(Constituted in the Republic of Singapore pursuant to a trust deed dated 6 February 2004 (as amended))

(Constituted in the Republic of Singapore pursuant to a trust deed dated 29 October 2001 (as amended))

ANNOUNCEMENT

AUDITED FINANCIAL STATEMENTS OF RCS TRUST FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

CapitaLand Commercial Trust Management Limited (the "**CCT Manager**"), as manager of CapitaLand Commercial Trust ("**CCT**"), and CapitaLand Mall Trust Management Limited (the "**CMT Manager**"), as manager of CapitaLand Mall Trust ("**CMT**") wish to announce the issuance of the audited financial statements of RCS Trust for the financial year ended 31 December 2017 ("**FY2017**"). The audited financial statements for FY2017 (together with the accompanying report of HSBC Institutional Trust Services (Singapore) Limited, as the trustee-manager of RCS Trust, the accompanying statement by the Management Committee of RCS Trust and the accompanying independent auditor's report) are appended in the Appendix to this announcement.

BY ORDER OF THE BOARD

CapitaLand Commercial Trust Management Limited
(Registration Number: 200309059W)
As manager of CapitaLand Commercial Trust

Lee Ju Lin, Audrey
Company Secretary
6 March 2018

CapitaLand Mall Trust Management Limited
(Registration Number: 200106159R)
As manager of CapitaLand Mall Trust

Lee Ju Lin, Audrey
Company Secretary
6 March 2018

IMPORTANT NOTICE

This document is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for the units in CCT ("**CCT Units**") and CMT ("**CMT Units**").

The value of CCT Units and CMT Units and the income derived from them may fall as well as rise. CCT Units and CMT Units are not obligations of, deposits in, or guaranteed by, the CCT Manager, the CMT Manager or any of their respective affiliates. An investment in CCT Units or CMT Units is subject to investment risks, including the possible loss of the principal amount invested.

Investors have no right to request the CCT Manager or the CMT Manager to redeem their CCT Units or, as the case may be, CMT Units while CCT Units or, as the case may be, CMT Units are listed. It is intended that unitholders may only deal in their CCT Units or, as the case may be, CMT Units through trading on The Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of CCT Units and CMT Units on the SGX-ST does not guarantee a liquid market for CCT Units or, as the case may be, CMT Units.

The past performance of CCT and CMT is not necessarily indicative of the future performance of CCT or CMT.

RCS Trust

(Established in the Republic of Singapore pursuant to a trust deed dated 18 July 2006)

Financial Statements and Other Information
Year ended 31 December 2017

Report of the Trustee-Manager

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee-Manager") is under a duty to take into custody and hold the assets of RCS Trust (the "Trust") in trust for the Unitholders ("Unitholders"). The Trustee-Manager shall monitor the activities of the Management Committee of the Trust for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 18 July 2006 (as amended by a first supplemental deed dated 23 December 2016 (collectively the "Trust Deed")) in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee-Manager, the Management Committee of the Trust has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages FS1 to FS36, 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-Manager,
HSBC Institutional Trust Services (Singapore) Limited

Esther Fong
Head of Trustee & Fiduciary Services - Singapore

Singapore
13 February 2018

Statement by the Management Committee

In the opinion of the Management Committee of RCS Trust (the "Trust"), the accompanying financial statements set out on pages FS1 to FS36, comprising the Statement of Financial Position, Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds, Portfolio Statement, Statement of Cash Flows and a summary of significant accounting policies and other explanatory notes of the Trust are drawn up so as to present fairly, in all material respects, the financial position of the Trust as at 31 December 2017 and the total return, distributable income, movements in unitholders' funds and cash flows of the Trust 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 Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Management Committee,
RCS Trust

Kevin Chee Tien Jin
Member of the Management Committee

Tan Tee Hieong
Member of the Management Committee

Singapore
13 February 2018

KPMG

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Independent auditors' report
Unitholders of RCS Trust

(Established in the Republic of Singapore pursuant to a Trust Deed dated 18 July 2006)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of RCS Trust (the "Trust"), which comprise the Statement of Financial Position and Portfolio Statement of the Trust as at 31 December 2017, and the Statement of Total Return, Distribution Statement, Statement of Movements in Unitholders' Funds and Statement of Cash Flows of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS36.

In our opinion, the accompanying financial statements of the Trust present fairly, in all material respects, the financial position of the Trust as at 31 December 2017 and the total return, distributable income, movements in unitholders' funds and cash flows of the Trust 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.

Basis for opinion

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

Key audit matters

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

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Valuation of investment properties
(Refer to Note 5 of the financial statements)

The key audit matter

The Trust holds an investment property in Singapore. The investment property represents the largest asset on the Statement of Financial Position.

The investment property, is stated at fair value based on independent external valuation.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuation is highly sensitive to key assumptions applied in deriving at the capitalisation and discount rates i.e. a small change in the assumptions can have a significant impact to the valuation.

How the matter was addressed in our audit

We assessed the Trust's processes for the selection of the external valuer, the determination of the scope of work of the valuer, and the review and acceptance of the valuations by the external valuer.

We evaluated the qualifications and competence of the external valuer. We also read the terms of engagement of the valuer with the Trust to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the capitalisation and discount rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

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

Our findings

The Trust has a structured process in appointing the external valuer and in reviewing, challenging and accepting the valuation. The valuer is a member of generally-recognised professional bodies for valuers and has considered its own independence in carrying out the work. The valuation methodologies used are in line with generally accepted market practices and the key assumptions used are within the range of market data. The disclosures in the financial statements are appropriate.

KPMG

Other Information

The Trustee-Manager and the Management Committee are responsible for the other information. The other information comprises the Report of the Trustee-Manager and the Statement by the Management Committee.

We have obtained all other information prior to the date of this auditors' report.

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

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

Responsibilities of the Trustee-Manager and the Management Committee for the financial statements

The Trustee-Manager and the Management Committee are 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 Trustee-Manager and the Management Committee determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee-Manager and the Management Committee are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee-Manager and the Management Committee either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

The responsibilities of the Trustee-Manager and the Management Committee include overseeing the Trust's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lau Kam Yuen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
13 February 2018

Statement of Financial Position
As at 31 December 2017

	Note	2017 $'000	2016 $'000
Non-current assets			
Plant and equipment	4	818	944
Investment property	5	3,260,000	3,169,000
Financial derivatives	10	–	19
		3,260,818	3,169,963
Current assets			
Trade and other receivables	6	1,242	4,967
Cash and cash equivalents	7	18,935	38,457
		20,177	43,424
Total assets		3,280,995	3,213,387
Current liabilities			
Trade and other payables	8	39,945	54,210
Interest-bearing liabilities	9	249,870	–
Distribution payable		39,004	38,254
Current portion of security deposits		11,611	10,351
Financial derivatives	10	370	382
		340,800	103,197
Non-current liabilities			
Interest-bearing liabilities	9	879,279	1,097,518
Non-current portion of security deposits		18,482	20,360
Financial derivatives	10	–	294
		897,761	1,118,172
Total liabilities		1,238,561	1,221,369
Net assets		2,042,434	1,992,018
Represented by:			
Unitholders' funds		2,042,434	1,992,018
Units issued and to be issued ('000)	11	1,404,392	1,393,995
		$	**$**
Net asset value per Unit		1.45	1.43

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

Statement of Total Return
Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Gross revenue	12	229,939	234,613
Property operating expenses	13	(54,627)	(59,539)
Net property income		175,312	175,074
Interest income		82	30
Finance costs	14	(24,783)	(29,093)
Asset management fees			
- Base fee		(8,153)	(7,994)
- Performance fee		(7,013)	(7,003)
Audit fees		(84)	(80)
Professional fees		(38)	(29)
Valuation fees		(155)	(155)
Trustee-Manager's fees		(408)	(400)
Other expenses		(11)	–
Net income		134,749	130,350
Net change in fair value of investment property	5	51,889	(18,739)
Total return for the year before tax		186,638	111,611
Tax expense	15	–	–
Total return for the year attributable to Unitholders before distribution		186,638	111,611

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

Distribution Statement
Year ended 31 December 2017

	2017 $'000	2016 $'000
Total return for the year attribute to Unitholders before distribution	186,638	111,611
Net tax adjustments (Note A)	(34,963)	36,421
Amount available for distribution to Unitholders	151,675	148,032
Distributions paid and payable to Unitholders:		
Distribution paid for the period from 1 January to 31 March	(35,718)	(36,090)
Distribution paid for the period from 1 April to 30 June	(38,639)	(35,673)
Distribution paid for the period from 1 July to 30 September	(38,314)	(38,015)
Distribution payable for the period from 1 October to 31 December	(39,004)	(38,254)
	(151,675)	(148,032)
Distribution per unit (cents)	10.80	10.62

Note A – Net tax adjustments comprise:

	2017 $'000	2016 $'000
Non-tax deductible/(chargeable) items:		
- trustee-manager's fees	408	400
- asset management fees paid/payable in units	15,166	14,997
- depreciation and amortised transaction costs	1,374	2,191
- net change in fair value of investment property	(51,889)	18,739
- other items	(22)	94
Net tax adjustments	(34,963)	36,421

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

Statement of Movements in Unitholders' Funds
Year ended 31 December 2017

	2017 $'000	2016 $'000
Net assets at beginning of the year	1,992,018	2,010,380
Operations		
Total return for the year attributable to Unitholders before distribution	186,638	111,611
Increase in net assets resulting from operations	186,638	111,611
Unitholders' transactions		
Creation of units:		
- Asset management fees paid/to be paid in units	15,166	18,716
Distributions paid and payable to Unitholders	(151,675)	(148,032)
Net decrease in net assets resulting from Unitholders' transactions	(136,509)	(129,316)
Hedging reserves		
Effective portion of change in fair value of cash flow hedge	287	(657)
Net assets at end of the year	2,042,434	1,992,018

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

Portfolio Statement
As at 31 December 2017

Description of property	Tenure of land	Term of lease	Remaining term of lease	Location	Existing use	At valuation 2017 $'000	At valuation 2016 $'000	Percentage of total net assets at 2017 %	Percentage of total net assets at 2016 %
Raffles City Singapore	Leasehold	99 years	61 years	250 and 252 North Bridge Road, 2 Stamford Road and 80 Bras Basah Road	Retail Office Hotel	3,260,000	3,169,000	159.6	159.1
Other assets and liabilities (net)						(1,217,566)	(1,176,982)	(59.6)	(59.1)
Net assets						2,042,434	1,992,018	100.0	100.0

As at 31 December 2017, an independent valuation of Raffles City Singapore was conducted by Knight Frank Pte Ltd (2016: Knight Frank Pte Ltd for office and retail components and Jones Lang LaSalle for hotel component). The valuations were based on Capitalisation Approach and Discounted Cash Flow Analysis. The valuation adopted was $3,260,000,000 (2016: $3,169,000,000). The net change in fair value of investment property has been taken to the statement of total return.

The investment property is a commercial property that is leased to external tenants. Generally, the retail and office leases contain an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessee. The two hotels are on a long-term lease for 25 years to 2036. Contingent rents representing income based on certain sales achieved by the tenants, recognised in the statement of total return, amounted to $21,011,000 (2016: $24,274,000).

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

Statement of Cash Flows
Year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Total return for the year before income tax		186,638	111,611
Adjustments for:			
Allowance for/(Utilisation of) impairment loss on trade receivables		–	(5)
Amortisation of lease incentives		124	72
Asset management fees paid and payable in Units		15,166	14,997
Depreciation of plant and equipment		145	209
Finance costs		24,783	29,093
Interest income		(82)	(30)
Net change in fair value of investment property		(51,889)	18,739
Operating income before working capital changes		174,885	174,686
Changes in working capital:			
Trade and other receivables		3,600	573
Trade and other payables		(5,651)	4,948
Security deposits		(618)	545
Net cash from operating activities		172,216	180,752
Cash flows from investing activities			
Capital expenditure on investment property		(47,776)	(34,757)
Purchase of plant and equipment		(27)	(68)
Net cash used in investing activities		(47,803)	(34,825)
Cash flows from financing activities			
Proceeds from interest-bearing borrowings		331,000	1,125,500
Repayment of borrowings		(300,000)	(1,069,500)
Distribution to Unitholders		(150,925)	(146,468)
Interest paid		(23,183)	(27,402)
Interest received		82	30
Payment of transaction costs related to borrowings		(909)	(2,882)
Net cash used in financing activities		(143,935)	(120,722)
Net (decrease)/increase in cash and cash equivalents		(19,522)	25,205
Cash and cash equivalents at beginning of the year		38,457	13,252
Cash and cash equivalents at end of the year	7	18,935	38,457

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

Notes to the financial statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Management Committee and Trustee-Manager of RCS Trust on 13 February 2018.

1 General

RCS Trust (the "Trust") is a Singapore-domiciled unit trust established pursuant to the trust deed dated 18 July 2006 (as amended by a first supplemental deed dated 23 December 2016 (collectively the "Trust Deed")) between HSBC Institutional Trust Services (Singapore) Limited (the "Trustee-Manager"), HSBC Institutional Trust Services (Singapore) Limited (as trustee of CapitaLand Commercial Trust), HSBC Institutional Trust Services (Singapore) Limited (as trustee of CapitaLand Mall Trust), CapitaLand Commercial Trust Management Limited and CapitaLand Mall Trust Management Limited. The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee-Manager is under a duty to take into custody and hold the assets of the Trust in trust for the holders ("Unitholders") of units in the Trust (the "Units").

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

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

(i) Property management fees

Under the Property Management Agreement, property management fees are charged as follows:

(a) 2.0% per annum of the property income of the property; and

(b) 2.5% per annum of the net property income of the property.

The property management fees are payable monthly in arrears.

(ii) Asset management fees

Pursuant to the Trust Deed, the asset management fees comprise a base component of 0.25% per annum of the value of Deposited Property and a performance component of 4% per annum of the net property income of the Trust for each quarter. Deposited Property refers to all the assets of the Trust, including all its authorised investment for the time being held or deemed to be held upon the trusts of the Trust Deed.

The asset management fee shall be paid entirely in the form of Units or, with the unanimous approval of CapitaLand Commercial Trust Management Limited and CapitaLand Mall Trust Management Limited, either partly in units and partly in cash or wholly in cash.

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

(iii) Trustee-Manager's fees

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

The Trustee-Manager's fees are payable quarterly in arrears.

2 Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants 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 ("FRS").

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except for investment property and certain financial assets and financial liabilities which are stated at fair value.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

The preparation of the financial statements in conformity with RAP 7 requires the Trustee-Manager to make judgments, 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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 5 – Valuation of investment property.

Measurement of fair values

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

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

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

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

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

Further information about the assumptions made in measuring fair values is included in Note 5 – Valuation of investment property.

2.5 Changes in accounting policies

Revised standards

The Trust has applied *Disclosure Initiative (Amendments to FRS 7)* for the first time for the annual period beginning on 1 January 2017.

Disclosure Initiative (Amendments to FRS 7)

From 1 January 2017, as a result of the amendments to FRS 7, the Trust has provided additional disclosure in relation to the changes in liabilities arising from financing activities for the year ended 31 December 2017. Comparative information has not been presented (see note 9).

3 Significant accounting policies

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

3.1 *Plant and equipment*

Recognition and measurement

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised in the statement of total return.

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 Trust, 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 the statement of total return as incurred.

Depreciation

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

Depreciation is recognised as an expense in 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.

Depreciation is recognised from the date that the plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

Furniture, fittings and equipment	-	2 to 5 years

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

3.2 *Investment property*

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

Cost includes expenditure that is directly attributable to the acquisition of the investment property. Fair value is determined in accordance with the Trust Deed, which requires the investment property to be valued by independent registered valuers as and when deemed appropriate by the Trustee-Manager.

Subsequent expenditure is recognised in the carrying amount of the investment property if it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably.

3.3 *Financial instruments*

Derivative financial instruments, including hedge accounting

The Trust holds derivative financial instruments to hedge its 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 the statement of total return.

On initial designation of the derivative as a hedging instrument, the Trust formally documents the relationship between the hedging instrument and hedged item, 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 Trust makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80% – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that ultimately could affect the reported statement of total return.

Derivative financial instruments are recognised initially at fair value; any attributable transaction costs are recognised in the statement of total return as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedge

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect the statement of total return, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in Unitholders' funds. 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 accumulated in the hedging reserve is reclassified to the statement of total return in the same period or periods during which the non-financial item affects the statement of total return. In other cases as well, the amount accumulated in the hedging reserve is reclassified to the statement of total return in the same period that the hedged item affects the statement of total return. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or 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 reclassified to the statement of total return.

Non-derivative financial assets

The Trust initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Trust becomes a party to the contractual provisions of the instrument.

The Trust 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 Trust 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 Trust currently has a legally enforceable 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 Trust has the following non-derivative financial assets: loans and receivables.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

Non-derivative financial liabilities

The Trust initially recognises all other financial liabilities on the trade date, which is the date that the Trust becomes a party to the contractual provisions of the instrument.

The Trust derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Trust classifies non-derivative financial liabilities into the other financial liabilities category. 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.

Other financial liabilities comprise interest-bearing liabilities, security deposits and trade and other payables.

Unitholders' funds

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

3.4 *Impairment*

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact 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, indications that a debtor or issuer will enter bankruptcy or economic conditions that correlate with defaults.

Loans and receivables

The Trust considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and 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. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Trust uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for the Trustee-Manager's judgment as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less 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 loans and receivables. Interest on the impaired asset continues to be recognised. When the Trust 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 revered through the statement of total return.

Non-financial assets

The carrying amounts of the Trust's non-financial assets, other than investment property are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amounts are estimated.

An impairment loss is recognised in the statement of total return if the carrying amount of an asset or its cash generating unit ("CGU") exceeds its estimated recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

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

3.5 *Revenue recognition*

Rental income from operating leases

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

Car park income

Car park income is recognised in the statement of total return on a time apportioned basis.

Interest income

Interest income is recognised in the statement of total return as it accrues, using the effective interest method.

3.6 *Expenses*

Property operating expenses

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

Property management fees

Property management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(i).

Asset management fees

Asset management fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(ii).

Trustee-Manager's fees

The Trustee-Manager's fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(iii).

3.7 Finance costs

Finance costs comprise interest expense on borrowings and amortisation of loan related transaction costs. All finance costs are recognised in the statement of total return using the effective interest method.

3.8 Tax

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 items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.

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

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

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

In determining the amount of current and deferred tax, the Trust takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Trust 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 judgments about future events. New information may become available that causes the Trust to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling, the Trust is not subject to tax on the taxable income of the Trust. The taxable income of the Trust are distributed in full to its Unitholders. The Unitholders will include their respective shares of the taxable income for distribution to their own Unitholders, subject to their own distribution policy. This tax transparency treatment granted to the Trust does not apply to gains from the sale of real properties that are determined by the IRAS to be trading gains.

The Trust has a distribution policy where it is required to 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. For the taxable income that is not distributed, referred to as retained taxable income, tax will be assessed on the Trust. Where such retained taxable income is subsequently distributed, the Trust need not deduct tax at source.

3.9 Segment reporting

An operating segment is a component of the Trust 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 Trust's other components. Segment results are reviewed and used by the Management Committee to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

3.10 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Trust has not early applied the following new or amended standards in preparing these statements.

Applicable to 2018 financial statements

FRS 115 *Revenue from Contracts with Customers*

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 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Potential impact on the financial statements

The Trust does not expect the impact on the financial statements to be significant.

Transition - The Trust plans to adopt the standard when it becomes effective in 2018.

FRS 109 Financial Instrument

FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39.

FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

Potential impact on the financial statements

The Trust does not expect a significant impact on its opening equity.

The Trust's initial assessment of the three elements of FRS 109 is as described below.

Classification and measurement

The Trust does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109.

Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109.

Impairment

The Trust plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 115. On adoption of FRS 109, the Trust does not expect a significant increase in the impairment loss allowance.

Hedge accounting

The Trust expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109.

Transition

The Trust plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

Applicable to 2019 financial statements

FRS 116 *Leases*

FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor.

When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.

Potential impact on the financial statements

The Trust has performed a preliminary assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Trust expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard.

The Trust plans to adopt the standard when it becomes effective in 2019.

Overall, the Trust does not expect a significant impact on its financial statements.

4 Plant and equipment

	Furniture, fittings and equipment	
	2017	**2016**
	$'000	**$'000**
Cost		
At 1 January	1,984	1,911
Additions	19	76
Disposals	–	(3)
At 31 December	2,003	1,984
Accumulated depreciation		
At 1 January	1,040	834
Depreciation for the year	145	209
Disposals	–	(3)
At 31 December	1,185	1,040
Carrying amount		
At 31 December	818	944

5 Investment property

	2017 $'000	2016 $'000
At 1 January	3,169,000	3,136,000
Capital expenditure	39,111	51,739
	3,208,111	3,187,739
Net change in fair value of investment property recognised in statement of total return	51,889	(18,739)
At 31 December	3,260,000	3,169,000

Fair value hierarchy

The fair value of investment property is determined by an external and independent property valuer (2016: two external and independent property valuers) with appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

The fair value measurement for investment property of has been categorised as Level 3 fair value based on the inputs to the valuation technique used (Note 2.4).

Level 3 fair value

There were no transfers between levels during the year (2016: Nil).

Valuation technique

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuations are prepared by considering the estimated rental value of the property by applying the appropriate valuation methods i.e. the capitalisation method and discounted cash flow method.

The capitalisation approach is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) is adjusted to reflect anticipated operating costs and ongoing vacancy to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised over the remaining term of the land lease from the valuation date at an appropriate capitalisation rate. The discounted cash flow method involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value.

In determining the fair values of investment properties, the valuers have used the above valuation methods which involve certain estimates. The Management Committee reviews the appointment of valuers, the key valuation parameters and underlying data including market-corroborated capitalisation rate and discount rate adopted by the valuers and is of view that they are reflective of the market conditions as at the reporting date.

Significant unobservable inputs

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

Description	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Investment property		
Raffles City Singapore	• Capitalisation rate 4.10% to 4.85% (2016: 4.25% to 5.25%) • Discount rate 7.15% (2016: 7.40% to 7.41%)	The estimated fair value would increase/(decrease) if the capitalisation rates and discount rates were lower/(higher).

Significant unobservable inputs correspond to:

- Capitalisation rate i.e. a rate of return investment properties based on the expected income that the property will generate.
- Discount rate, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the risk of investing in the asset class.

6 Trade and other receivables

	2017 $'000	2016 $'000
Trade receivables	355	641
Allowance for impairment losses	–	–
Net trade receivables	355	641
Amount due from a related party (trade)	9	–
Deposits	162	3,189
Other receivables	490	917
Loans and receivables	1,016	4,747
Prepayments	226	220
	1,242	4,967

The outstanding balance with the related party is unsecured, interest-free and repayable on demand.

Concentration of credit risk relating to trade receivables is limited due to the Trust's many varied tenants. These tenants are engaged in diversified businesses and are of good quality and strong credit standing. The Trust's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the Trustee-Manager believes that no additional credit risks beyond amounts provided for collection losses is inherent in the Trust's trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date (by type of consumers) is:

	2017 $'000	2016 $'000
Retail	346	583
Office	9	58
	355	641

Impairment losses

The ageing of trade receivables at the reporting date is:

	2017		2016	
	Gross $'000	Impairment losses $'000	Gross $'000	Impairment losses $'000
Not past due	228	–	443	–
Past due 31 – 60 days	119	–	168	–
Past due 61 – 90 days	–	–	24	–
Past due more than 90 days	8	–	6	–
	355	–	641	–

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

	2017 $'000	2016 $'000
At 1 January	–	5
Allowance recognised during the year	–	1
Allowance utilised during the year	–	(6)
At 31 December	–	–

The Trustee-Manager believes that no impairment allowance is necessary as the receivables are mainly arising from tenants that have a good record with the Trust and have sufficient security deposits as collateral.

7 Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and in hand	2,935	3,457
Fixed deposits with financial institutions	16,000	35,000
	18,935	38,457

The weighted average effective interest rates relating to fixed deposits with financial institutions at the reporting date is 1.0% (2016: 0.81%) per annum for the Trust.

8 Trade and other payables

	2017 $'000	2016 $'000
Trade payables and accrued operating expenses	25,090	40,690
Amounts due to related parties (trade)	2,827	1,857
Other deposits and advances	3,290	3,954
Other payables	7,652	6,994
Interest payable	1,086	715
	39,945	54,210

Included in trade payables and accrued operating expenses are capital expenditures of $9,430,000 (2016: $20,500,000) for the renovation works of its investment property.

9 Interest-bearing liabilities

	2017 $'000	2016 $'000
Non-current liabilities		
Euro Medium Term Notes (EMTN) (unsecured)	300,000	–
Term loans (unsecured)	550,000	1,100,000
Revolving credit facilities (unsecured)	31,000	–
Unamortised transaction costs	(1,721)	(2,482)
	879,279	1,097,518
Current liabilities		
Term loans (unsecured)	250,000	–
Unamortised transaction costs	(130)	–
	249,870	–
Total interest-bearing liabilities	1,129,149	1,097,518

Terms and debt repayment schedule

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

			2017		2016	
	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000	Face value $'000	Carrying amount $'000
SGD fixed rate EMTN	2.6	2023	300,000	299,785	–	–
SGD floating rate bank loans	SOR + margin	2018 to 2022	831,000	829,364	1,100,000	1,097,518
			1,131,000	1,129,149	1,100,000	1,097,518

SOR – Swap Offer Rate

The following are the expected contractual undiscounted cash outflows 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 2 to 5 years $'000**	**After 5 years $'000**
2017					
Non-derivative financial liabilities					
SGD fixed rate EMTN	299,785	342,334	7,800	31,200	303,334
Floating rate term loans	829,364	871,103	268,142	602,961	–
Security deposits	30,093	30,093	11,611	18,482	–
Trade and other payables	39,945	39,945	39,945	–	–
	1,199,187	1,283,475	327,498	652,643	303,334
2016					
Non-derivative financial liabilities					
Floating rate term loans	1,097,518	1,180,412	22,701	1,157,711	–
Security deposits	30,711	30,711	10,351	20,360	–
Trade and other payables	54,210	54,210	54,210	–	–
	1,182,439	1,265,333	87,262	1,178,071	–

Euro Medium Term Note Programme of RCS Trust

In March 2017, the Trust established a U.S.$2 billion Euro Medium Term Note Programme ("EMTN Programme")

Under the EMTN Programme, the Trust is subject to compliance with all relevant laws, regulations and directives, from time to time issue notes in series or tranches in any currency ("EMTN").

Each series or tranche of notes may be issued in various amounts and tenors and may bear fixed, floating or variable rates of interest.

The EMTN shall constitute direct, unconditional, unsecured and unsubordinated obligations of RCS Trust ranking pari passu, without any preference or priority among themselves and pari passu with all other present and future unsecured obligations of RCS Trust. All sums payable in respect of the notes will be unconditionally and irrevocably guaranteed by the Trustee-Manager.

The proceeds from the issuance of the EMTN are used to refinance existing borrowings, to finance or refinance any asset enhancement works or capital expenditure of the Trust, and to finance the general corporate and working capital purposes in respect of the Trust.

At 31 December 2017, $300 million of fixed rate notes maturing in 2023 were issued under the EMTN Programme. The proceeds from the issue was used to refinance part of the existing borrowings of the Trust.

Unsecured loan facilities

The Trust has an aggregate of $1,100 million (2016: $1,400 million) unsecured loan facilities, comprising a combination of $800 million (2016: $1,100 million) term loans and $300 million (2016: $300 million) revolving credit facilities with various maturities from various banks as at 31 December 2017. The Trust has drawndown $831 million (2016: $1,100 million) of the unsecured loan facilities.

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

			Non-cash changes			
	1 January 2017 $'000	**Financing cashflows^ $'000**	**Interest expense/ capitalised $'000**	**Change in fair value**	**Other changes $'000**	**31 December 2017 $'000**
Borrowings*	1,098,233	6,908	23,554	–	1,540	1,130,235
Financial derivatives	657	–	–	(287)	–	370
	1,098,890	6,908	23,554	(287)	1,540	1,130,605

* Includes interest-bearing liabilities and interest payable
^ Net of proceeds from interest-bearing borrowings, repayment of borrowings, interest paid and payment of transaction costs related to borrowings

10 Financial derivatives

	2017 $'000	**2016 $'000**
Non-current assets		
Interest rate swaps	–	19
Current liabilities		
Interest rate swaps	370	382
Non-current liabilities		
Interest rate swaps	–	294

The Trust enters into interest rate swaps to hedge the exposure to varying cash flows due to changes in interest rates. At 31 December 2017, the Trust held interest rate swaps with a total notional contract amount of $304 million (2016: $524 million).

Offsetting financial assets and financial liabilities

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

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

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

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments included in the statement of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
31 December 2017					
Financial liabilities					
Interest rate swaps	370	–	370	–	370
31 December 2016					
Financial assets					
Interest rate swaps	19	–	19	(19)	–
Financial liabilities					
Interest rate swaps	676	–	676	(19)	657

The following are the expected contractual undiscounted cash outflows of financial instruments that are subjected to the above agreements.

	Carrying amount $'000	Contractual cash flows $'000	Cash flows Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
31 December 2017					
Derivative financial instruments					
Interest rate swaps	(370)	(445)	(445)	–	–
31 December 2016					
Derivative financial instruments					
Interest rate swaps	(657)	920	210	710	–

11 Units issued and to be issued

	Number of units 2017 '000	2016 '000
Units issued:		
As at 1 January	1,387,682	1,381,018
Asset management fees paid in units	10,491	6,664
As at 31 December	1,398,173	1,387,682
Units to be issued:		
Asset management fees to be paid in units	6,219	6,313
As at 31 December	1,404,392	1,393,995

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;
- Attend all Unitholders' meetings. The Trustee-Manager may whenever it thinks fit, and shall on requisition in accordance with the relevant laws, regulations and guidelines, proceed to convene a meeting of Unitholders in accordance with the provisions of the Trust Deed;
- One vote per Unit; and
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust.

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.

Under the Trust Deed, 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.

12 Gross revenue

	2017 $'000	2016 $'000
Gross rental income:		
- Office	38,118	37,844
- Retail	101,087	99,573
- Hotel	80,655	86,087
	219,860	223,504
Car park income	5,108	5,510
Others	4,971	5,599
	229,939	234,613

13 Property operating expenses

	2017 $'000	2016 $'000
Property tax	14,860	20,315
Utilities	7,490	8,888
Property management reimbursements	8,744	8,401
Property management fees	9,212	9,302
Marketing and related expenses	3,216	2,592
Maintenance	10,699	9,503
General administrative expenses	261	329
Depreciation of plant and equipment	145	209
	54,627	59,539

14 Finance costs

	2017 $'000	2016 $'000
Interest expense	23,554	27,111
Amortisation of transaction costs	1,229	1,982
	24,783	29,093

15 Tax expense

Reconciliation of effective tax rate

	2017 $'000	2016 $'000
Total return for the year before tax	186,638	111,611
Tax using the Singapore tax rate of 17% (2016: 17%)	31,728	18,974
Non-tax deductible items	2,877	3,006
(Income)/expense not subject to tax	(8,821)	3,185
Tax transparency	(25,784)	(25,165)
	–	–

16 Financial risk management

Capital management

The Management Committee reviews the Trust's capital management regularly so as to optimise the Trust's funding structure. The Management Committee also monitors the Trust's exposure to various risk elements by closely adhering to clearly established management policies and procedures.

The objectives of the debt and capital management are to:

a. adopt and maintain an optimal gearing level;

b. secure diversified funding sources from both financial institutions and capital markets; and

c. adopt a proactive interest rate management strategy to manage risks related to interest rate fluctuations.

The Management Committee seeks to maintain a combination of debt and equity in order to optimise its funding structure. There were no changes in the Trust's approach to capital management during the year.

Overview of risk management

Risk management is integral to the whole business of the Trust. The Trust has a system of controls in place to create an acceptable balance between the costs of risks occurring and the cost of managing the risks. The Management Committee continually monitors the Trust'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 Trust's activities.

Credit risk

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

Credit evaluations of tenants are performed before the lease agreements are signed with tenants. Outstanding balances by the tenants are monitored closely on an ongoing basis.

The Management Committee 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 the individually significant exposure.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Trust is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

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

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

Liquidity risk

Liquidity risk is the risk that the Trust will not be able to meet its financial obligations as they fall due. The Management Committee monitors its liquidity risk and maintains a level of cash and cash equivalents and refinances borrowings (including sufficient undrawn facilities) to finance the Trust's operations and to mitigate the effects of fluctuation in cash flows.

Market risk

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

Interest rate risk

The Trust's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. Interest rate risk is managed by the Management Committee 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.

Interest rate swaps with a total notional amount of $304 million (2016: $524 million) by the Trust have been entered into the reporting date. The swaps are being used to hedge, the exposure to carrying cash flows are to changes in interest rates.

The fair value of interest rate swaps as at reporting date for the Trust was $0.4 million (2016: $0.7 million). Interest rate swaps represented 0.02% (2016: 0.03%) of net assets of the Trust.

Sensitivity analysis

In managing the interest rate risk, the Management Committee aims to reduce the impact of short-term fluctuations on the Trust's total return before tax.

The Trust does not account for any fixed rate financial liabilities at fair value through profit or loss. Therefore, in respect of the fixed rate borrowings, a change in interest rates at the reporting date would not affect the Statement of Total Return.

For variable rate financial instruments, a change of 100 basis points ("bp") in interest rates at the reporting date would increase/(decrease) Statement of Total Return and Unitholders' Funds by amounts shown below. This analysis assumes that all other variables remain constant.

	Statement of total return		Unitholders' Funds	
	100bp increase $'000	100bp decrease $'000	100 bp increase $'000	100bp decrease $'000
31 December 2017				
Variable rate financial liabilities	(8,310)	8,310	–	–
Interest rate swaps	3,040	(3,040)	664	(91)
Cash flow sensitivity	(5,270)	5,270	664	(91)
31 December 2016				
Variable rate financial liabilities	(11,000)	11,000	–	–
Interest rate swaps	5,240	(5,240)	1,560	(1,145)
Cash flow sensitivity	(5,760)	5,760	1,560	(1,145)

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 approximate of fair value.

		Carrying amount			Fair value			
	Note	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2017								
Financial assets not measured at fair value								
Trade and other receivables	6	1,242	–	1,242				
Cash and cash equivalents	7	18,935	–	18,935				
		20,177	–	20,177				
Financial liabilities not measured at fair value								
Trade and other payables	8	–	(39,945)	(39,945)				
Interest-bearing liabilities	9	–	(1,129,149)	(1,129,149)	–	(1,184,955)	–	(1,184,955)
Distribution payable		–	(39,004)	(39,004)				
Security deposits		–	(30,093)	(30,093)	–	(29,351)	–	(29,351)
		–	(1,238,191)	(1,238,191)				
Financial liabilities measured at fair value								
Financial derivatives	10	–	(370)	(370)	–	(370)	–	(370)

		Carrying amount			Fair value			
	Note	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2016								
Financial assets not measured at fair value								
Trade and other receivables	6	4,747	–	4,747				
Cash and cash equivalents	7	38,457	–	38,457				
		43,204	–	43,204				
Financial assets measured at fair value								
Financial derivatives	10	19	–	19	–	19	–	19
Financial liabilities not measured at fair value								
Trade and other payables	8	–	(54,210)	(54,210)				
Interest-bearing liabilities	9	–	(1,097,518)	(1,097,518)	–	(1,166,416)	–	(1,166,416)
Distribution payable		–	(38,254)	(38,254)				
Security deposits		–	(30,711)	(30,711)	–	(30,015)	–	(30,015)
		–	(1,220,693)	(1,220,693)				
Financial liabilities measured at fair value								
Financial derivatives	10	–	(676)	(676)	–	(676)	–	(676)

Interest rates used in determining the fair value

The interest rates used to discount estimated cash flows, where applicable, is computed from the market rates for the Trust as follows:

	2017 %	2016 %
Security deposits	2.07	1.76
Interest-bearing liabilities	2.39 – 2.75	1.27 – 2.63

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels have been defined as follows:

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

Measurement of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Trust.

(i) Derivatives

The fair value of interest rate swaps is the estimated amount that would be received or paid to terminate the swaps at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties.

Fair values of interest rate swaps are obtained based on quotes provided by the financial institution at the reporting date.

(ii) 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 value.

(iii) EMTN

The fair value of the EMTN are based on the quoted price at the reporting date.

17 Related parties

For the purposes of these financial statements, parties are considered to be related to the Trust if the Trust has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Trust and the party are subject to common significant influence. Related parties may be individuals or other entities.

In the normal course of the operations of the Trust, the Trustee-Manager's fees have been paid or are payable to the Trustee-Manager.

Pursuant to the Joint Venture Agreement dated 18 July 2006, the Trustee-Manager has appointed a Management Committee which comprises members appointed by CapitaLand Commercial Trust Management Limited and CapitaLand Mall Trust Management Limited, as its agent and to act on its behalf to exercise all of the Trustee-Manager's powers and discretions.

Transactions with key management personnel

Key management personnel compensation

Key management personnel of the Trust are those parties having authority and responsibility for planning, directing and controlling the activities of the Trust, directly or indirectly. The Trustee-Manager and Management Committee are considered as key management personnel. Except as disclosed elsewhere, there is no other remuneration paid or payable to key management personnel.

Other related party transactions

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

	2017 $'000	2016 $'000
Asset management fees to related companies	15,166	14,997
Project management fees to related companies	964	1,443
Property management fees to a related company	9,212	9,302
Marketing and related expenses to related companies	732	722
Property management reimbursables to a related company	8,744	8,401

18 Segment reporting

Segment information is presented based on the information reviewed by the Trust's Chief Operating Decision Makers ("CODMs") for performance assessment and resource allocation. For the purpose of the assessment of segment performance, the Trust's CODMs reviews internal/management reports of its investment property. This forms the basis of identifying the operating segments of the Trust under FRS 108 *Operating Segments*.

The CODMs are of the view that the Trust only has one reportable segment – the leasing of the Singapore investment property as a whole. Accordingly, no separate operating or geographic segment information has been prepared.

Major tenants

Rental income from one major tenant of the Trust's reportable segment represents approximately $80,655,000 (2016: $86,087,000) of the Trust's property rental income.

19 Commitments

	2017 $'000	2016 $'000
Capital expenditure commitments:		
- contracted but not provided for	52,606	50,164

Operating lease commitments

Operating lease rental receivable

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

	2017 $'000	2016 $'000
Within 1 year	189,739	188,333
After 1 year but within 5 years	330,973	448,579
After 5 years	898,312	928,229
	1,419,024	1,565,141

The above operating lease receivables include the fixed component of the rent receivable under the lease agreement for the hotel, adjusted for increases in rent where such increases have been provided for under the lease agreement.

20 Financial ratios

	Note	2017 %	2016 %
Expenses to weighted average net assets	A		
- including performance component of management fees		0.78	0.78
- excluding performance component of management fees		0.43	0.43
Portfolio turnover rate	B	–	–

Note A: *The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Trust and exclude property operating expenses and borrowing cost.*

Note B: *The annualised ratio is computed based on the lesser of purchases or sales of underlying investment property of the Trust expressed as a percentage of weighted average net asset value.*