	8,861	(11,833)	171,700	(48,779)	(13,117)	2,269	2,178	11,059	2,542	(52,946)	666	17,566

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' statements of financial position measured in the respective functional currencies, translated into Singapore dollars at the exchange rate at the reporting date for presentation purposes.

29 Financial instruments (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Great British Pound $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Philippine Peso $'000	US Dollar $'000	Total foreign currencies $'000
Trust										
31 December 2015										
Loan receivables – intra-group and associate	–	–	–	–	–	–	–	–	3,958	3,958
Trade and other receivables*	2,068	–	–	–	–	–	–	–	–	2,068
Intra-group receivables	479,492	250,481	20,339	431,358	374,765	(34)	226,616	3,338	481,592	2,267,947
Cash and cash equivalents	32,054	182	–	255	2,293	–	2,130	–	1,236	38,150
Trade and other payables^	(9,564)	(2)	(10,249)	(1,263)	(159)	–	(12)	–	(28)	(21,277)
Intra-group payables	(253,410)	(3,508)	–	(119,897)	–	–	(246,186)	–	(101,541)	(724,542)
Financial liabilities	3,382	(472)	–	(288,944)	(126,710)	–	(59,622)	–	(7,777)	(480,143)
Gross currency exposure	254,022	246,681	10,090	21,509	250,189	(34)	(77,074)	3,338	377,440	1,086,161
Less: Net exposure denominated in the respective entities' functional currencies	(254,022)	–	–	–	–	–	–	–	–	(254,022)
Add: Loan receivables – quasi-equity	–	–	–	–	–	–	–	–	(3,958)	(3,958)
Net exposure	–	246,681	10,090	21,509	250,189	(34)	(77,074)	3,338	373,482	828,181

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

29 Financial instruments (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Great British Pound $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Philippine Peso $'000	US Dollar $'000	Total foreign currencies $'000
Trust										
31 December 2014										
Loan receivables – intra-group and associate	–	–	–	–	–	–	–	–	3,638	3,638
Trade and other receivables*	1,411	–	–	–	–	–	–	–	–	1,411
Intra-group receivables	419,624	115,911	19,494	496,512	376,258	(59)	203,469	3,224	337,628	1,972,061
Cash and cash equivalents	5,350	344	–	29,733	11,922	–	824	–	2,445	50,618
Trade and other payables^	(10,422)	(6)	(9,823)	(998)	(280)	–	(9)	–	(118)	(21,656)
Intra-group payables	(227,933)	(2,407)	–	(129,724)	–	–	(141,818)	–	(72,992)	(574,874)
Financial liabilities	3,793	(1,450)	–	(297,144)	(121,967)	–	(57,187)	–	–	(473,955)
Gross currency exposure	191,823	112,392	9,671	98,379	265,933	(59)	5,279	3,224	270,601	957,243
Less: Net exposure denominated in the respective entities' functional currencies	(191,823)	–	–	–	–	–	–	–	–	(191,823)
Add: Loan receivables – quasi-equity	–	–	–	–	–	–	–	–	(3,638)	(3,638)
Net exposure	–	112,392	9,671	98,379	265,933	(59)	5,279	3,224	266,963	761,782

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

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Year ended 31 December 2015

29 Financial instruments (continued)

Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's statement of total return and Unitholders' funds in response to a 10% increase in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities. The sensitivity analysis includes balances in group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	31 December 2015		31 December 2014	
	Statement of total return $'000	Unitholders' funds $'000	Statement of total return $'000	Unitholders' funds $'000
Group				
Singapore Dollar[1]	(5,803)	–	(5,503)	–
Australian Dollar[2]	1,537	–	886	–
Chinese Renminbi[2]	(2,465)	–	(1,183)	–
Euro[2]	13,359	–	17,170	–
Great British Pound[2]	(4,768)	–	(4,878)	–
Hong Kong Dollar[2]	(1,431)	–	(1,312)	–
Indonesian Rupiah[3]	633	–	227	–
Japanese Yen[4]	92	–	218	–
Malaysian Ringgit[2]	991	–	1,106	–
Philippine Peso[2]	71	–	254	–
US Dollar[5]	(7,071)	–	(5,295)	–
Vietnamese Dong[2]	–	–	67	–
Trust				
Australian Dollar[2]	24,668	–	11,239	–
Chinese Renminbi[2]	1,009	–	967	–
Euro[2]	2,151	–	9,838	–
Great British Pound[2]	25,019	–	26,593	–
Hong Kong Dollar[2]	(3)	–	(6)	–
Japanese Yen[2]	(7,707)	–	528	–
Philippine Peso[2]	334	–	322	–
US Dollar[2]	37,348	–	26,696	–

(1) as compared to functional currencies of Australian Dollar, Chinese Renminbi and US Dollar.

(2) as compared to functional currency of Singapore Dollar.

(3) as compared to functional currencies of Singapore Dollar and US Dollar.

(4) as compared to functional currencies of Singapore Dollar and Chinese Renminbi.

(5) as compared to functional currencies of Singapore Dollar, Chinese Renminbi, Philippine Peso and Vietnamese Dong.

A decrease in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

29 Financial instruments (continued)

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager 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. Generally, the interest rate exposure is managed through the use of interest rate swaps and/or fixed rate borrowings.

The Group classifies these interest rate swaps as cash flow hedges. No ineffectiveness was recognised in statement of total return from these cash flow hedges.

The details of the interest rate swaps are as follows:

	Notional contract amount in foreign currency $'000	Fixed rate %	Floating rate %	Year of maturity	Net asset/ (liability) $'000
Interest Rate Swaps					
Group					
2015					
EUR	184,815	0.66 – 2.72	EURIBOR	2016 – 2019	(3,912)
GBP	38,430	0.87 – 1.87	LIBOR	2016 – 2019	(700)
JPY	26,199,600	0.23 – 1.10	LIBOR/TIBOR	2016 – 2021	(3,329)
USD	90,000	1.64	LIBOR	2020	(74)
					(8,015)
2014					
EUR	195,231	0.35 – 2.72	EURIBOR	2015 – 2019	(9,529)
GBP	38,430	0.87 – 1.87	LIBOR	2016 – 2019	(814)
JPY	29,640,000	0.22 – 1.10	LIBOR/TIBOR	2015 – 2021	(3,792)
					(14,135)
Trust					
2015					
EUR	173,137	1.11 – 2.72	EURIBOR	2016 – 2019	(3,835)
GBP	38,430	0.87 – 1.87	LIBOR	2016 – 2019	(700)
JPY	5,180,000	0.26 – 0.35	LIBOR	2016 – 2017	(188)
					(4,723)
2014					
EUR	183,137	0.35 – 2.72	EURIBOR	2015 – 2019	(9,360)
GBP	38,430	0.87 – 1.87	LIBOR	2016 – 2019	(814)
JPY	5,180,000	0.26 – 0.35	LIBOR	2016 – 2017	(267)
					(10,441)

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Year ended 31 December 2015

29 Financial instruments (continued)

Interest rate risk (continued)

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

	Group Carrying amount		Trust Carrying amount	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Fixed rate instruments				
Financial liabilities	(650,528)	(520,266)	–	–
Variable rate instruments				
Financial liabilities	(1,164,649)	(1,030,646)	(480,143)	(473,955)

The Group enters into interest rate swaps to manage its exposure to interest rate movements on its variable rate financial liabilities. As at 31 December 2015, the Group and Trust held interest rate swaps with a total notional principal amount of $787.2 million (2014: $722.1 million) and $400.5 million (2014: $432.4 million) respectively, to provide fixed rate funding.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rate at the reporting date would not affect the statement of total return.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis point ("bp") in interest rate at the reporting date would increase/(decrease) Unitholders' funds and statement of total return by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

	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 2015				
Variable rate financial liabilities	(11,762)	11,762	–	–
Interest rate swaps	7,872	(7,872)	2,233	(2,233)
Cash flow sensitivity (net)	(3,890)	3,890	2,233	(2,233)
31 December 2014				
Variable rate financial liabilities	(10,389)	10,389	–	–
Interest rate swaps	7,221	(7,221)	1,906	(1,906)
Cash flow sensitivity (net)	(3,168)	3,168	1,906	(1,906)

29 Financial instruments (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments *(continued)*

	Statement of total return		Unitholders' funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Trust				
31 December 2015				
Variable rate financial liabilities	(4,835)	4,835	–	–
Interest rate swaps	4,005	(4,005)	1,006	(1,006)
Cash flow sensitivity (net)	(830)	830	1,006	(1,006)
31 December 2014				
Variable rate financial liabilities	(4,777)	4,777	–	–
Interest rate swaps	4,324	(4,324)	1,064	(1,064)
Cash flow sensitivity (net)	(453)	453	1,064	(1,064)

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's statement of financial position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the statement of financial position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the statement of financial position.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("ISDA") Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

The above ISDA agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition, the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously.

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Year ended 31 December 2015

29 Financial instruments (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

	Gross amount of recognised financial assets/ (liabilities) $'000	Gross amount of recognised financial assets/ (liabilities) offset in the statement of financial position $'000	Net amount of financial assets/ (liabilities) presented in the statement of financial position $'000	Related amount not offset in the statement of financial position $'000	Net amount $'000
Group					
31 December 2015					
Financial assets					
Trade and other receivables	11,896	(11,896)	–	–	–
Financial liabilities					
Interest rate swaps	(8,015)	–	(8,015)	–	(8,015)
Cross currency swaps	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	(322)	–	(322)	–	(322)
Trade and other payables	(13,972)	11,896	(2,076)	–	(2,076)
31 December 2014					
Financial assets					
Forward exchange contracts	353	–	353	–	353
Trade and other receivables	10,937	(10,937)	–	–	–
Financial liabilities					
Interest rate swaps	(14,135)	–	(14,135)	–	(14,135)
Trade and other payables	(12,828)	10,937	(1,891)	–	(1,891)
Trust					
31 December 2015					
Financial liabilities					
Interest rate swaps	(4,723)	–	(4,723)	–	(4,723)
Cross currency swaps	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	(322)	–	(322)	–	(322)
31 December 2014					
Financial assets					
Forward exchange contracts	353	–	353	–	353
Financial liabilities					
Interest rate swaps	(10,441)	–	(10,441)	–	(10,441)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the statements of financial position that are disclosed in the above tables are measured in the statements of financial position on the following basis:

- cross currency swaps, forward exchange contracts and interest rate swaps – fair value; and
- trade and other receivables and trade and other payables – amortised cost.

30 Related parties

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

In the normal course of the operations of the Trust, the Manager's management fees and the Trustee's fees have been paid or are payable to the Manager and Trustee respectively.

During the financial year, other than those disclosed elsewhere in the financial statements, there were the following significant related party transactions, which were carried out in the normal course of business on arm's length commercial terms:

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Acquisition fees paid/payable to the Manager	5,121	5,028	1,141	2,478
Divestment fees paid/payable to the Manager	347	42	–	–
Rental income received/receivable from related corporations	(430)	(301)	(30)	(33)
Rental income received/receivable from master lease arrangements with related corporations	(44,407)	(48,197)	(9,298)	(9,063)
Serviced residence properties management fees paid/payable to related corporations	26,815	22,767	2,133	2,303
Service fee paid/payable to related corporations	13,815	12,722	1,979	2,147
Shortfall in net operating profit guarantee amount received/receivable from related corporations	–	(431)	–	–
Termination compensation received from a related corporation	–	(649)	–	–
Waiver of non-trade amount owing to immediate holding company	–	(2,530)	–	–
Yield protection income received/receivable from a related corporation	–	(412)	–	(412)

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31 Financial ratios

	Group	
	2015 %	2014 %
Ratio of expenses to average net asset value[1]		
- including performance component of Manager's management fees	1.03	1.07
- excluding performance component of Manager's management fees	0.72	0.76
Portfolio turnover rate[2]	2.67	0.25

Notes:

(1) The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, borrowing costs and foreign exchange gains/(losses).

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

32 Operating segments

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of the different economic environments in which they operate in. For each of the reportable segments, the CEO of the Manager reviews internal management reports on at least a monthly basis. This forms the basis of identifying the operating segments of the Group.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance costs, corporate assets and expenses, and income tax expense. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Information regarding the Group's reportable segments is presented in the following tables.

32 Operating segments (continued)

Information about reportable segments

Geographical segments

The Group's business is investing in serviced residence properties.

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2015								
Gross rental income	35,090	21,417	11,881	66,650	32,671	8,029	16,840	192,578
Other income	101	693	878	3,242	2,370	1,000	747	9,031
Gross revenue	35,191	22,110	12,759	69,892	35,041	9,029	17,587	201,609
Direct expenses	(17,139)	(9,084)	(9,400)	(51,152)	(2,630)	(1,332)	(11,203)	(101,940)
Segment gross profit	18,052	13,026	3,359	18,740	32,411	7,697	6,384	99,669
Change in fair value of serviced residence properties and assets held for sale	4,241	(10,871)	2,904	(23,767)	19,964	281	(1,722)	(8,970)

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32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2015									
Gross rental income	52,540	6,798	25,104	6,917	56,334	21,388	37,551	206,632	399,210
Other income	5,895	54	3,021	377	1,037	154	2,335	12,873	21,904
Gross revenue	58,435	6,852	28,125	7,294	57,371	21,542	39,886	219,505	421,114
Direct expenses	(24,202)	(5,106)	(18,641)	(3,950)	(30,713)	(13,490)	(18,502)	(114,604)	(216,544)
Segment gross profit	34,233	1,746	9,484	3,344	26,658	8,052	21,384	104,901	204,570
Change in fair value of serviced residence properties and assets held for sale	55,322	827	(2,061)	2,700	21,418	10,587	4,495	93,288	84,318
Finance income									1,603
Finance costs									(49,856)
Unallocated net expense									(24,884)
Reportable segment profit before income tax									215,751
Income tax expense									(36,761)
Total return for the year									178,990

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2014								
Gross rental income	36,060	5,923	11,981	51,916	36,464	8,775	14,858	165,977
Other income	129[1]	83	922	3,930	2,493	1,048	1,010	9,615
Gross revenue	36,189	6,006	12,903	55,846	38,957	9,823	15,868	175,592
Direct expenses	(16,392)	(3,502)	(9,778)	(39,959)	(2,777)	(1,210)	(10,153)	(83,771)
Segment gross profit	19,797	2,504	3,125	15,887	36,180	8,613	5,715	91,821
Change in fair value of serviced residence properties and assets held for sale	1,650	(11,415)	10,381	18,893	6,361	3,619	2,948	32,437

[1] Included in the gross revenue for Vietnam is an amount of $412,000 relating to yield protection income received by the Trust, allocated from Singapore.

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Year ended 31 December 2015

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2014								
Gross rental income	42,451	3,197	27,283	6,900	55,388	34,863	170,082	336,059
Other income	3,447	31	2,957	792[2]	1,252	3,052[1]	11,531	21,146
Gross revenue	45,898	3,228	30,240	7,692	56,640	37,915	181,613	357,205
Direct expenses	(17,782)	(2,140)	(19,855)	(4,468)	(31,408)	(17,607)	(93,260)	(177,031)
Segment gross profit	28,116	1,088	10,385	3,224	25,232	20,308	88,353	180,174
Change in fair value of serviced residence properties and assets held for sale	9,483	(3,066)	(636)	1,545	23,792	(525)	30,593	63,030
Finance income								2,123
Finance costs								(43,341)
Unallocated net expense								(34,671)
Reportable segment profit before income tax								167,315
Income tax expense								(36,943)
Total return for the year								130,372

(1) Included in the gross revenue for Vietnam is an amount of $412,000 relating to yield protection income received by the Trust, allocated from Singapore.

(2) Included in the gross revenue is an amount of $431,000 for Spain relating to the shortfall in net operating profit guarantee amount.

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
2015								
Assets and liabilities								
Reportable segment assets	628,564	287,538	58,206	805,398	510,044	113,825	123,564	2,527,139
Reportable segment liabilities	1,153,843	5,787	4,520	193,713	56,705	3,405	11,184	1,429,157
Other Segmental Information								
Capital expenditure:								
- plant and equipment	1,256	92	181	2,325	–	–	485	4,339
- serviced residence properties	157	13,264	583	12,402	–	278	1,458	28,142
Depreciation	2,571	356	577	5,021	–	–	798	9,323
2014								
Assets and liabilities								
Reportable segment assets	637,743	120,873	58,423	807,450	530,560	122,788	111,840	2,389,677
Reportable segment liabilities	1,019,855	2,159	3,438	188,149	62,548	2,537	10,030	1,288,716
Other Segmental Information								
Capital expenditure:								
- plant and equipment	1,291	203	675	1,867	–	–	1,188	5,224
- serviced residence properties	526	9,352	1,722	10,548	–	–	2,896	25,044
Depreciation	2,913	58	585	4,488	–	–	695	8,739

32 Operating segments (continued)

Information about reportable segments (continued)

Geographical segments (continued)

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
2015									
Assets and liabilities									
Reportable segment assets	750,485	59,112	170,924	55,491	586,044	262,826	312,585	2,197,467	4,724,606
Reportable segment liabilities	355,426	12,696	17,444	898	42,029	140,628	57,752	626,873	2,056,030
Other Segmental Information									
Capital expenditure:									
- plant and equipment	514	118	4,313	83	1,174	47	958	7,207	11,546
- serviced residence properties	2,278	–	82	60	254	5,049	2,273	9,996	38,138
Depreciation	451	891	1,317	154	2,451	61	1,986	7,311	16,634
2014									
Assets and liabilities									
Reportable segment assets	608,691	65,674	162,032	55,831	540,548	–	299,439	1,732,215	4,121,892
Reportable segment liabilities	351,427	14,540	18,776	810	39,533	–	54,854	479,940	1,768,656
Other Segmental Information									
Capital expenditure:									
- plant and equipment	40	15	1,980	506	1,038	–	999	4,578	9,802
- serviced residence properties	3,613	1,532	166	724	929	–	2,808	9,772	34,816
Depreciation	306	394	1,489	208	2,817	–	2,314	7,528	16,267

Major customers

Revenue from related corporations accounted for approximately $44,407,0000 (2014: $48,197,000) of the gross revenue of the Group. Such revenue is attributable to the France segment, Germany segment and Singapore segment.

33 Fair value of assets and liabilities

(a) Determining fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods and processes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Serviced residence properties

The Group's investment property portfolio is valued by independent valuers every six months. Independent valuations are also carried out on occurrence of acquisitions. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion. The valuers have considered the discounted cash flow method in arriving at the open market value as at the reporting date. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of serviced residence properties include market-corroborated discount rate and terminal capitalisation rate.

The valuation of the Group's investment property portfolio is discussed with the Audit Committee and Board of Directors in accordance with the Group's reporting policies.

(ii) Assets held for sale

The Group's assets held for sale are valued by an independent external valuer. The valuer has considered the direct comparison and income capitalisation approaches in arriving at the open market value as at the reporting date. In determining the fair value, the valuer used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of assets held for sale include market-corroborated capitalisation rate.

(iii) Financial derivatives

The fair values of cross currency swaps, forward exchange contracts and interest rate swaps are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates or exchange rates, where applicable, for a similar financial instrument at the measurement date.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

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33 Fair value of assets and liabilities (continued)

(a) Determining fair value (continued)

(v) Intra-group financial guarantees

The value of financial guarantees provided by the Trust to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

(vi) Other financial assets and liabilities

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

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values

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

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2015										
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	40,277	–	40,277				
Cash and cash equivalents	14	–	–	220,467	–	220,467				
		–	–	260,744	–	260,744				
Financial liabilities measured at fair value										
Financial derivatives	9	(322)	(11,213)	–	–	(11,535)	–	(11,535)	–	(11,535)
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(1,060,747)	(1,060,747)				
Unsecured bank loans	15	–	–	–	(104,619)	(104,619)				
Medium term notes	15	–	–	–	(640,635)	(640,635)	–	(650,301)	–	(650,301)
Finance lease liabilities	15	–	–	–	(9,176)	(9,176)				
Trade and other payables^	16	–	–	–	(118,256)	(118,256)				
		–	–	–	(1,933,433)	(1,933,433)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

Notes to the Financial Statements
Year ended 31 December 2015

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2014										
Financial assets measured at fair value										
Financial derivatives	9	353	–	–	–	353	–	353	–	353
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	32,677	–	32,677				
Cash and cash equivalents	14	–	–	192,556	–	192,556				
		–	–	225,233	–	225,233				
Financial liabilities measured at fair value										
Financial derivatives	9	–	(14,135)	–	–	(14,135)	–	(14,135)	–	(14,135)
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(943,480)	(943,480)				
Unsecured bank loans	15	–	–	–	(83,304)	(83,304)				
Medium term notes	15	–	–	–	(511,212)	(511,212)	–	(521,120)	–	(521,120)
Finance lease liabilities	15	–	–	–	(12,916)	(12,916)				
Trade and other payables^	16	–	–	–	(101,763)	(101,763)				
		–	–	–	(1,652,675)	(1,652,675)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2015										
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	2,270,015	–	2,270,015				
Cash and cash equivalents	14	–	–	38,150	–	38,150				
		–	–	2,308,165	–	2,308,165				
Financial liabilities measured at fair value										
Financial derivatives	9	(3,520)	(4,723)	–	–	(8,243)	–	(8,243)	–	(8,243)
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(375,524)	(375,524)				
Unsecured bank loans	15	–	–	–	(104,619)	(104,619)				
Intra-group financial guarantees	15	–	–	–	(1,306)	(1,306)				
Trade and other payables^	16	–	–	–	(745,819)	(745,819)				
		–	–	–	(1,227,268)	(1,227,268)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

Notes to the Financial Statements
Year ended 31 December 2015

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2014										
Financial assets measured at fair value										
Financial derivatives	9	353	–	–	–	353	–	353	–	353
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	1,973,472	–	1,973,472				
Cash and cash equivalents	14	–	–	50,618	–	50,618				
		–	–	2,024,090	–	2,024,090				
Financial liabilities measured at fair value										
Financial derivatives	9	–	(10,441)	–	–	(10,441)	–	(10,441)	–	(10,441)
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(390,651)	(390,651)				
Unsecured bank loans	15	–	–	–	(83,304)	(83,304)				
Intra-group financial guarantees	15	–	–	–	(602)	(602)				
Trade and other payables^	16	–	–	–	(596,530)	(596,530)				
		–	–	–	(1,071,087)	(1,071,087)				

* Excluding prepayments.

^ Excluding advance rental and liability for employee benefits.

33 Fair value of assets and liabilities (continued)

(b) Accounting classifications and fair values (continued)

The following table shows the carrying amounts and fair values of significant non-financial assets, including their values in the fair value hierarchy.

		Fair value			
	Note	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
31 December 2015					
Serviced residence properties	4	–	–	4,289,711	4,289,711
Assets held for sale	13	–	–	84,207	84,207
		–	–	4,373,918	4,373,918
31 December 2014					
Serviced residence properties	4	–	–	3,724,036	3,724,036
Assets held for sale	13	–	–	87,403	87,403
		–	–	3,811,439	3,811,439
Trust					
31 December 2015					
Serviced residence properties	4	–	–	563,091	563,091
31 December 2014					
Serviced residence properties	4	–	–	558,693	558,693

(c) Level 3 fair value measurements

(i) Reconciliation of Level 3 fair value

The following table presents the reconciliation from the beginning balances to the ending balances for Level 3 fair values.

	Group $'000	Trust $'000
Serviced residence properties		
Balance at 1 January 2015	3,724,036	558,693
Acquisition of subsidiaries and serviced residence properties	461,618	–
Capital expenditure	38,138	157
Divestments of serviced residence properties	(48,175)	–
Transfer from plant and equipment	683	–
Translation difference	38,668	–
Balance at 31 December 2015	4,214,968	558,850
Gains and losses for the year		
Net change in fair value recognised in statement of total return	78,460	4,241
Assets written off	(3,717)	–
Balance at 31 December 2015	4,289,711	563,091

Notes to the Financial Statements
Year ended 31 December 2015

33 Fair value of assets and liabilities (continued)

(c) Level 3 fair value measurements (continued)

(i) Reconciliation of Level 3 fair value (continued)

	Group	
	2015 $'000	**2014 $'000**
Assets held for sale		
Balance at 1 January	87,403	87,033
Disposal of assets held for sale	(9,054)	(5,457)
Balance at 31 December	78,349	81,576
Gains and losses for the year		
Net change in fair value recognised in statement of total return	5,858	5,827
Balance at 31 December	84,207	87,403

	Group $'000	**Trust $'000**
Serviced residence properties		
Balance at 1 January 2014	3,177,020	556,392
Acquisition of subsidiaries and serviced residence properties	546,441	–
Capital expenditure	34,816	526
Transfer from plant and equipment	734	125
Translation difference	(76,156)	–
Balance at 31 December 2014	3,682,855	557,043
Gains and losses for the year		
Net change in fair value recognised in statement of total return	57,203	1,650
Assets written off	(16,022)	–
Balance at 31 December 2014	3,724,036	558,693

33 Fair value of assets and liabilities (continued)

(c) Level 3 fair value measurements (continued)

(ii) Valuation techniques and significant unobservable inputs

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Serviced residence properties	*Discounted cash flow:* The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate and occupancy rate. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	**Group** • Discount rate: South East Asia and Australia: 6.75% - 13.75% (2014: 5.75% - 15.00%) North Asia: 3.90% - 7.50% (2014: 4.60% - 8.25%) Europe and United States of America: 8.25% - 10.50% (2014: 7.70% - 10.65%) • Terminal capitalisation rate: South East Asia and Australia: 4.00% - 9.50% (2014: 3.25% - 9.50%) North Asia: 4.13% - 6.10% (2014: 4.00% - 7.00%) Europe and United States of America: 5.00% - 7.50% (2014: 4.50% - 9.00%) **Trust** • Discount rate: Singapore: 6.75% - 7.50% (2014: 5.75% - 8.00%) • Terminal capitalisation rate: Singapore: 4.00% - 4.50% (2014: 3.25% - 5.50%)	The estimated fair value would increase (decrease) if: • the discount rate were lower (higher); or • the terminal capitalisation rate were lower (higher).

Notes to the Financial Statements

Year ended 31 December 2015

33 Fair value of assets and liabilities (continued)

(c) Level 3 fair value measurements (continued)

(ii) Valuation techniques and significant unobservable inputs (continued)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Assets held for sale	*Direct comparison and income capitalisation approaches:* The direct comparison approach is used by making reference to comparable sales and asking prices of similar properties in the relevant market, with adjustments made to differentiate the comparables in terms of location, area, quality and other relevant matters. The income capitalisation approach is used by capitalising the income potential.	**Group** • Capitalisation rate: 3.50% (2014: 4.25%) • Direct comparison – price/sqm: $9,069/sqm (2014: $8,656/sqm)	The estimated fair value would increase (decrease) if: • the capitalisation rate were lower (higher).
Cross currency swaps, forward exchange contracts and interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Financial instruments not measured at fair value for which fair values are disclosed

Type	Valuation technique	Significant unobservable inputs
Medium term notes	Discounted cashflows	Not applicable

Sensitivity analysis for key unobservable inputs

The significant unobservable inputs used in the fair value measurement of the Group's serviced residence properties and assets held for sale are discount rate, terminal capitalisation rate and capitalisation rate. Significant decreases in the discount rate, terminal capitalisation rate and capitalisation rate in isolation would result in a significantly higher fair value measurement. Conversely, a significant increase would result in a significantly lower fair value measurement.

34 Acquisition of serviced residence properties and non-controlling interests, net of cash movements

Acquisition of serviced residence properties and subsidiaries

On 31 July 2015, the Group acquired the following from related corporations:

- a 100% interest in Citadines Melbourne on Bourke Unit Trust and Citadines Melbourne on Bourke Pty Ltd, which owns the leasehold interest in the property, Citadines on Bourke Melbourne, from Citadines Melbourne on Bourke (BVI) Limited.

- the land on which the property, Citadines on Bourke Melbourne, is located from Citadines Melbourne on Bourke Land Pty Ltd.

- a 100% interest in ARC-CapitaLand Four TMK from CapitaLand Singapore Management Limited (as trustee of both GPH Investments Pte Ltd and CRL Investment Pte Ltd) and ArcResidential Japan Investments Limited. Both GPH Investments Pte Ltd and ArcResidential Japan Investments Limited are unrelated third parties. ARC-CapitaLand Four TMK holds the trust beneficial interests in respect of the four rental housing properties.

On 19 August 2015, the Group acquired the property, Element New York Times Square West, from an unrelated third party.

From the respective acquisition dates to 31 December 2015, the serviced residence properties and subsidiaries contributed loss after tax of $1,511,000, mainly arising from a loss on revaluation of these serviced residence properties. If the acquisitions had occurred on 1 January 2015, the Manager estimates that the consolidated revenue would have been $466,079,000 and consolidated return for the year would have been $176,700,000.

On 20 March 2014, the Group acquired a 100% interest in Island City Pte. Ltd. from Ascott Investment Holdings Ltd, a related corporation, and ArcResidential Japan Investments Limited, an unrelated third party. Island City Pte. Ltd. owns the trust beneficial interest in respect of the property, Infini Garden, through its indirectly wholly-owned subsidiary, Infini Garden TMK.

On 20 June 2014, the Group acquired a 100% interest in Wangze (Dalian) Enterprise Co., Limited, which owns the property, Somerset Grand Central Dalian, from an unrelated third party.

On 18 August 2014, the Group acquired the following from related corporations:

- a 100% interest in Somerset Ampang (Malaysia) Sdn. Bhd., which owns the property, Somerset Ampang Kuala Lumpur, from Ascott Investment Holdings Ltd.

- a 100% interest in Zhuankou Investments (Hong Kong) Limited from Zhuankou Investments (BVI) Limited. Zhuankou Investments (Hong Kong) Limited owns the property, Citadines Zhuankou Wuhan, through its wholly-owned subsidiary, Wuhan Citadines Property Development Co., Ltd..

- a 100% interest in Gaoxin Investments (Hong Kong) Limited from Gaoxin Investments (BVI) Limited. Gaoxin Investments (Hong Kong) Limited owns the property, Citadines Gaoxin Xi'an, through its wholly-owned subsidiary, Citadines (Xi'an) Property Co., Ltd..

On 16 October 2014, the Group acquired the property, Citadines Central Shinjuku (formerly known as Best Western Shinjuku Astina Hotel), from an unrelated third party.

On 10 December 2014, the Group acquired a portfolio of three serviced residence properties located in Greater Sydney, namely Quest Campbelltown, Quest Mascot and Quest Sydney Olympic Park, from unrelated third parties.

Notes to the Financial Statements

Year ended 31 December 2015

34 Acquisition of serviced residence properties and non-controlling interests, net of cash movements (continued)

Acquisition of serviced residence properties and subsidiaries (continued)

From the respective acquisition dates to 31 December 2014, the serviced residence properties and subsidiaries contributed loss after tax of $1,808,000, mainly arising from a loss on revaluation of these serviced residence properties. If the acquisitions had occurred on 1 January 2014, the Manager estimates that the consolidated revenue would have been $390,732,000 and consolidated return for the year would have been $134,019,000.

The cash flows and net assets and liabilities of serviced residence properties and subsidiaries acquired are provided below:

	Recognised values on acquisition	
	2015 $'000	**2014 $'000**
Serviced residence properties	461,618	546,441
Plant and equipment	2,802	8,798
Deferred tax assets	–	56
Inventories	14	46
Trade and other receivables	1,411	2,637
Cash and cash equivalents	15,352	19,779
Trade and other payables	(4,415)	(13,964)
Financial liabilities	(42,540)	(115,592)
Provision for taxation	(41)	(34)
Deferred tax liabilities	(14)	(31)
Net identifiable assets and liabilities acquired	434,187	448,136
Total consideration	434,187	448,136
Cash of subsidiaries acquired	(15,352)	(19,779)
Cash outflow on acquisition of serviced residence properties	418,835	428,357

Acquisitions of serviced residence properties and subsidiaries are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements relating to the acquisitions. The acquisitions during the year were accounted for as acquisitions of serviced residence properties based on the assessments by the Manager.

34 Acquisition of serviced residence properties and non-controlling interests, net of cash movements (continued)

Acquisition of ownership interests in subsidiaries with no change in control

On 31 July 2015, the Group acquired from related corporations:

- an additional 40% interest in Citadines Kyoto Gojo TMK through the acquisition of 25% of the common shares and 40% of the preference shares of Citadines Kyoto Gojo TMK for $10,091,000 in cash, increasing its ownership interest from 60% to 100%. The carrying amount of the net assets of Citadines Kyoto Gojo TMK in the Group's financial statements on the date of acquisition was $25,227,000.

- an additional 40% interest in Citadines Shinjuku TMK through the acquisition of 100% of the issued shares in Citadines Shinjuku (S) Pte Ltd and Citadines Shinjuku Tokyo Godo Kaisha (which in aggregate directly own 25% of the common shares and 40% of the preference shares of Citadines Shinjuku TMK) for $21,278,000 in cash, increasing its ownership interest from 60% to 100%. The carrying amount of the net assets of Citadines Shinjuku TMK in the Group's financial statements on the date of acquisition was $53,208,000.

The following summarises the effect of the change in the Group's ownership interest in Citadines Kyoto Gojo TMK and Citadines Shinjuku TMK:

	$'000
Consideration paid for acquisition of non-controlling interests	31,369
Transaction costs	183
	31,552
Decrease in equity attributable to non-controlling interests	(31,374)
Decrease in equity attributable to Unitholders	178

35 Commitments

As at the reporting date, the Group and the Trust had the following commitments:

(a) Capital commitments

	Group		Trust	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Capital expenditure commitments:				
- contracted but not provided for	32,835	8,602	497	313

Notes to the Financial Statements

Year ended 31 December 2015

35 Commitments (continued)

(b) Operating leases as lessor

The Group leases out some of its serviced residence properties on long term arrangements. The leases have tenure ranging from four to 19 years, with options to renew for some of the leases. The operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Within 1 year	58,332	64,700	7,150	7,150
After 1 year but within 5 years	100,579	167,091	5,303	12,453
After 5 years	61,882	85,208	–	–
	220,793	316,999	12,453	19,603

(c) Operating leases as lessee

The Group leases the land on which two of the serviced residence properties are constructed. The leases have an initial tenure of 24 years and 25 years. The operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Future minimum lease payments for the Group on non-cancellable operating leases are as follows:

	Group	
	2015 $'000	**2014 $'000**
Within 1 year	9,590	1,113
After 1 year but within 5 years	39,601	5,683
After 5 years	194,470	–
	243,661	6,796

(d) DBS Trustee Limited, as trustee of the Trust, entered into a sale and purchase agreement for the purchase of a new serviced residence property, to be developed on the site on which Somerset Grand Cairnhill Singapore was previously located, for a consideration of $405.0 million. A deposit of $20.3 million was made on 31 December 2013 and the remaining balance of $384.7 million is expected to be paid in 2017 and 2018.

36 Subsequent events

On 26 January 2016, the Manager declared a distribution of 4.138 cents per Unit amounting to $64,066,000 in respect of the period from 1 July 2015 to 31 December 2015.

On 4 February 2016, the Trust issued 3,578,551 Units at an issue price of $1.1162 per Unit to the Manager. These Units were issued to the Manager as payment of the Management Fees (as defined in the Trust Deed) for the period from 1 October 2015 to 31 December 2015. The balance of the Management Fees of $1,498,591 (excluding applicable goods and services tax) was paid in cash.

Additional Information

Interested Person (as defined in the listing manual) and
Interested Party (as defined in the Property Funds Appendix) Transactions

The transactions entered into during the financial year are as follow:

Name of Interested Persons	Aggregate value[1] of all interested person/party transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to rule 920) S$'000	Aggregate value[1] of all interested person/party transactions during the financial year under review under Unitholder's mandate pursuant to rule 920 (excluding transactions less than S$100,000) S$'000
Capitaland Limited and its subsidiaries		
Acquisition of interests in three serviced residence properties and four rental housing properties	246,000[2]	–
Serviced residence management fees	94,268[3]	–
Manager's management fees	24,363	–
Acquisition fees	6,311	–
Asset management fees	2,196[4]	–
Divestment fees	389	–
Project management fee	212	–
DBS Trustee Limited		
Trustee's fees	436	–
Total	374,175	–

(1) The aggregate value is for the contract period.

(2) This had been approved by unitholders at Extraordinary General Meeting held on 24 July 2015.

(3) S$40.7 million had been approved by unitholders at Extraordinary General Meeting held on 24 July 2015.

(4) S$0.8 million had been approved by unitholders at Extraordinary General Meeting held on 24 July 2015.

Operating Expenses and Taxation

According to disclosure requirements under paragraph 11.1 item (i) of the Appendix 6 to Code on Collective Investment Scheme, the total operating expenses (comprising direct expenses and all fees paid to the Manager and interested parties) incurred by Ascott Reit in FY 2015 was S$242.3 million. This translates to 11.1% of the property fund's net asset value as at 31 December 2015. Taxation incurred was S$36.8 million.

Statistics of Unitholdings

As at 1 March 2016

Issued and Fully Paid Units

1,552,314,363 (Voting rights: 1 vote per Unit)
Market Capitalisation of S$1,738,592,087 based on market closing Unit price of S$1.12 on 1 March 2016

Distribution of Unitholdings

Size of Unitholdings	No. of Unitholders	%	No. of Units	%
1 - 99	62	0.46	1,062	0.00
100 - 1,000	798	5.95	722,840	0.05
1,001 - 10,000	8,043	59.93	42,858,783	2.76
10,001 - 1,000,000	4,482	33.39	208,136,020	13.41
1,000,001 and above	36	0.27	1,300,595,658	83.78
Total	**13,421**	**100.00**	**1,552,314,363**	**100.00**

Location of Unitholders

Country	No. of Unitholders	%	No. of Units	%
Singapore	13,013	96.96	1,542,347,218	99.36
Malaysia	243	1.81	5,583,520	0.36
Others	165	1.23	4,383,625	0.28
Total	**13,421**	**100.00**	**1,552,314,363**	**100.00**

Twenty Largest Unitholders

No.	Name	No. of Units	%
1	The Ascott Limited	369,110,400	23.78
2	Somerset Capital Pte Ltd	243,517,200	15.69
3	Citibank Nominees Singapore Pte Ltd	162,346,591	10.46
4	DBS Nominees (Private) Limited	144,392,867	9.30
5	Ascott Residence Trust Management Limited	107,119,742	6.90
6	HSBC (Singapore) Nominees Pte Ltd	62,290,305	4.01
7	Raffles Nominees (Pte) Limited	49,115,959	3.16
8	DB Nominees (Singapore) Pte Ltd	23,879,580	1.54
9	DBSN Services Pte. Ltd.	22,833,262	1.47
10	Bank of Singapore Nominees Pte. Ltd.	14,373,637	0.93
11	NTUC Fairprice Co-Operative Ltd	13,800,000	0.89
12	OCBC Securities Private Limited	9,647,291	0.62
13	United Overseas Bank Nominees (Private) Limited	8,643,190	0.56
14	Toh Lam Tiong	8,310,000	0.53
15	DBS Vickers Securities (Singapore) Pte Ltd	7,562,400	0.49
16	UOB Kay Hian Private Limited	6,677,100	0.43
17	Ko Woon Hong	6,478,000	0.42
18	BNP Paribas Nominees Singapore Pte Ltd	5,169,800	0.33
19	Goh Foundation Limited	3,782,400	0.24
20	OCBC Nominees Singapore Private Limited	3,677,495	0.24
	Total	**1,272,727,219**	**81.99**

Statistics of Unitholdings

As at 1 March 2016

DIRECTORS' INTERESTS IN UNITS AND CONVERTIBLE SECURITIES AS AT 21 JANUARY 2016

Based on the Register of Directors' Unitholdings, save for those disclosed below, none of the Directors holds any interest in Units and convertible securities issued by Ascott Reit.

	No. of Units	
Name of Director	Direct Interest	Deemed Interest
Lim Jit Poh	78,295	–
Lim Ming Yan	263,509	–
Tay Boon Hwee, Ronald	–	–
Ku Moon Lun	70,911	–
Lee Chee Koon	36,000	–
Tan Beng Hai, Bob	–	–
Zulkifli Bin Baharudin	19,972	–

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS AS AT 1 MARCH 2016

Based on the information available to the Manager, as at 1 March 2016, the unitholdings of Substantial Unitholders of Ascott Reit are as follows:

	Direct Interest		Deemed Interest	
Name of Substantial Unitholder	No. of Units	%	No. of Units	%
Temasek Holdings (Private) Limited (THPL)	–	–	736,310,560	47.43
CapitaLand Limited (CL)	–	–	719,747,342	46.37
The Ascott Limited (Ascott)	369,110,400	23.78	350,636,942	22.59
Somerset Capital Pte Ltd (SCPL)	243,517,200	15.69	–	–
Ascott Residence Trust Management Limited (ARTML)	107,119,742	6.90	–	–

1 By virtue of Section 4 of the Securities and Futures Act, Chapter 289 of Singapore, THPL is deemed to have an interest in 736,310,560 units in Ascott Reit in which the CL Group and other subsidiaries and associated companies of THPL, have or are deemed to have an interest. CL and all such subsidiaries and associated companies are independently managed companies. THPL is not involved in their business or operating decisions, including those regarding such companies' positions in the voting units of Ascott Reit.

2 CL is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, Ascott, SCPL and ARTML.

3 Ascott is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, SCPL and ARTML.

FREE FLOAT

Based on the information available to the Manager, as at 1 March 2016, approximately 52% of the Units were held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

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THE MANAGER

REGISTERED ADDRESS

Ascott Residence Trust Management Limited
168 Robinson Road
#30-01 Capital Tower
Singapore 068912
Tel: +65 6713 2888
Fax: +65 6713 2121

BOARD OF DIRECTORS

Lim Jit Poh
Chairman & Non-Executive
Independent Director

Lim Ming Yan
Deputy Chairman & Non-Executive
Non-Independent Director

Tay Boon Hwee, Ronald
Chief Executive Officer &
Executive Non-Independent Director

Ku Moon Lun
Non-Executive Independent Director

Lee Chee Koon
Non-Executive Non-Independent
Director

Tan Beng Hai, Bob
Non-Executive Independent Director

Zulkifli Bin Baharudin
Non-Executive Independent Director

AUDIT COMMITTEE

Ku Moon Lun
Chairman

Tan Beng Hai, Bob
Zulkifli Bin Baharudin

CORPORATE DISCLOSURE COMMITTEE

Lim Jit Poh
Chairman

Tay Boon Hwee, Ronald
Lee Chee Koon

EXECUTIVE COMMITTEE

Lim Ming Yan
Chairman

Tay Boon Hwee, Ronald
Lee Chee Koon

JOINT COMPANY SECRETARIES

Kang Siew Fong
Regina Tan

Counter Name: Ascott Reit
Stock Code: A86U

This Annual Report to Unitholders may contain forward-looking statements. Forward-looking statement is subject to inherent uncertainties and is based on numerous assumptions. Actual performance, outcomes and results may differ materially from those expressed in forward-looking statements. Representative examples of factors which may cause the actual performance, outcomes and results to differ materially from those in the forward-looking statements include (without limitation) changes in general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate investment opportunities, competition from other companies, shifts in customers' demands, changes in operating conditions, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current views of management on future events.

Ascott Residence Trust Management Limited
As Manager of Ascott Residence Trust
Company Registration No. 200516209Z

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