

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

Financial Statements  
Year ended 31 December 2022

## **Report of the Trustee**

HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”) is under a duty to take into custody and hold the assets of Parkway Life Real Estate Investment Trust (the “Trust”) and its subsidiaries (the “Group”) in trust for the holders (“Unitholders”) of units in the Trust (the “Units”). In accordance with the Securities and Futures Act (Cap. 289) of Singapore, its subsidiary legislation and the Code on Collective Investment Scheme, the Trustee shall monitor the activities of Parkway Trust Management Limited (the “Manager”) for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 12 July 2007 (as amended by the First Supplemental Deed dated 12 November 2009, the Second Supplemental Deed dated 30 March 2010, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020) (the “Trust Deed”), between the Trustee and the Manager in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the year covered by these financial statements, set out on pages FS1 to FS91, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

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

*Authorised Signatory*

24 February 2023

## **Statement by the Manager**

In the opinion of the directors of Parkway Trust Management Limited, the accompanying financial statements set out on pages FS1 to FS91, comprising the statements of financial position, statements of total return, distribution statements, statements of movements in Unitholders' funds and portfolio statements of the Group and of the Trust, cash flow statement of the Group and a summary of significant accounting policies and other explanatory notes, are drawn up so as to present fairly, in all material respects, the financial position and the portfolio of Parkway Life Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group") and of the Trust as at 31 December 2022, the total returns, distributable income, movements in Unitholders' funds of the Group and the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "*Reporting Framework for Investment Funds*" (RAP 7) issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

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

**Yong Yean Chau**  
*Director*

24 February 2023



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## **Independent auditors' report**

### **Unitholders**

#### **Parkway Life Real Estate Investment Trust**

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

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

#### ***Opinion***

We have audited the financial statements of Parkway Life Real Estate Investment Trust (the Trust) and its subsidiaries (the Group), which comprise the consolidated statement of financial position and consolidated portfolio statement of the Group and the statement of financial position and portfolio statement of the Trust as at 31 December 2022, the consolidated statement of total return, consolidated distribution statement, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group and the statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages FS1 to FS91.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position, portfolio statement, statement of total return, distribution statement and statement of movements in unitholders' funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position and the portfolio holdings of the Trust as at 31 December 2022 and the consolidated total return, consolidated distributable income, consolidated movements in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year then ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Investment Funds* (RAP 7) issued by the Institute of Singapore Chartered Accountants (ISCA).

### ***Basis for opinion***

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

### ***Key audit matters***

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

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

#### ***Risk***

Investment properties represent the single largest category of assets on the consolidated statement of financial position of the Group at \$2.2 billion (2021: \$2.3 billion) as at 31 December 2022.

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

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

#### ***Our response***

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

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

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

#### *Our findings*

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

The valuation methodologies adopted by the valuers are in line with generally accepted market practices. The significant data inputs used were supported by relevant supporting documents. The key assumptions used in the valuations, including the projected cash flows, discount rates and terminal capitalisation rates were supported by the evidence available and are within the range of industry and market data. Where the assumptions were outside the expected range, the additional factors considered by the valuers were consistent with other corroborative evidence. The disclosures in the financial statements are appropriate.

#### *Other information*

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

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

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

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

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

### ***Responsibilities of the Manager for the financial statements***

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**KPMG LLP**

*Public Accountants and  
Chartered Accountants*

**Singapore**

24 February 2023



**Statements of financial position**  
**As at 31 December 2022**

		<b>Group</b>		<b>Trust</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Non-current assets</b>					
Investment properties	4	2,205,881	2,290,751	1,439,000	1,472,000
Interests in subsidiaries	5	—	—	727,412	638,591
Advance payment	6	27,740	—	27,740	—
Financial derivatives	7	33,958	15,337	33,958	15,337
		<u>2,267,579</u>	<u>2,306,088</u>	<u>2,228,110</u>	<u>2,125,928</u>
<b>Current assets</b>					
Financial derivatives	7	470	558	470	558
Trade and other receivables	8	15,597	12,697	14,133	53,859
Advance payment	6	18,493	—	18,493	—
Cash and cash equivalents	9	40,010	25,793	15,467	1,594
		<u>74,570</u>	<u>39,048</u>	<u>48,563</u>	<u>56,011</u>
<b>Total assets</b>		<u>2,342,149</u>	<u>2,345,136</u>	<u>2,276,673</u>	<u>2,181,939</u>
<b>Current liabilities</b>					
Trade and other payables	10	23,697	21,917	16,751	14,071
Current portion of security deposits		823	954	—	—
Loans and borrowings	11	56,635	94,719	56,635	94,719
Lease liabilities		15	14	—	—
		<u>81,170</u>	<u>117,604</u>	<u>73,386</u>	<u>108,790</u>
<b>Non-current liabilities</b>					
Financial derivatives	7	—	153	—	153
Non-current portion of security deposits		17,754	19,207	—	—
Loans and borrowings	11	793,154	731,176	793,154	731,176
Deferred tax liabilities	12	35,769	38,331	—	—
Deferred income		1,732	1,860	—	—
Lease liabilities		2,084	2,098	—	—
		<u>850,493</u>	<u>792,825</u>	<u>793,154</u>	<u>731,329</u>
<b>Total liabilities</b>		<u>931,663</u>	<u>910,429</u>	<u>866,540</u>	<u>840,119</u>
<b>Net assets</b>		<u>1,410,486</u>	<u>1,434,707</u>	<u>1,410,133</u>	<u>1,341,820</u>
<b>Represented by:</b>					
<b>Unitholders' funds</b>	13	<u>1,410,486</u>	<u>1,434,707</u>	<u>1,410,133</u>	<u>1,341,820</u>
Units in issue ('000)	14	<u>605,002</u>	<u>605,002</u>	<u>605,002</u>	<u>605,002</u>
Net asset value per unit (\$)		<u>2.33</u>	<u>2.37</u>	<u>2.33</u>	<u>2.22</u>

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

**Statements of total return**  
**Year ended 31 December 2022**

		<b>Group</b>		<b>Trust</b>	
	<b>Note</b>	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Gross revenue	15	129,972	120,705	95,156	90,466
Property expenses	16	(8,104)	(9,471)	(3,244)	(3,288)
<b>Net property income</b>		<b>121,868</b>	<b>111,234</b>	<b>91,912</b>	<b>87,178</b>
Management fees	17	(13,782)	(12,852)	(12,373)	(11,610)
Trust expenses	18	(3,294)	(3,373)	(2,300)	(2,425)
Finance costs	19	(5,753)	(4,683)	(5,476)	(4,414)
Foreign exchange gain, net		3,399	1,946	99,756	46,653
Other expenses	20	—	—	—	(505)
		<b>(19,430)</b>	<b>(18,962)</b>	<b>79,607</b>	<b>27,699</b>
<b>Total return before changes in fair value of financial derivatives, investment properties and gain on disposal of asset held for sale</b>		<b>102,438</b>	<b>92,272</b>	<b>171,519</b>	<b>114,877</b>
Net change in fair value of financial derivatives		5,160	4,161	10,794	10,326
Net change in fair value of investment properties	4	(59,381)	239,206	(57,053)	248,941
Gain on disposal of asset held for sale	21	—	5,113	—	—
<b>Total return before income tax</b>		<b>48,217</b>	<b>340,752</b>	<b>125,260</b>	<b>374,144</b>
Income tax expense	22	(7,081)	(8,874)	—	—
<b>Total return for the year</b>		<b>41,136</b>	<b>331,878</b>	<b>125,260</b>	<b>374,144</b>
<b>Earnings per unit (cents)</b>					
Basic and diluted	23	<b>6.80</b>	<b>54.86</b>	<b>20.70</b>	<b>61.84</b>

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

**Distribution statements**  
**Year ended 31 December 2022**

	Note	Group		Trust	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>Amount available for distribution to Unitholders at beginning of the year</b>		21,622	21,628	21,622	21,628
Total return for the year		41,136	331,878	125,260	374,144
Distribution adjustments	A	48,776	(244,176)	(35,348)	(286,442)
Rollover adjustment		92	—	92	—
Amount retained for capital expenditure		(3,000)	(3,000)	(3,000)	(3,000)
Amount reversed for COVID-19 related relief measures		—	476	—	476
<b>Income for the year available for distribution to Unitholders</b>	B	87,004	85,178	87,004	85,178
<b>Amount available for distribution to Unitholders</b>		108,626	106,806	108,626	106,806
<b>Distributions to Unitholders during the year:</b>					
- Distribution of 3.57 cents per unit for period from 1 October 2020 to 31 December 2020		—	21,599	—	21,599
- Distribution of 3.57 cents per unit for period from 1 January 2021 to 31 March 2021		—	21,598	—	21,598
- Distribution of 3.38 cents per unit for period from 1 April 2021 to 30 June 2021		—	20,449	—	20,449
- Distribution of 3.56 cents per unit for period from 1 July 2021 to 30 September 2021		—	21,538	—	21,538
- Distribution of 3.57 cents per unit for period from 1 October 2021 to 31 December 2021		21,599	—	21,599	—
- Distribution of 7.06 cents per unit for period from 1 January 2022 to 30 June 2022		42,713	—	42,713	—
		64,312	85,184	64,312	85,184
<b>Amount available for distribution to Unitholders at end of the year</b>		44,314	21,622	44,314	21,622

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

**Distribution statements (cont'd)**  
**Year ended 31 December 2022**

	Note	Group		Trust	
		2022	2021	2022	2021
Number of units entitled to distribution ('000)	14	605,002	605,002	605,002	605,002
Distribution per unit (cents) <sup>1</sup>		14.38	14.08	14.38	14.08

<sup>1</sup> The distribution per unit relates to the distributions in respect of the relevant financial year.

**Note A – Distribution adjustments comprise:**

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Non-tax deductible/(non-taxable) items:				
Trustee's fees	370	350	370	350
Amortisation of transaction costs relating to debt facilities	704	716	704	716
Net overseas income not distributed to the Trust	–	–	21,378	16,760
Foreign exchange loss/(gain), net	1,974	(926)	(94,387)	(45,633)
Net change in fair value of financial derivatives	(5,160)	(4,161)	(10,794)	(10,326)
Net change in fair value of investment properties (net of deferred tax impact)	62,403	(235,712)	57,053	(248,941)
Gain on disposal of asset held for sale (net of tax)	–	(4,231)	–	–
Others	(11,515)	(212)	(9,672)	632
Net effect of distribution adjustments	48,776	(244,176)	(35,348)	(286,442)

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

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Unitholders' distributions:</b>				
- from operations	66,244	71,660	66,244	71,660
- from Unitholders' contributions	20,760	13,518	20,760	13,518
<b>Total Unitholders' distributions</b>	<b>87,004</b>	<b>85,178</b>	<b>87,004</b>	<b>85,178</b>

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

**Statements of movements in Unitholders' funds**  
**Year ended 31 December 2022**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Unitholders' funds at beginning of year</b>	1,434,707	1,183,615	1,341,820	1,049,161
<b>Operations</b>				
Total return for the year	41,136	331,878	125,260	374,144
<b>Unitholders' transactions</b>				
Distribution to Unitholders	(64,312)	(85,184)	(64,312)	(85,184)
<b>Total (decrease)/increase in Unitholders' funds before movement in other reserves</b>	(23,176)	246,694	60,948	288,960
<b>Other reserves</b>				
Net movement in hedging reserve	6,958	3,768	6,958	3,768
Net movement in cost of hedging reserve	407	(69)	407	(69)
Exchange differences on hedge of net investment in foreign operations	98,624	49,060	–	–
Translation differences arising on consolidation of foreign operations	(107,034)	(48,361)	–	–
Net (decrease)/increase in other reserves	(1,045)	4,398	7,365	3,699
<b>Unitholders' funds at end of year</b>	<b>1,410,486</b>	<b>1,434,707</b>	<b>1,410,133</b>	<b>1,341,820</b>

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

**Portfolio statements**  
**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Singapore</b>									
The Mount Elizabeth Hospital Property <sup>(1)</sup>	Leasehold	67	52	3 Mount Elizabeth, Singapore 228510	Hospital and medical centre	845,000	883,000	59.9	61.5
The Gleneagles Hospital Property <sup>(1)</sup>	Leasehold	75	60	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500	Hospital and medical centre	500,000	503,000	35.4	35.1
The Parkway East Hospital Property <sup>(1)</sup>	Leasehold	75	60	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990	Hospital and medical centre	94,000	86,000	6.7	6.0
						<u>1,439,000</u>	<u>1,472,000</u>	<u>102.0</u>	<u>102.6</u>

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan</b>									
Bon Sejour Yokohama Shin-Yamashita <sup>(2)</sup>	Freehold	N.A.	N.A.	2-12-55 Shin Yamashita, Naka-Ku, Yokohama City, Kanagawa Prefecture, Japan	Nursing home with care service	16,882	20,434	1.2	1.4
More Habitation Akashi <sup>(2)</sup>	Freehold	N.A.	N.A.	486, Yagi, Okubo-cho, Akashi City, Hyogo Prefecture, Japan	Nursing home with care service	18,204	20,196	1.3	1.4
More Habitation Suma <sup>(2)</sup>	Freehold	N.A.	N.A.	1-5-23, Chimori-cho, Suma-ku, Kobe City, Hyogo Prefecture, Japan	Nursing home with care service	10,679	11,999	0.8	0.8
Senior Chonaikai Makuhari Kan <sup>(2)</sup>	Freehold	N.A.	N.A.	5-370-4, Makuhari-cho, Hanamigawa-ku, Chiba City, Chiba Prefecture, Japan	Nursing home with care service	18,916	22,216	1.3	1.5
<b>Balance carried forward</b>						64,681	74,845	4.6	5.1

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						64,681	74,845	4.6	5.1
Smiling Home Medis Musashi Urawa <sup>(2)</sup>	Freehold	N.A.	N.A.	5-5-6, Shikatebukuro, Minami-ku, Saitama City, Saitama Prefecture, Japan	Nursing home with care service	8,512	9,813	0.6	0.7
Smiling Home Medis Koshigaya Gamo <sup>(2)</sup>	Freehold	N.A.	N.A.	2-2-5, Gamonishimachi, Koshigaya City, Saitama Prefecture, Japan	Nursing home with care service	16,781	19,483	1.2	1.4
Sompo no le Nakasyo <sup>(2)</sup>	Freehold	N.A.	N.A.	923-1 Aza Miyata, Hirata, Kurashiki City, Okayama Prefecture, Japan	Nursing home with care service	7,455	8,708	0.5	0.6
Maison des Centenaire Ishizugawa <sup>(2)</sup>	Freehold	N.A.	N.A.	2-1-9, Hamadera Ishizuchonishi, Nishi-Ku, Sakai City, Osaka Prefecture, Japan	Nursing home with care service	9,875	11,262	0.7	0.8
Maison des Centenaire Haruki <sup>(2)</sup>	Freehold	N.A.	N.A.	12-20, Haruki-Miyakawacho, Kishiwada City, Osaka Prefecture, Japan	Nursing home with care service	7,282	8,542	0.5	0.6
<b>Balance carried forward</b>						114,586	132,653	8.1	9.2

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



**Portfolio statements (cont'd)**
**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
Group						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						114,586	132,653	8.1	9.2
Hapine Fukuoka Noke <sup>(2)</sup>	Freehold	N.A.	N.A.	4-35-9, Noke, Sawara-ku, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	9,824	10,823	0.7	0.8
Fiore Senior Residence Hirakata <sup>(2)</sup>	Freehold	N.A.	N.A.	4-10, Higashikori-Shinmachi, Hirakata City, Osaka Prefecture, Japan	Nursing home with care service	5,665	6,320	0.4	0.4
Iyashi no Takatsuki Kan <sup>(2)</sup>	Freehold	N.A.	N.A.	3-19, Haccho-Nishimachi, Takatsuki City, Osaka Prefecture, Japan	Nursing home with care service	17,594	20,552	1.2	1.4
Sawayaka Obatake Ichibankan <sup>(2)</sup>	Freehold	N.A.	N.A.	3-3-51 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	8,543	10,015	0.6	0.7
Sawayaka Sakurakan <sup>(2)</sup>	Freehold	N.A.	N.A.	126-2 Nakadomari, Nishi-nagano, Kakunodate-machi, Senboku City, Akita Prefecture, Japan	Nursing home with care service	9,112	10,870	0.6	0.8
Sawayaka Nogatakan <sup>(2)</sup>	Freehold	N.A.	N.A.	442-1 Yamabe-Oaza, Nogata City, Fukuoka Prefecture, Japan	Nursing home with care service	8,278	9,849	0.6	0.7
<b>Balance carried forward</b>						173,602	201,082	12.2	14.0

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						173,602	201,082	12.2	14.0
Sawayaka Shinmojikan <sup>(2)</sup>	Freehold	N.A.	N.A.	1543-1 Oaza Hata, Moji-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	11,085	12,830	0.8	0.9
Sawayaka Obatake Nibankan <sup>(2)</sup>	Freehold	N.A.	N.A.	1-6-26 Obatake, Kokura-kita-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Short stay/Day care home	4,058	4,800	0.3	0.3
Sawayaka Fukufukukan <sup>(2)</sup>	Freehold	N.A.	N.A.	1-24-4 Fukuyanagi, Tobata-ku, Kita-kyushu City, Fukuoka Prefecture, Japan	Nursing home with care service	7,383	8,863	0.5	0.6
As Heim Nakaurawa <sup>(2)</sup>	Freehold	N.A.	N.A.	2-21-9 Nishibori, Sakura-ku, Saitama Prefecture, Japan	Nursing home with care service	11,289	13,424	0.8	0.9
Hanadama no Ie Nakahara <sup>(2)</sup>	Freehold	N.A.	N.A.	5-14-25 Shimo Kotanaka Nakahara-ku, Kawasaki, Kanagawa Prefecture, Japan	Nursing home with care service	9,468	10,930	0.7	0.8
<b>Balance carried forward</b>						216,885	251,929	15.3	17.5

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						216,885	251,929	15.3	17.5
Sawayaka Higashikagurakan <sup>(2)</sup>	Freehold	N.A.	N.A.	2-351-4 Kitaichijo Higashi, Higashikaguracho Kamikawa-gun, Hokkaido Prefecture, Japan	Nursing home with care service	10,475	12,474	0.7	0.9
Happy Life Toyonaka <sup>(2)</sup>	Freehold	N.A.	N.A.	15-14, Kozushima 2-chome, Toyonaka City, Osaka Prefecture, Japan	Nursing home with care service	5,685	6,593	0.4	0.5
More Habitation Shin-Kobe <sup>(2)</sup>	Freehold	N.A.	N.A.	13-7, Kanocho 2-chome, Chuo-ku, Kobe City, Hyogo Prefecture, Japan	Nursing home with care service	16,679	19,008	1.2	1.3
Sawayaka Seaside Toba <sup>(2)</sup>	Freehold	N.A.	N.A.	300-73 Aza Hamabe, Ohamacho Toba City, Mie Prefecture, Japan	Nursing home with care service	16,374	19,127	1.2	1.3
<b>Balance carried forward</b>						266,098	309,131	18.8	21.5

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						266,098	309,131	18.8	21.5
Sawayaka Niihamakan <sup>(2)</sup>	Freehold	N.A.	N.A.	Otsu 11-77, Higashida 3-chome, Niihama City, Ehime Prefecture, Japan	Nursing home with care service	15,560	18,295	1.1	1.3
Sawayaka Mekari Nibankan <sup>(2)</sup>	Freehold	N.A.	N.A.	2720-2, Okubo 1-chome, Mojiku, Kitakyushushi City, Fukuoka Prefecture, Japan	Nursing home with care service	3,824	4,027	0.3	0.3
Sawayaka Kiyotakan <sup>(2)</sup>	Freehold	N.A.	N.A.	16-7, Kiyota 3-chome, Yahatahigashi-ku, Kitakyushushi, Fukuoka Prefecture, Japan	Nursing home with care service	10,475	12,355	0.7	0.9
Sawayaka Minatokan <sup>(2)</sup>	Freehold	N.A.	N.A.	5155-3 Jyusanbancho, Furumachidori, Chuo-ku, Niigata City, Niigata Prefecture, Japan	Nursing home with care service	7,729	9,231	0.5	0.6
Maison des Centenaire Hannan <sup>(2)</sup>	Freehold	N.A.	N.A.	8-423-29 Momonokidai, Hannan City, Osaka Prefecture, Japan	Nursing home with care service	19,628	23,998	1.4	1.7
<b>Balance carried forward</b>						<u>323,314</u>	<u>377,037</u>	<u>22.8</u>	<u>26.3</u>

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

## Portfolio statements (cont'd)

As at 31 December 2022

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						323,314	377,037	22.8	26.3
Maison des Centenaire Ohhama <sup>(2)</sup>	Freehold	N.A.	N.A.	3-11-18 Ohhama Kitamachi Sakai-Ku, Sakai City, Osaka Prefecture, Japan	Nursing home with care service	8,024	8,969	0.6	0.6
Sunhill Miyako <sup>(2)</sup>	Freehold	N.A.	N.A.	8-423-30 Momonokidai, Hannan City, Osaka Prefecture, Japan	Extended stay lodging facility	9,682	11,227	0.7	0.8
Habitation Jyosui <sup>(2)</sup>	Freehold	N.A.	N.A.	4-1-26 Yakuin, Chuo-ku Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	37,324	46,094	2.6	3.2
Ocean View Shonan Arasaki <sup>(2)</sup>	Freehold	N.A.	N.A.	5-25-1 Nagai, Yokosuka City, Kanagawa Prefecture, Japan	Nursing home with care service	21,967	25,661	1.6	1.8
Habitation Hakata I, II and III <sup>(2)</sup>	Freehold	N.A.	N.A.	23-10 Kanenokuma 3-chome Hakata-ku, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	42,512	48,352	3.0	3.4
Excellent Tenpaku Garden Hills <sup>(2)</sup>	Freehold	N.A.	N.A.	141-3 Tsuchihara 2-chome, Tenpaku-ku, Nagoya City, Aichi Prefecture, Japan	Nursing home with care service	18,408	22,453	1.3	1.6
<b>Balance carried forward</b>						461,231	539,793	32.6	37.7

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						461,231	539,793	32.6	37.7
Liverari Shiroishi Hana Ichigo-kan <sup>(2)</sup>	Freehold	N.A.	N.A.	1-18 Kitago 3jyo, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	3,732	4,562	0.3	0.3
Liverari Shiroishi Hana Nigo-kan <sup>(2)</sup>	Freehold	N.A.	N.A.	5-10 Kitago 2jyo 5-chome, Shiraishi-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	1,892	2,245	0.1	0.2
Sunny Spot Misono <sup>(2)</sup>	Freehold	N.A.	N.A.	4-24 Misono 7jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan	Group home with care service	2,166	2,471	0.2	0.2
Silver Heights Hitsujigaoka (Ichibankan and Nibankan) <sup>(2)</sup>	Freehold	N.A.	N.A.	6-1 Fukuzumi, 3jyo 3-chome, Toyohira-ku, Sapporo City, Hokkaido Prefecture, Japan	Nursing home with care service	13,526	14,137	1.0	1.0
Habitation Wakaba <sup>(2)</sup>	Freehold	N.A.	N.A.	1763-12 Oguramachi Wakabaku, Chiba City, Chiba Prefecture, Japan	Nursing home with care service	22,679	26,136	1.6	1.8
Habitation Hakusho <sup>(2)</sup>	Freehold	N.A.	N.A.	301 Hijikai, Yachimata City, Chiba Prefecture, Japan	Nursing home with care service	16,882	19,958	1.2	1.4
<b>Balance carried forward</b>						522,108	609,302	37.0	42.6

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						522,108	609,302	37.0	42.6
Group Home Hakusho <sup>(2)</sup>	Freehold	N.A.	N.A.	1345-16 Toyoma, Yachimata City, Chiba Prefecture, Japan	Group home with care service	1,098	1,247	0.1	0.1
Kikuya Warakuen <sup>(2)</sup>	Freehold	N.A.	N.A.	1404-10 Nishitoyoi, Oaza, Kudamatsu City, Yamaguchi Prefecture, Japan	Nursing home with care service	8,746	10,336	0.6	0.7
Sanko <sup>(2)</sup>	Freehold	N.A.	N.A.	4-16-16 Mizuhomachi, Kudamatsu City, Yamaguchi Prefecture, Japan	Nursing home with care service	5,675	6,594	0.4	0.5
Konosu Nursing Home Kyoseien <sup>(2)</sup>	Freehold	N.A.	N.A.	3409-1 Shimoya, Konosu, Saitama Prefecture, Japan	Nursing rehabilitation facility	17,899	20,552	1.3	1.4
Haru no Sato <sup>(2)</sup>	Freehold	N.A.	N.A.	1-2-23 Hajima, Shunan, Yamaguchi Prefecture, Japan	Nursing rehabilitation facility	14,035	16,157	1.0	1.1
Hodaka no Niwa <sup>(2)</sup>	Freehold	N.A.	N.A.	205 Hitoegane, Okuhida Onsengo, Takayama, Gifu Prefecture, Japan	Nursing rehabilitation facility	15,153	16,394	1.1	1.1
Orange no Sato <sup>(2)</sup>	Leasehold	99	97	522 Yoshiwara, Aridagawa-machi, Arida, Wakayama Prefecture, Japan	Nursing rehabilitation facility	12,713	14,731	0.9	1.0
						597,427	695,313	42.4	48.5

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
Group						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						597,427	695,313	42.4	48.5
Habitation Kamagaya <sup>(2)</sup>	Freehold	N.A.	N.A.	12-1 Shin-Kamagaya 4-Chome, Kamagaya City, Chiba Prefecture, Japan	Nursing home with care service	18,306	20,790	1.3	1.4
Will-Mark Kashiihama <sup>(2)</sup>	Freehold	N.A.	N.A.	2-1 Kashiihama 3-chome, Fukuoka City, Fukuoka Prefecture, Japan	Nursing home with care service	33,053	38,135	2.3	2.7
Crea Adachi <sup>(2)</sup>	Freehold	N.A.	N.A.	19-10 Iriya 2-chome Adachi City, Tokyo Prefecture, Japan	Nursing home with care service	12,814	15,087	0.9	1.1
Habitation Kisarazu Ichibankan <sup>(2)</sup>	Freehold	N.A.	N.A.	11-1, Kaneda Higashi 4-chome, Kisarazu City, Chiba, Japan	Nursing home with care service	34,781	40,867	2.5	2.8
						<u>696,381</u>	<u>810,192</u>	<u>49.4</u>	<u>56.5</u>

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



**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	Carrying Value		Percentage of Net Assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Japan (cont'd)</b>									
<b>Balance brought forward</b>						696,381	810,192	49.4	56.5
Blue Rise Nopporo <sup>(4)</sup>	Freehold	N.A.	N.A.	39-1 Suehirocho, Nopporo, Ebetsu City, Hokkaido Prefecture, Japan	Nursing home with care service	8,014	—	0.6	—
Blue Terrace Kagura <sup>(4)</sup>	Freehold	N.A.	N.A.	9-2-27 Kagura 2jyo, Asahikawa City, Hokkaido Prefecture, Japan	Nursing home with care service	13,526	—	1.0	—
Blue Terrace Taisetsu <sup>(4)</sup>	Freehold	N.A.	N.A.	506-16 Taisetsudori 7-chome, Asahikawa City, Hokkaido Prefecture, Japan	Nursing home with care service	7,821	—	0.6	—
Assisted Living Edogawa <sup>(5)</sup>	Freehold	N.A.	N.A.	3-27-17 Nishi-Ichinoe, Edogawa-ku, Tokyo Prefecture, Japan	Nursing home with care service	19,425	—	1.4	—
Assisted Living Toke <sup>(5)</sup>	Freehold	N.A.	N.A.	299-4 Tokecho, Midori-ku, Chiba City, Chiba Prefecture, Japan	Nursing home with care service	13,323	—	0.9	—
						758,490	810,192	53.9	56.5

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
<b>Group</b>									
<b>Malaysia</b>									
MOB Specialist Clinics, Kuala Lumpur <sup>(3)</sup>	Freehold	N.A.	N.A.	282, Jalan Ampang 50450 Kuala Lumpur, Malaysia	Medical Centre	6,316	6,462	0.4	0.5
<b>Total investment properties, at valuation</b>						2,203,806	2,288,654	156.3	159.6
Other assets and liabilities (net)						(793,320)	(853,947)	(56.3)	(59.6)
Net assets						1,410,486	1,434,707	100.0	100.0

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

**Portfolio statements (cont'd)****As at 31 December 2022**

Description of property	Tenure of land	Term of lease (years)	Remaining term of lease (years)	Location	Existing use	At valuation		Percentage of net assets	
						2022 \$'000	2021 \$'000	2022 %	2021 %
Trust									
Singapore									
The Mount Elizabeth Hospital Property <sup>(1)</sup>	Leasehold	67	52	3 Mount Elizabeth, Singapore 228510	Hospital and medical centre	845,000	883,000	59.9	65.8
The Gleneagles Hospital Property <sup>(1)</sup>	Leasehold	75	60	6 Napier Road, Singapore 258499; and 6A Napier Road, Singapore 258500	Hospital and medical centre	500,000	503,000	35.5	37.5
The Parkway East Hospital Property <sup>(1)</sup>	Leasehold	75	60	319 Joo Chiat Place, Singapore 427989; and 321 Joo Chiat Place, Singapore 427990	Hospital and medical centre	94,000	86,000	6.7	6.4
Investment properties, at valuation						1,439,000	1,472,000	102.1	109.7
Other assets and liabilities (net)						(28,867)	(130,180)	(2.1)	(9.7)
Net assets						1,410,133	1,341,820	100.0	100.0

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

<sup>(2)</sup> On 31 December 2022, independent valuations of these properties were undertaken by CBRE K.K., Enrix Co., Ltd, Cushman & Wakefield K.K. and JLL Morii Valuation & Advisory K.K. using the discounted cash flow method.

<sup>(3)</sup> On 31 December 2022, the appraised value of the property was determined by Knight Frank Malaysia Sdn Bhd, using the direct capitalisation method and supported by comparison approach.

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

**Portfolio statements (cont'd)**

**As at 31 December 2022**

- <sup>(4)</sup> On 13 September 2022, the Group entered into a Tokumei Kumiai agreement as an investor in relation to the acquisition of three nursing homes located in Japan for a purchase price of JPY2,558 million (approximately \$25.1 million). The acquisition of the properties was completed on 21 September 2022. The appraised value of the properties as at 31 December 2022 was determined by Enrix Co., Ltd using discounted cash flow method.
- <sup>(5)</sup> On 20 September 2022, the Group entered into a Tokumei Kumiai agreement as an investor in relation to the acquisition of two nursing homes located in Japan for a purchase price of JPY2,880 million (approximately \$28.7 million). The acquisition of the property was completed on 28 September 2022. The appraised value of the properties as at 31 December 2022 was determined by Enrix Co., Ltd using discounted cash flow method.

The Manager believes that the independent valuers have appropriate professional qualifications and recent experience in the location and category of the properties being valued. The net change in fair value of the properties has been taken to the statement of total return.

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

**Consolidated statement of cash flows**  
**Year ended 31 December 2022**

	Note	Group 2022 \$'000	2021 \$'000
<b>Cash flows from operating activities</b>			
Total return before income tax		48,217	340,752
Adjustments for:			
Finance costs	19	5,753	4,683
Net change in fair value of financial derivatives		(5,160)	(4,161)
Net change in fair value of investment properties	4	59,381	(239,206)
Gain on disposal of asset held for sale	21	—	(5,113)
Straight-line rental adjustments	4	(11,908)	(832)
Deferred income recognised		(260)	(251)
Allowance for doubtful debts	16	—	1,028
<b>Operating income before working capital changes</b>		<b>96,023</b>	<b>96,900</b>
Changes in working capital:			
Trade and other receivables		(3,114)	5,069
Trade and other payables		4,151	(7,615)
Security deposits		1,709	1,033
<b>Cash generated from operations</b>		<b>98,769</b>	<b>95,387</b>
Income tax paid		(4,137)	(5,525)
<b>Cash flows generated from operating activities</b>		<b>94,632</b>	<b>89,862</b>
<b>Cash flows from investing activities</b>			
Capital expenditure on investment properties		(17,658)	(11,692)
Cash outflow on purchase of investment properties (including acquisition related costs) (Note A)		(61,293)	(99,207)
Advance payment for capital expenditure on investment properties	6	(46,233)	—
Net proceeds from sale of investment property (including divestment related costs)		—	35,911
<b>Cash flows used in investing activities</b>		<b>(125,184)</b>	<b>(74,988)</b>
<b>Cash flows from financing activities</b>			
Interest paid		(4,424)	(3,842)
Distributions to Unitholders		(64,312)	(85,184)
Proceeds from loans and borrowings		271,757	482,124
Proceeds from issuance of medium term notes		109,583	—
Repayment of loans and borrowings		(233,772)	(402,114)
Redemption of medium term notes		(29,778)	—
Borrowing costs paid		(1,269)	(934)
Repayment of lease liabilities		(32)	(31)
<b>Cash flows generated from/(used in) financing activities</b>		<b>47,753</b>	<b>(9,981)</b>
<b>Net increase in cash and cash equivalents</b>		<b>17,201</b>	<b>4,893</b>
Cash and cash equivalents at beginning of year		25,793	22,658
Effects of exchange differences on cash balances		(2,984)	(1,758)
<b>Cash and cash equivalents at end of year</b>	9	<b>40,010</b>	<b>25,793</b>

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

**Consolidated statement of cash flows (cont'd)**  
**Year ended 31 December 2022**

**Note A:**

***Cash outflow on purchase of investment properties (including acquisition related costs)***

Cash outflow on purchase of investment properties (including acquisition related costs) is set out below:

	<b>Group</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment properties	53,888	88,853
Acquisition related costs	7,405	10,354
Cash outflow/cash consideration paid	<u>61,293</u>	<u>99,207</u>

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

## **Notes to the financial statements**

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 24 February 2023.

### **1 General**

Parkway Life Real Estate Investment Trust (the “Trust”) is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 12 July 2007 (as amended by the First Supplemental Deed dated 12 November 2009, Second Supplemental Deed dated 30 March 2010, the Third Supplemental Deed dated 31 March 2016, the Fourth Supplemental Deed dated 2 May 2019, the Fifth Supplemental Deed dated 2 April 2020 and the Sixth Supplemental Deed dated 23 September 2020) (the “Trust Deed”) between Parkway Trust Management Limited (the “Manager”) and HSBC Institutional Trust Services (Singapore) Limited (the “Trustee”), governed by the laws of the Republic of Singapore. On 12 July 2007, the Trust was declared as an authorised unit trust scheme under the Trustees Act, Chapter 337. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the “Group”) in trust for the holders (“Unitholders”) of units in the Trust (the “Units”).

On 23 August 2007 (“Listing Date”), the Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) and was included under the Central Provident Fund (“CPF”) Investment Scheme on the same date.

At Listing Date, the Trust had invested in and owned an initial portfolio of three private hospitals in Singapore comprising The Mount Elizabeth Hospital Property, The Gleneagles Hospital Property, and The Parkway East Hospital Property (collectively, the “Hospital Properties”). The Hospital Properties are leased to a related corporation of the Manager and the Trust, Parkway Hospitals Singapore Pte. Ltd., pursuant to three separate master lease agreements.

The principal activity of the Trust is to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily for healthcare and/or healthcare-related purposes (including but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate. The principal activities of the subsidiaries are set out in Note 5.

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

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

**(A) Trustee's fee**

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.03% per annum of the value of the gross assets of the Group ("Deposited Property"), subject to a minimum of \$10,000 per month or such higher percentage as may be fixed by an Extraordinary Resolution at a meeting of Unitholders of the Trust. The Trustee's fee is payable out of the Deposited Property on a monthly basis, in arrears. The Trustee is also entitled to seek reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

Based on the current agreement between the Manager and the Trustee, the Trustee's fee is charged on a scaled basis of up to 0.03% per annum of the value of the Group's Deposited Property.

**(B) Manager's management fees**

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

- (i) A base fee of 0.3% per annum of the value of the Deposited Property; and
- (ii) A performance fee of 4.5% per annum of the net property income of the Group.

The base fee and performance fee is payable to the Manager in the form of cash and/or units (as the Manager may elect prior to each payment) and in such proportion as may be determined by the Manager.

Where the management fees are payable in the form of units, such payment shall be made out quarterly in arrears and the Manager shall be entitled to receive such number of units as may be purchased with the relevant amount of the management fee attributable to the relevant period at an issue price set out in accordance with the Trust Deed. Where the management fees are payable in the form of cash, the portion of the base fee and performance fee payable in cash shall be payable monthly and quarterly in arrears, respectively. With effect from 1 January 2016, the performance fee is paid annually in arrears, regardless of whether it is paid in the form of cash and/or units.

Since the Listing Date, the Manager has elected to receive 20% of the base and performance fees in the form of units and 80% in the form of cash. With effect from the financial year ended 31 December 2011, the Manager has elected to receive 100% of the base and performance fees in the form of cash.

Any increase in the maximum permitted amount or any change in the structure of the Manager's management fees must be approved by an Extraordinary Resolution at a meeting of Unitholders of the Trust duly convened and held in accordance with the provisions of the Trust Deed.



In addition to the management fees, the Manager is entitled to the following fees (excluding the Hospital Properties for the duration of the master lease agreements):

- (i) A fee of 2.0% per annum of the revenue of the real estate held directly or indirectly by the Trust and managed by the Manager, for property management services provided by the Manager;
- (ii) A fee of 1.0% per annum of the revenue of the real estate held directly or indirectly by the Trust and managed by the Manager, for lease management services provided by the Manager;
- (iii) Commissions as set out below for securing new leases or renewal of leases for those real estate which are not leased to a master lessee under a master lease agreement, pursuant to marketing services provided by the Manager:
  - (a) Two months' gross rent inclusive of service charge, for securing a lease of more than three years;
  - (b) One month's gross rent inclusive of service charge, for securing a lease of three years or less;
  - (c) One month's gross rent inclusive of service charge, for securing a renewal of lease of more than three years; and
  - (d) Half month's gross rent inclusive of service charge, for securing a renewal of lease of three years or less.

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

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

The marketing services commission may be adjusted accordingly at the time of securing or renewal of a lease by the Manager or a third party agent, to be consistent with and no higher than the prevailing market rates of such marketing services commission in the country where the real estate is located.

### **(C) Manager's acquisition and divestment fees**

The Manager is entitled to receive the following acquisition fees and divestment fees:

- (i) An acquisition fee of 1.0% of the Enterprise Value of any real estate or real estate related asset acquired directly or indirectly by the Trust, prorated, if applicable, to the proportion of the Trust's interest.

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

In the event that there is a payment to be made to third party agents or brokers in connection with the acquisition, such payment shall be paid out of the Deposited Property. Unless required under the Property Funds Appendix to be paid in the form of units only, the Manager may opt to receive such acquisition fee in the form of cash or units or a combination of cash and units as it may determine. Units representing the acquisition fee or any part thereof will be issued at an issue price on a similar basis as management fees.

In the event that the Manager receives an acquisition fee in connection with a transaction with a related party, any such acquisition fee shall be paid in the form of units.

- (ii) A divestment fee of 0.5% of the Enterprise Value of any real estate or real estate related asset sold or divested directly or indirectly by the Trust, pro-rated, if applicable, to the proportion of the Trust's interest.

Unless required under the Property Funds Appendix to be paid in the form of units only, the Manager may opt to receive such divestment fee in the form of cash or units or a combination of cash and units as it may determine. Units representing the divestment fee or any part thereof will be issued at an issue price on a similar basis as management fees. Any payment to third party agents or brokers in connection with the divestment of any real estate or real estate related assets of the Trust shall be paid by the Trust. In the event the Manager receives divestment fee in connection with a transaction with a related party, any such divestment fee shall be paid in the form of units.

#### **(D) Project management fees**

The property manager is entitled to receive a project management fee for each project undertaken, for the development or redevelopment (if not prohibited by the Property Funds Appendix or if otherwise permitted by the Monetary Authority of Singapore), the refurbishment, retrofitting and renovation of a property, based on the capital expenditure of the project, amounting to:

- (i) 5.0% of the capital expenditure of the project where the capital expenditure of the project is less than \$1.0 million; or
- (ii) 3.0% of the capital expenditure of the project where the capital expenditure of the project is more than or equal to \$1.0 million.

For the purpose of calculating the fees payable to the property manager, "capital expenditure" means all construction costs and expenditure valued by the quantity surveyor engaged by the Trustee for the project, excluding development charges, differential premiums, statutory payments, consultants' professional fees and goods and services tax.

## **2 Basis of preparation**

### **2.1 Statement of compliance**

The financial statements are prepared in accordance with the recommendations of Statement of Recommended Accounting Practice (“RAP”) 7 *Reporting Framework for Investment Funds* issued by the Institute of Singapore Chartered Accountants and the applicable requirements of the Code on Collective Investment Schemes (“CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed. RAP 7 requires that accounting policies adopted should generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards (“FRS”). The changes to significant accounting policies are described in Note 2.5.

### **2.2 Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the following items:

- derivative financial instruments are measured at fair value; and
- investment properties are measured at fair value.

### **2.3 Functional and presentation currency**

The financial statements of the Group and the Trust are presented in Singapore dollars, which is the Trust’s functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

### **2.4 Use of estimates and judgements**

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

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

- Note 4 – fair value determination of investment properties; and
- Note 26 – valuation of financial instruments.

### ***Measurement of fair values***

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

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

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

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

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

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

- Note 4 – fair value determination of investment properties; and
- Note 26 – valuation of financial instruments.

## **2.5 Changes in accounting policies**

### **New standards and amendments**

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2022:

- Amendment to FRS 116: *COVID-19-Related Rent Concessions beyond 30 June 2021*
- Amendments to FRS 103: *Reference to the Conceptual Framework*
- Amendment to FRS 16: *Property, Plant and Equipment – Proceeds before Intended Use*
- Amendments to FRS: *Onerous Contracts – Cost of Fulfilling a Contract*
- Annual Improvements to FRSs 2018-2020

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

### **3 Significant accounting policies**

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

#### **3.1 Basis of consolidation**

##### ***Business combinations***

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

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

##### ***Business combinations and property acquisitions***

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

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

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

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

##### ***Subsidiaries***

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

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

### ***Transactions eliminated on consolidation***

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

### ***Accounting for subsidiaries by the Trust***

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

## **3.2 Foreign currency**

### ***Foreign currency transactions***

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the reporting year.

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

Foreign currency differences arising on translation are recognised in the statement of total return, except for differences arising on the translation of monetary items that in substance form part of the Group's net investment in foreign operations, and financial liabilities designated as hedges of the net investment in foreign operations, which are recognised in the Unitholders' funds.

### ***Foreign operations***

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in the foreign currency translation reserve. When a foreign operation is disposed of such that control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is transferred to the statement of total return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

### 3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business. Investment properties are accounted for as non-current assets and are initially recognised at cost and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Fair value of investment properties are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following manner:

- (i) in such manner and frequency required under the CIS code issued by MAS; and
- (ii) at least once a year, on the 31st December of each year.

Any increase or decrease on revaluation is credited or charged directly to the statement of total return as a net change in fair value of investment properties.

Subsequent expenditure relating to investment properties that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

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

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above.

### 3.4 Assets held for sale

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

### 3.5 Financial instruments

#### ***Recognition and initial measurement***

#### **Non-derivative financial assets and financial liabilities**

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

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

### ***Classification and subsequent measurement***

#### **Non-derivative financial assets**

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

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

#### ***Financial assets at amortised cost***

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

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

#### **Financial assets: Business model assessment**

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

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

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

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

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



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

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

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

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

##### *Financial assets at amortised cost*

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

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

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

##### ***Derecognition***

#### **Financial assets**

The Group derecognises a financial asset when:

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

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

### **Financial liabilities**

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

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

### **Interest rate benchmark reform**

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. No immediate gain or loss is recognised. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

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

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

### ***Offsetting***

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

### ***Cash and cash equivalents***

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

### ***Derivative financial instruments and hedge accounting***

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

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

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

### ***Hedges directly affected by interest rate benchmark reform***

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

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

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

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

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

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

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

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

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

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

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

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

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

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

*Cash flow hedges*

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

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

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

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

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

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

#### *Net investment hedges*

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

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

### 3.6 Leases

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

## **As a lessee**

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

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

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

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

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

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

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

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

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

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

From 1 January 2022, where the basis for determining future lease payments changes as required by interest rate benchmark reform, the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

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

#### ***Short-term leases and leases of low-value assets***

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

#### **As a lessor**

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

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

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

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

### **3.7 Impairment**

#### ***Non-derivative financial assets***

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

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

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

### *Simplified approach*

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

### *General approach*

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

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

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

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

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

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

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

### *Measurement of ECLs*

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

### *Credit-impaired financial assets*

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



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

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

*Presentation of allowance for ECLs in the statement of financial position*

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

*Write-off*

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

***Non-financial assets***

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the statement of total return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a *pro rata* basis.

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

### 3.8 Revenue recognition

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in the statement of total return on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives granted are recognised as an integral part of the total rental to be received over the term of the lease.

(ii) Interest income

Interest income is recognised on an accrual basis, using the effective interest method.

(iii) Dividend income

Dividend income is recognised in the statement of total return on the date the Trust's right to receive payment is established.

### 3.9 Expenses

(i) Property expenses

Property expenses are recognised on an accrual basis.

(ii) Management fees

Management fees comprise the Manager's base fees, performance fees and asset management fees payable to the asset managers of the Japan properties.

Manager's base fees and performance fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1(B). Where applicable, Manager's base fee and performance fee paid and payable in units are recognised as an expense in the statement of total return with a corresponding increase in Unitholders' funds.

(iii) Trust expenses

Trust expenses are recognised on an accrual basis. Included in trust expenses is the trustee's fees which are based on the applicable formula stipulated in Note 1(A).

(iv) Finance costs

Finance costs comprise interest expense on borrowings, settlement on financial derivatives, amortisation of borrowings related transactions costs and security deposits and interests on lease liabilities.

Interest expense and similar charges are recognised in the statement of total return, using the effective interest rate method over the period of borrowings. Expenses incurred in connection with the arrangement of borrowings are recognised in the statement of total return using the effective interest method over the period for which the borrowings are granted.

### 3.10 Government grants

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

### 3.11 Income tax expense

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

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

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

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

Qualifying Unitholders are entitled to gross distributions from the Trust. For distributions made to foreign non-individual Unitholders during the period from 18 February 2005 to 31 December 2025 or foreign funds during the period from 1 July 2019 to 31 December 2025, the Trustee is required to withhold tax at the reduced rate of 10.0% on distributions made. For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such other types of Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source at the prevailing corporate tax rate by the Trustee.

A Qualifying Unitholder refers to a Unitholder who is:

- An individual;
- A company incorporated and tax resident in Singapore;
- A Singapore branch of a company incorporated outside Singapore;
- A body of persons incorporated or registered in Singapore including a charity registered under the Charities Act (Cap. 37) or established by any written law, a town council, a statutory board, a co-operative society registered under the Co-operative Societies Act (Cap. 62) or a trade union registered under the Trade Unions Act (Cap. 333);
- An international organisation that is exempt from tax on such distributions by reason of an order made under the International Organisations (Immunities and Privileges) Act (Cap. 145); or
- A real estate investment trust exchange-traded fund which has been accorded the tax transparency treatment.

A foreign non-individual Unitholder refers to a Unitholder who is not a resident of Singapore for income tax purpose and:

- who does not have any permanent establishment in Singapore; or
- who carries on any operation through a permanent establishment in Singapore, where the funds used to acquire the units in that REIT are not obtained from that operation.

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

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

The above tax transparency treatment does not apply to gains from disposal of any properties such as real estate properties, shares, etc that are determined by the IRAS to be revenue gains chargeable to tax. Tax on such gains or profits will be subject to tax, in accordance with Section 10(1)(a) of the Income Tax Act (Cap. 134) and collected from the Trustee. Where the gains are capital gains, they will not be subject to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

### 3.12 Distribution policy

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

Net overseas income refers to the net profits (excluding any gains from the sale of property or shares, as the case may be) after applicable taxes and adjustment for non-cash items such as depreciation derived by the Trust from its properties, if any.

From 2022 onwards, distributions to Unitholders are made on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the half year period ending on each of the said dates. Prior to 2022, distributions were made on a quarterly basis. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions within 75 days after the end of the first distribution periods of a financial year and within 90 days from the end of a financial year. Distributions, when paid, will be in Singapore dollars.

### 3.13 Earnings per unit

The Group presents basic and diluted earnings per unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return for the period after tax by the weighted average number of units outstanding during the period, adjusted for own units held. Diluted EPU is determined by adjusting the total return for the period after tax and the weighted average number of units outstanding, adjusted for own units held, for the effects of all dilutive potential units.

### 3.14 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Manager's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets and expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year on additions to investment properties that are expected to be used for more than one year.

### 3.15 New standards and amendments not adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2022 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

- FRS 117 *Insurance Contracts* and Amendments to FRS 17 *Insurance Contracts*
- Amendments to FRS 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to FRS 8: *Definition of Accounting Estimates*
- Amendments to FRS 12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to FRS 1: *Classification of Liabilities as Current or Non-Current*

## 4 Investment properties

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
At 1 January	2,290,751	1,991,019	1,472,000	1,213,800
Acquisition of investment properties	53,888	88,853	–	–
Acquisition related costs	6,902	11,235	–	–
Capital expenditure	17,310	12,514	13,972	9,259
Translation differences	(115,497)	(52,908)	–	–
	2,253,354	2,050,713	1,485,972	1,223,059
Change in fair value of investment properties	(47,451)	240,060	(46,972)	248,941
Amortisation of right-of-use assets	(22)	(22)	–	–
At 31 December	2,205,881	2,290,751	1,439,000	1,472,000

### *Determination of fair value*

Investment properties are stated at fair value based on valuations as at 31 December 2022 performed by independent professional valuers having appropriate recognised professional qualification and experience in the location and category of property being valued.

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

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

The net change in fair value of the investment properties recognised in the statement of total return comprises the following:

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Change in fair value of investment properties	(47,451)	240,060	(46,972)	248,941
Amortisation of right-of-use assets	(22)	(22)	—	—
Straight-line rental adjustments	(11,908)	(832)	(10,081)	—
Net change in fair value of investment properties recognised in statement of total return	(59,381)	239,206	(57,053)	248,941

*Valuation processes applied by the Group and Trust*

As explained under Note 3.3, valuation of investment properties is performed in accordance with the Trust Deed. In determining the fair value, the valuers have used valuation methods which involved certain estimates. In assessing the fair value measurements, the Manager reviews the valuation methodologies and evaluates the assessments made by the valuers. The Manager exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions. The valuation reports are prepared in accordance with recognised appraisal and valuation standards, and included a “general market comment” paragraph stating that the valuation of certain properties is as at the date of valuation and is to be kept under frequent review. This paragraph is inserted in view of the global inflationary pressures, the recent geopolitical events in Ukraine and the on-going effects of the global Covid-19 pandemic in some markets, all of which have heightened the potential for greater volatility in property markets over the short-to-medium term.

*Fair value hierarchy*

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

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

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Fair value of investment properties (based on valuation)	2,203,806	2,288,654
Add: Carrying amount of lease liabilities	2,075	2,097
Carrying amount of investment properties	2,205,881	2,290,751

*Significant unobservable inputs*

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

Type	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Capitalisation method	<ul style="list-style-type: none"> <li>Capitalisation rates range from 4.4% to 6.5% (2021: 4.7% to 6.7%).</li> </ul>	The estimated fair value would increase/(decrease) if the capitalisation rates were lower/(higher).
Discounted cash flow method	<ul style="list-style-type: none"> <li>Risk-adjusted discount rates range from 4.2% to 7.0% (2021: 4.5% to 7.0%).</li> <li>Terminal yield rates range from 4.5% to 6.6% (2021: 4.8% to 6.8%).</li> </ul>	<p>The estimated fair value would increase/(decrease) if:</p> <ul style="list-style-type: none"> <li>the risk-adjusted discount rates were lower/(higher); or</li> <li>the terminal yield rates were lower/(higher).</li> </ul>

Key unobservable inputs correspond to:

- Capitalisation rate corresponds to a rate of return on investment properties on the expected annual income that the property will generate.
- Discount rates, based on the risk-free rate for bonds issued by government in the relevant market, adjusted for a risk premium to reflect the increased risk of investing in the asset class.
- Terminal yield rate is the estimated capitalisation rate at maturity of the holding period.

## 5 Interests in subsidiaries

	Trust	
	2022 \$'000	2021 \$'000
Equity investments, at cost	723,842	635,021
Amount due from subsidiary (non-trade)	4,075	4,075
Allowance for impairment loss	(505)	(505)
	<u>727,412</u>	<u>638,591</u>

Amount due from subsidiary is unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future and hence the amount due from subsidiary is classified as non-current and is stated at amortised cost.

*Impairment of investment in subsidiaries*

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



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

In 2021, the Trust recognised an impairment loss of \$0.5 million in one of its subsidiaries which holds the investment property divested in 2021. The impairment loss is mainly due to the gain from the divestment of the investment property (Note 21) being lower than the cost of investment incurred by the Trust into the subsidiary.

### ***Ownership interests***

The Group does not hold any ownership interest in the special purpose entities (“SPEs”) in Japan listed below. The SPEs were established under terms that impose strict limitations on the decision-making powers of the SPE’s management, resulting in the Group receiving the majority of the benefits related to the SPE’s operations and net assets, being exposed to the majority of risks incident to the SPEs’ activities, and retaining the majority of the residual or ownership risk related to the SPEs of their assets. Consequently, the SPEs are regarded as subsidiaries of the Group.

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group	
			2022 %	2021 %
<sup>^</sup> Matsudo Investment Pte. Ltd.	Investment holding	Singapore	100	100
<sup>*</sup> Parkway Life Japan2 Pte. Ltd.	Investment holding	Singapore	100	100
<sup>**</sup> Godo Kaisha Del Monte	Special purpose entity - Investment in real estate	Japan	100	100
<sup>**</sup> Godo Kaisha Tenshi 1	Special purpose entity - Investment in real estate	Japan	100	100
<sup>**</sup> Godo Kaisha Tenshi 2	Special purpose entity - Investment in real estate	Japan	100	100
<sup>**</sup> G.K. Nest	Special purpose entity - Investment in real estate	Japan	100	100

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group	
			2022 %	2021 %
* Parkway Life Japan3 Pte. Ltd.	Investment holding	Singapore	100	100
** Godo Kaisha Healthcare 1	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Healthcare 2	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Healthcare 3	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Healthcare 4	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Healthcare 5	Special purpose entity - Investment in real estate	Japan	100	100
* Parkway Life Japan4 Pte. Ltd.	Investment holding	Singapore	100	100
** Godo Kaisha Samurai	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 2	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 3	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 4	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 5	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 6	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 7	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 8	Special purpose entity - Investment in real estate	Japan	100	100

Name of subsidiaries	Principal activities	Place of incorporation and business	Effective interest held by the Group	
			2022 %	2021 %
** Godo Kaisha Samurai 9	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 10	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 11	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 12	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 13	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 14	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 15	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 16	Special purpose entity - Investment in real estate	Japan	100	100
** Godo Kaisha Samurai 17	Special purpose entity - Investment in real estate	Japan	100	—
** Godo Kaisha Samurai 18	Special purpose entity - Investment in real estate	Japan	100	—
* Parkway Life Malaysia Pte. Ltd.	Investment holding	Singapore	100	100
# Parkway Life Malaysia Sdn. Bhd.	Special purpose entity - Investment in real estate	Malaysia	100	100
* Parkway Life MTN Pte. Ltd.	Provision of financial and treasury services	Singapore	100	100

^ In process of liquidation.

\* Audited by KPMG Singapore.

\*\* Not required to be audited under the laws of country of incorporation.

# Audited by KPMG Malaysia.

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

## 6 Advance payment

On 13 October 2021, the Group entered into new master lease agreements with Parkway Hospitals Singapore Pte. Ltd. (“PHS”), a related party of the Manager and the Trust, for the 3 hospital properties in Singapore. Along with the new master lease agreements, the Group has on the same date, entered into the agreement for the renewal capital expenditure works (“Renewal Capex Works”). The Renewal Capex Works has been awarded to a non-related third party building contractor in 2022 and shall be entirely carried out at Mount Elizabeth Hospital. In order to minimise operational disruptions, the Trust will synchronise the regular capital expenditure works with the Renewal Capex Works at Mount Elizabeth Hospital.

The current and non-current advance payment in 2022 arose from an advance payment of approximately \$46.2 million to the contractor in relation to the above capital expenditure works. In accordance with the advance payment agreement with the contractor, the contractor is obliged to provide an irrevocable on-demand performance bond from a local bank for a sum equivalent to the advance payment, (“Advance Payment Bond”). As at 31 December 2022, the Group has in its possession an Advance Payment Bond in its favour amounting to a sum same as the advance payment.

## 7 Financial derivatives

	<b>Group and Trust</b>	
	<b>2022</b> <b>\$'000</b>	<b>2021</b> <b>\$'000</b>
Current derivative assets	470	558
Non-current derivative assets	33,958	15,337
Total derivative assets	34,428	15,895
Non-current derivative liabilities	—	(153)
Total derivative liabilities	—	(153)
Total derivative assets (net)	34,428	15,742

  

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b> <b>%</b>	<b>2021</b> <b>%</b>	<b>2022</b> <b>%</b>	<b>2021</b> <b>%</b>
Percentage of derivative assets to unitholders' funds	2.4	1.1	2.4	1.2
Percentage of derivative liabilities to unitholders' funds	—	—*	—	—*

\* Amount immaterial

### *Interest rate swaps*

The Group manages its exposure to interest rate movement on its floating rate loans and borrowings by entering into interest rate swaps. As at the reporting date, the Group has interest rate swap with a total notional principal of approximately \$44.7 million (2021: \$52.3 million) to provide fixed rate funding up to 2024 (2021: up to 2024) at a weighted average effective interest rate of 0.16% (2021: 0.16%) per annum.

As at 31 December 2022, where the interest rate swaps are designated as the hedging instruments in qualifying cash flow hedges, the effective portion of the changes in fair value of the interest rate swap amounting to \$191,000 gain (2021: \$136,000 gain) was recognised in the hedging reserve.

### ***Interest rate caps***

Apart from interest rate swaps, the Group also manages its exposure to interest rate movement on its floating rate loans and borrowings by entering into interest rate caps. As at the reporting date, the Group has interest rate caps with a notional principal of JPY34,686 million (approximately \$352.8 million) (2021: JPY23,580 million (approximately \$280.1 million)).

These instruments are designated as hedging instruments. As at 31 December 2022, a change of time value of the interest rate caps of \$0.4 million gain (2021: \$0.1 million loss) was recognised in the cost of hedging reserve. Intrinsic value of \$2.3 million gain (2021: Nil) was recognised in the hedging reserve during the year.

### ***Forward exchange contracts***

The Group manages its exposure to foreign currency movements on its net income denominated in Japanese Yen from its investments in Japan by using forward exchange contracts to provide a hedge to the distribution of income from its investments in Japan, net of Japanese Yen financing costs.

At the reporting date, the Group has outstanding forward exchange contracts with aggregate notional amounts of approximately \$109.8 million (2021: \$76.6 million). The change in fair value of \$5.2 million gain (2021: \$4.2 million gain) was charged to the statement of total return.

### ***Cross currency interest rate swaps***

At the reporting date, the Group has cross currency interest rate swap ("CCIRS") with notional principal of \$81.9 million (2021: \$81.9 million) to manage its foreign currency risk and interest rate risk arising from the financing of Japan properties using Singapore dollar loan facilities. To maintain a natural hedge, the Group utilised CCIRS to realign the Singapore dollar denominated loans back into effective Japanese Yen denominated loans to match its underlying Japanese Yen denominated assets.

The Group had in-substance bifurcated the CCIRS and applied hedge accounting for net investment hedge and cash flow hedge, where the changes in fair value of \$5.6 million gain (2021: \$6.2 million gain) and \$4.5 million gain (2021: \$3.6 million gain) were recognised in the foreign currency translation reserve and hedging reserve, respectively.

### ***Offsetting financial assets and financial liabilities***

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

Accordingly, the Group's derivatives under the ISDA master netting agreements do not meet the criteria for offsetting in the statement of financial position. This is because they create a right of set-off of recognised amounts that is enforceable only following an event of default, insolvency or bankruptcy of the Group or the counterparties. In addition the Group and its counterparties do not intend to settle on a net basis or to realise the assets and settle the liabilities simultaneously in its normal course of business.

The following table sets out the carrying amounts of recognised financial instruments:

Group and Trust	Gross amounts of recognised financial instruments \$'000	Gross amounts of recognised financial instruments offset in the statements of financial position \$'000	Net amounts of financial instruments included in the statements of financial position \$'000	Related financial instruments that are not offset \$'000	Net amount \$'000
<b>31 December 2022</b>					
<b>Financial assets</b>					
Forward exchange contracts	11,534	—	11,534	—	11,534
Interest rate swap used for hedging	38	—	38	—	38
Interest rate caps used for hedging	3,942	—	3,942	—	3,942
Cross currency interest rate swap used for hedging	18,914	—	18,914	—	18,914
<b>Total</b>	<b>34,428</b>	<b>—</b>	<b>34,428</b>	<b>—</b>	<b>34,428</b>
<b>31 December 2021</b>					
<b>Financial assets</b>					
Forward exchange contracts	6,373	—	6,373	—	6,373
Interest rate caps used for hedging	696	—	696	—	696
Cross currency interest rate swap used for hedging	8,826	—	8,826	—	8,826
<b>Total</b>	<b>15,895</b>	<b>—</b>	<b>15,895</b>	<b>—</b>	<b>15,895</b>
<b>Financial liabilities</b>					
Interest rate swap used for hedging	(153)	—	(153)	—	(153)
<b>Total</b>	<b>(153)</b>	<b>—</b>	<b>(153)</b>	<b>—</b>	<b>(153)</b>

## 8 Trade and other receivables

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trade receivables	306	12	—	—
Amounts due from related party (trade)	11,490	11,005	11,490	11,005
Advances to subsidiary	—	—	—	42,498
Other receivables	2,706	129	2,634	—
	<b>14,502</b>	<b>11,146</b>	<b>14,124</b>	<b>53,503</b>
Prepayments	1,095	1,551	9	356
	<b>15,597</b>	<b>12,697</b>	<b>14,133</b>	<b>53,859</b>

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

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Nursing homes	301	7	–	–
Hospitals and medical centres	11,495	11,010	11,490	11,005
	<u>11,796</u>	<u>11,017</u>	<u>11,490</u>	<u>11,005</u>

At the reporting date, the hospitals and medical centres located in Singapore are leased to one master lessee, PHS. Accordingly, the Group's most significant outstanding trade receivable amounted to \$11,490,000 (2021: \$11,005,000) is due from PHS as at the reporting date. These trade receivables are in accordance with the payment schedule as set out in the lease agreements entered with PHS.

As at 31 December 2022, the Trust has in its possession a corporate guarantee in its favour amounting to \$16.2 million (2021: bankers' guarantee of \$7.5 million). It is provided to the Trust by Parkway Pantai Limited, as the guarantor for PHS, in lieu of security deposits.

The Manager is of the opinion that there are no conditions that cast doubt over the recoverability of the Group's trade receivables.

### Impairment

In 2021, the Group has made an allowance for doubtful debts of \$1.0 million due to default on the rental receivables by a previous operator for 3 of the nursing home properties in Japan (see Note 16).

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

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Neither past due nor impaired	11,791	11,012	11,490	11,005
Past due 1 - 30 days	5	4	–	–
Past due 31 - 180 days	–	1	–	–
	<u>11,796</u>	<u>11,017</u>	<u>11,490</u>	<u>11,005</u>

## 9 Cash and cash equivalents

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Cash and cash equivalents in the statement of financial position and the cash flow statement	40,010	25,793	15,467	1,594

## 10 Trade and other payables

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Trade payables and accrued operating expenses	6,532	8,329	3,882	5,053
Amounts due to related parties:				
- the Manager (trade)	6,510	5,997	6,506	5,995
- the Manager (non-trade)	66	—	66	—
- the Trustee (trade)	62	62	62	62
Interest payable	835	461	835	461
	14,005	14,849	11,351	11,571
Advance rent received	9,692	7,068	5,400	2,500
	23,697	21,917	16,751	14,071

The non-trade amounts due to the Manager are related to reimbursement of travelling expenses which are unsecured, interest-free, and repayable on demand.

## 11 Loans and borrowings

	Group and Trust	
	2022	2021
	\$'000	\$'000
<b>Current liabilities</b>		
Unsecured bank loans	36,300	94,719
Unsecured medium term notes	20,340	—
Unamortised transaction costs	(5)	—
	56,635	94,719
<b>Non-current liabilities</b>		
Unsecured bank loans	614,131	593,598
Unsecured medium term notes	181,433	140,184
Unamortised transaction costs	(2,410)	(2,606)
	793,154	731,176



**Terms and debt repayment schedule**

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

Group and Trust	Nominal interest rate	Year of maturity	2022		2021	
			Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
JPY variable rate loans	Bank's cost of fund	2022	—	—	94,719	94,719
SGD variable rate loan	Bank's cost of fund	2023	36,300	36,300	—	—
JPY medium term notes	0.57%	2023	20,340	20,335	59,400	59,383
S\$ floating rate loan	SORA + margin	2024	90,000	89,812	86,700	86,417
JPY medium term notes	0.65%	2024	35,595	35,588	41,580	41,566
JPY floating rate loan	TIBOR (2021: LIBOR) + margin	2024	44,748	44,672	52,273	52,135
JPY floating rate loans	TONA (2021: LIBOR) + margin	2025	122,020	121,685	142,536	142,055
S\$ floating rate loan	SORA + margin	2026	81,875	81,676	81,875	81,623
JPY floating rate loan	TONA (2021: LIBOR) + margin	2026	89,496	89,058	104,544	103,997
JPY medium term notes	0.51%	2027	33,561	33,510	39,204	39,141
JPY floating rate loans	TONA (2021: LIBOR) + margin	2027	185,992	185,018	125,670	124,859
JPY medium term note	0.85%	2028	50,850	50,791	—	—
JPY medium term note	0.97%	2029	61,427	61,344	—	—
			<b>852,204</b>	<b>849,789</b>	<b>828,501</b>	<b>825,895</b>

SORA denotes Singapore Overnight Rate Average

LIBOR denotes London Interbank Offered Rate

TONA denotes Tokyo Overnight Average

TIBOR denotes Tokyo Interbank Offered Rate

The loans and borrowings comprise the following:

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

As at the reporting date, the Group has utilised various long term unsecured term loans and revolving credit facilities totalling JPY43,486 million (approximately \$442.2 million) and \$171.9 million (2021: JPY35,776 million (approximately \$425.0 million) and \$168.6 million) (the “Long Term Facilities”). The Long Term Facilities are committed, unsecured and rank *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT. Interest on the Long Term Facilities is subject to re-pricing on a monthly or quarterly basis or any other interest period as mutually agreed between the lenders and the Group, and is based on the relevant floating rate plus a margin.

Interest rate was largely hedged as the Group entered into interest rate swap, CCIRS and interest rate caps to manage the interest rate exposures for the above Long Term Facilities. Details of these hedging initiatives are set out in Note 7.

**(2) Unsecured Debt Issuance**

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

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

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

As at 31 December 2022, there were five series of outstanding fixed rate notes issued under the Debt Issuance Programme amounting to JPY19,840 million (approximately \$201.8 million) with maturity dates between 2023 to 2029 (2021: JPY11,800 million (approximately \$140.2 million)).

**(3) Short Term Facilities**

The Trust has two unsecured and uncommitted short-term multi-currency facilities (the “Short Term Facilities”) amounting to \$195.0 million (2021: \$195.0 million) for general working capital purposes. Interest on the Short Term Facilities is based on the bank’s cost of fund.

As at 31 December 2022, a total of \$36.3 million (2021: JPY7,973 million approximately \$94.7 million) was drawn down via Short Term Facilities for working capital purpose for a month (2021: 3 months).

**Reconciliation of liabilities arising from financing activities**

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

<sup>1</sup> Net proceeds from loans and borrowings, includes repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings.

	Non-cash changes						31 December 2022 \$'000
	1 January 2022 \$'000	Financing cash flows \$'000	Foreign exchange movement \$'000	Interest expense \$'000	Transaction costs related to loans and borrowings \$'000	Other changes \$'000	
Loans and borrowings	825,895	116,521 <sup>1</sup>	(93,331)	–	704	–	849,789
Interest payable (Note 10)	461	(4,424)	–	4,798	–	–	835
Lease liabilities	2,112	(32)	–	17	–	2	2,099
Cross currency interest rate swap used for hedging – liabilities	(8,826)	–	–	–	–	(10,088)	(18,914)
Interest rate caps used for hedging - (assets)	(696)	–	–	–	–	(3,246)	(3,942)
Interest rate swap used for hedging – liabilities/(assets)	153	–	–	–	–	(191)	(38)
Forward exchange contracts (net) – liabilities/(assets)	(6,373)	–	(5,118)	–	–	(43)	(11,534)

<sup>1</sup> Net proceeds from loans and borrowings, includes repayment of loans and borrowings, and payment of transaction costs related to loans and borrowings.

## 12 Deferred tax liabilities

	At 1 January \$'000	Recognised in statement of total return (Note 22) \$'000	Translation differences \$'000	At 31 December \$'000
<b>Group</b>				
<b>2022</b>				
<b>Deferred tax liabilities</b>				
Investment properties	38,331	3,022	(5,584)	35,769
<b>2021</b>				
<b>Deferred tax liabilities</b>				
Investment properties	37,658	3,493	(2,820)	38,331

## 13 Unitholders' funds

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Unitholders' contribution	606,796	619,138	606,796	619,138
Revenue reserve	799,096	809,930	795,465	722,175
Hedging reserve	7,157	199	7,157	199
Cost of hedging reserve	715	308	715	308
Foreign currency translation reserve	(3,278)	5,132	—	—
	<u>1,410,486</u>	<u>1,434,707</u>	<u>1,410,133</u>	<u>1,341,820</u>

### *Foreign currency translation reserve*

The foreign currency translation reserve comprises the cumulative effects of:

- (a) foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Trust; and
- (b) the gains or losses on instruments used to hedge the Trust's net investment in foreign operations that are determined to be effective hedges.

### *Hedging reserve*

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

### *Cost of hedging reserve*

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

## 14 Units in issue

	Trust	
	2022	2021
	('000)	('000)
<b>Units in issue:</b>		
Balance at beginning and end of year	<u>605,002</u>	<u>605,002</u>

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

- receive income and other distributions attributable to the units held;
- receive audited financial statements and annual reports of the Trust;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust available for purposes of such distribution less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;
- attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or 10% of the total units issued, whichever is the lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and
- one vote per unit at the meeting of the Trust.

The restrictions of a Unitholder include the following:

- a Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- a Unitholder has no right to request the Manager to repurchase or redeem his units while the units are listed on the SGX-ST and/or any other recognised stock exchange.

A Unitholder's liability is limited to the amount paid or payable for any unit in the Trust. The provisions of the Trust Deed provide that if the issue price of the units held by a Unitholder has been fully paid, no such Unitholder will be personally liable to indemnify the Trustee or any creditor of the Trustee in the event that the liabilities of the Trust exceed its assets.

## 15

### Gross revenue

	Group		Trust	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Property rental income	129,404	120,220	82,241	70,392
Dividend income from subsidiaries	—	—	12,915	20,074
Other income	568	485	—	—
	<u>129,972</u>	<u>120,705</u>	<u>95,156</u>	<u>90,466</u>

**16 Property expenses**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Operations and maintenance expenditure	4,981	5,104	3,244	3,243
Property tax	3,097	3,269	—	—
Property and lease management fees	9	9	—	—
Marketing services commission	4	45	—	45
Allowance for doubtful debts	—	1,028	—	—
Others	13	16	—	—
	<u>8,104</u>	<u>9,471</u>	<u>3,244</u>	<u>3,288</u>

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

**17 Management fees**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Base fees	6,889	6,420	6,889	6,420
Performance fees	5,484	5,006	5,484	5,006
Divestment fees	—	—	—	184
Asset management fees	1,409	1,426	—	—
	<u>13,782</u>	<u>12,852</u>	<u>12,373</u>	<u>11,610</u>

**18 Trust expenses**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Trustee fees	370	350	370	350
Valuation fees	218	234	218	234
Auditors' remuneration:				
- audit fees	279	283	249	249
- non-audit fees	80	64	69	53
Professional fees	1,946	2,090	1,133	1,430
Other expenses	401	352	261	109
	<u>3,294</u>	<u>3,373</u>	<u>2,300</u>	<u>2,425</u>

**19 Finance costs**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Interest paid and payable				
- bank loans	5,827	3,901	5,827	3,901
- financial derivatives	(1,288)	(322)	(1,288)	(322)
	4,539	3,579	4,539	3,579
Amortisation of transaction costs relating to debt facilities	704	716	704	716
Financial liabilities measured at amortised cost – interest expense	277	269	–	–
Others	233	119	233	119
	5,753	4,683	5,476	4,414

**20 Other expenses**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Impairment loss on investment in subsidiary	–	–	–	505

**21 Asset held for sale**

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

**22 Income tax expense**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Current tax expense</b>				
Withholding tax	4,038	5,362	–	–
Income tax expense	21	19	–	–
	4,059	5,381	–	–
<b>Deferred tax expense</b>				
Movement in temporary differences	3,022	3,493	–	–
<b>Total</b>	<b>7,081</b>	<b>8,874</b>	<b>–</b>	<b>–</b>

**Reconciliation of effective tax rate**

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total return for the year before income tax	48,217	340,752	125,260	374,144
Income tax using Singapore tax rate of 17% (2021: 17%)	8,197	57,928	21,294	63,604
Effect of different tax rate in foreign jurisdictions	1,266	1,232	—	—
Income not subject to tax	(2,358)	(41,923)	(19,582)	(54,052)
Non-tax deductible items	11,651	1,599	9,963	410
Tax transparency	(11,675)	(9,962)	(11,675)	(9,962)
	7,081	8,874	—	—

**23 Earnings per unit**

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

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total return before income tax and distribution	48,217	340,752	125,260	374,144
Less: Income tax expense	(7,081)	(8,874)	—	—
Total return after income tax, before distribution	41,136	331,878	125,260	374,144

	<b>Group and Trust</b>	
	<b>2022</b>	<b>2021</b>
	<b>Number of Units ('000)</b>	<b>Number of Units ('000)</b>
Weighted average number of units in issue	605,002	605,002

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
Basic earnings per unit (cents)	6.80	54.86	20.70	61.84

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



## 24 Commitments

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Capital commitments:				
- contracted but not provided for	149,512	12,487	148,645	11,140
- authorised but not contracted for	12,007	154,389	11,323	153,989
	<u>161,519</u>	<u>166,876</u>	<u>159,968</u>	<u>165,129</u>

### Operating lease commitments

#### Operating lease rental receivable

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

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>Operating leases under FRS 116</b>				
Less than one year	117,419	116,213	75,142	71,653
One to two years	115,605	117,959	77,397	74,738
Two to three years	113,137	117,310	79,719	76,980
Three to four years	129,742	114,079	98,179	79,290
Four to five years	127,447	131,830	99,161	99,151
More than five years	1,767,580	1,904,228	1,612,144	1,728,246
<b>Total</b>	<u>2,370,930</u>	<u>2,501,619</u>	<u>2,041,742</u>	<u>2,130,058</u>

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

As at 31 December 2022, the Group leased out some of its strata titled units/lots within MOB Specialist Clinics, Kuala Lumpur to Gleneagles Hospital Kuala Lumpur (a branch of Pantai Medical Centre Sdn. Bhd.), a related corporation of the Manager and the Trust.

**Operating lease rental payable*****Leases as lessee (FRS 116)***

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

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

The Group pays land rent for its leasehold properties in Singapore, with remaining land lease periods of 52 – 60 years. These leases are of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

**Amounts recognised in statement of total return**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Interest on lease liabilities	17	17
Net change in fair valuation of investment properties	22	22
Expenses relating to leases of low-value assets	*	*

**Amounts recognised in statement of cash flows**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Total cash outflow for leases	32	31

\* Less than \$1,000

**25 Significant related party transactions**

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

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b>Related corporations of the Manager</b>				
Rental income received/receivable	72,269	70,505	72,160	70,392
Other income received/receivable	40	41	—	—
Funding of capital improvement works at Gleneagles Hospital and Parkway East Hospital	—	2,200	—	2,200

	Group		Trust	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
<b>The Manager</b>				
Manager's management fees paid/payable	12,373	11,426	12,373	11,426
Acquisition fees paid/payable to the Manager <sup>1</sup>	539	889	539	889
Divestment fees paid/payable to the Manager	–	184 <sup>2</sup>	–	184
Travelling expenses reimbursed/reimbursable to the Manager	154	–	154	–
Property and lease management fees paid/payable to the Manager	9	9	–	–
Marketing services commission paid/payable to the Manager	4	45	–	45
<b>The Trustee</b>				
Trustee's fees paid/payable	370	350	370	350

<sup>1</sup> Included in acquisition related costs, capitalised as part of investment properties (note 4)

<sup>2</sup> Included as part of gain on disposal of asset held for sale at Group

## 26 Financial instruments

### Financial risk management

#### Overview

The Group has exposure to the following risks:

- credit risk
- liquidity risk
- market risk

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

#### Risk management framework

The Manager has overall responsibility for the establishment and oversight of the Group's risk management framework. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The Manager continually monitors the Group's risk management processes to ensure an appropriate balance between risks and controls is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a lessee or deposit taking financial institution fails to meet its contractual obligations, and arises principally from the Group's receivables from lessees and cash and cash equivalents placed with these financial institutions.

*Trade and other receivables*

The investment properties in Singapore are leased to one master lessee, PHS, a related corporation of the Manager and the Trust. The investment properties in Japan are leased to several nursing home operators and a lessee in respect to the pharmaceutical product distributing and manufacturing facility which was divested on 29 January 2021. The Manager is of the opinion that there were no conditions that cast doubt over the recoverability of the Group's trade receivables. The maximum exposure to credit risk is represented by the carrying value of these receivables on the statement of financial position.

*Expected credit loss assessment as at 31 December*

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

At the reporting date, except as disclosed in Note 8, there were no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying value on the statement of financial position.

*Movements in allowance for impairment in respect of trade receivables*

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

	<b>Group</b>		<b>Trust</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at 1 January	—	—	—	—
Impairment loss recognised	—	1,028	—	—
Amounts written off	—	(1,028)	—	—
Balance at 31 December	—	—	—	—

*Cash and cash equivalents*

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

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

*Derivatives*

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

*Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to cater for the fluctuations in cash flow requirements. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period of time, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. In addition, the Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

As at 31 December 2022, the Group has a remaining short term credit facilities of \$158.7 million (2021: \$103.6 million) that can be drawn down to meet short term financing needs. The Manager has forecasted the cash positions, net projected cashflows, including capital expenditure and undrawn committed facilities for the next 12 months and concluded that there is no going concern issue.

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

			<----- Cash flow ----->		
	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Group</b>					
<b>2022</b>					
<b>Non-derivative financial liabilities</b>					
S\$ unsecured bank loans	207,788	(222,554)	(41,667)	(180,887)	—
JPY unsecured bank loans	440,433	(448,761)	(1,882)	(446,879)	—
JPY medium term notes	201,568	(209,620)	(21,841)	(73,924)	(113,855)
Lease liabilities	2,099	(3,019)	(31)	(126)	(2,862)
Security deposits	18,577	(20,309)	(823)	(3,809)	(15,677)
Trade and other payables <sup>^</sup>	14,005	(14,005)	(14,005)	—	—
	<u>884,470</u>	<u>(918,268)</u>	<u>(80,249)</u>	<u>(705,625)</u>	<u>(132,394)</u>

Group	Carrying amount \$'000	Contractual cash flows \$'000	<----- Cash flow ----->		
			Within 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
<b>Derivative financial instruments</b>					
Forward exchange contracts (gross-settled)	(11,534)				
- inflow		109,790	34,817	74,973	—
- outflow		(97,934)	(30,561)	(67,373)	—
Cross currency interest rate swap (gross-settled)	(18,914)				
- inflow		101,922	7,469	94,453	—
- outflow		(82,495)	(231)	(82,264)	—
Interest rate swap used for hedging (net-settled)	(38)	39	35	4	—
Interest rate caps used for hedging (net-settled)	(3,942)	3,950	39	3,911	—
	(34,428)	35,272	11,568	23,704	—
	850,042	(882,996)	(68,681)	(681,921)	(132,394)
<b>2021</b>					
<b>Non-derivative financial liabilities</b>					
S\$ unsecured bank loans	168,040	(172,718)	(1,072)	(171,646)	—
JPY unsecured bank loans	517,765	(530,385)	(99,564)	(304,838)	(125,983)
JPY medium term notes	140,090	(142,327)	(820)	(102,254)	(39,253)
Lease liabilities	2,112	(3,050)	(31)	(126)	(2,893)
Security deposits	20,161	(21,197)	(1,208)	(4,771)	(15,218)
Trade and other payables^	14,849	(14,849)	(14,849)	—	—
	863,017	(884,526)	(117,544)	(583,635)	(183,347)
<b>Derivative financial instruments</b>					
Forward exchange contracts (gross-settled)	(6,373)				
- inflow		76,565	24,605	51,960	—
- outflow		(70,040)	(22,439)	(47,601)	—
Cross currency interest rate swap (gross-settled)	(8,826)				
- inflow		91,869	2,714	89,155	—
- outflow		(82,869)	(270)	(82,599)	—
Interest rate swap used for hedging (net-settled)	153	(156)	(73)	(83)	—
Interest rate caps used for hedging (net-settled)	(696)	—	—	—	—
	(15,742)	15,369	4,537	10,832	—
	847,275	(869,157)	(113,007)	(572,803)	(183,347)

			<----- Cash flow ----->		
	Carrying amount \$'000	Contractual cash flows \$'000	Within 1 year \$'000	1 to 5 years \$'000	More than 5 years \$'000
Trust					
2022					
Non-derivative financial liabilities					
S\$ unsecured bank loans	207,788	(222,554)	(41,667)	(180,887)	—
JPY unsecured bank loans	440,433	(448,761)	(1,882)	(446,879)	—
JPY medium term notes	201,568	(209,620)	(21,841)	(73,924)	(113,855)
Trade and other payables^	11,351	(11,351)	(11,351)	—	—
	861,140	(892,286)	(76,741)	(701,690)	(113,855)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(11,534)				
- inflow		109,790	34,817	74,973	—
- outflow		(97,934)	(30,561)	(67,373)	—
Cross currency interest rate swap (gross-settled)	(18,914)				
- inflow		101,922	7,469	94,453	—
- outflow		(82,495)	(231)	(82,264)	—
Interest rate swap used for hedging (net-settled)	(38)	39	35	4	—
Interest rate caps used for hedging (net-settled)	(3,942)	3,950	39	3,911	—
	(34,428)	35,272	11,568	23,704	—
	826,712	(857,014)	(65,173)	(677,986)	(113,855)
2021					
Non-derivative financial liabilities					
S\$ unsecured bank loans	168,040	(172,718)	(1,072)	(171,646)	—
JPY unsecured bank loans	517,765	(530,385)	(99,564)	(304,838)	(125,983)
JPY medium term notes	140,090	(142,327)	(820)	(102,254)	(39,253)
Trade and other payables^	11,571	(11,571)	(11,571)	—	—
	837,466	(857,001)	(113,027)	(578,738)	(165,236)
Derivative financial instruments					
Forward exchange contracts (gross-settled)	(6,373)				
- inflow		76,565	24,605	51,960	—
- outflow		(70,040)	(22,439)	(47,601)	—
Cross currency interest rate swap (gross-settled)	(8,826)				
- inflow		91,869	2,714	89,155	—
- outflow		(82,869)	(270)	(82,599)	—
Interest rate swap used for hedging (net-settled)	153	(156)	(73)	(83)	—
Interest rate caps used for hedging (net-settled)	(696)	—	—	—	—
	(15,742)	15,369	4,537	10,832	—
	821,724	(841,632)	(108,490)	(567,906)	(165,236)

<sup>^</sup> Excludes advance rent received

### ***Market risk***

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

### ***Exposure to foreign currency risk***

The Manager's investment mandate covers the Asia-Pacific region. In order to manage the currency risk involved in investing in assets outside of Singapore, the Manager may, as appropriate, adopt currency risk management strategies including:

- the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural hedge. These borrowings are designated as net investment hedges;
- the use of derivative or other hedging instruments to hedge against fluctuations in the exchange rates of foreign currency income received from offshore assets against Singapore dollars; and
- the use of cross currency swap to hedge against the fluctuations in the exchange rates of any foreign currency denominated net assets of the Group against Singapore dollars.

The Group is exposed to foreign currency risk arising from its investments in Japan and Malaysia. The income generated from these investments and net assets are denominated in foreign currencies, mainly Japanese Yen ("JPY") and Malaysia Ringgit ("MYR").

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

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

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

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



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

	JPY \$'000	MYR \$'000	Total \$'000
<b>Group</b>			
<b>2022</b>			
Cash and cash equivalents	12,899	5	12,904
Trade and other payables	(491)	—	(491)
Loans and borrowings	(20,340)	—	(20,340)
Forward exchange contracts	(92,181)	—	(92,181)
Net exposure	<u>(100,113)</u>	<u>5</u>	<u>(100,108)</u>
<b>2021</b>			
Cash and cash equivalents	260	5	265
Trade and other payables	(458)	—	(458)
Forward exchange contracts	(69,617)	—	(69,617)
Net exposure	<u>(69,815)</u>	<u>5</u>	<u>(69,810)</u>

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

	JPY \$'000	MYR \$'000	Total \$'000
<b>Trust</b>			
<b>2022</b>			
Cash and cash equivalents	12,899	4	12,903
Trade and other payables	(491)	—	(491)
Loans and borrowings	(644,029)	—	(644,029)
Forward exchange contracts	(92,181)	—	(92,181)
Net exposure	<u>(723,802)</u>	<u>4</u>	<u>(723,798)</u>
<b>2021</b>			
Cash and cash equivalents	260	5	265
Trade and other payables	(458)	—	(458)
Loans and borrowings	(659,926)	—	(659,926)
Forward exchange contracts	(69,617)	—	(69,617)
Net exposure	<u>(729,741)</u>	<u>5</u>	<u>(729,736)</u>

*Sensitivity analysis*

A 5% (2021: 5%) strengthening of the Singapore dollar against the following currencies at the reporting date would have increased/(decreased) the total return by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	<b>Statement of total return</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>		
JPY	5,006	3,491
MYR	*	*
<b>Trust</b>		
JPY	36,190	36,487
MYR	*	*

\* Less than \$1,000

In respect to the Group, a 5% (2021: 5%) strengthening or weakening of Singapore dollar against Japanese Yen would have less significant impact than to the Trust as the Group issues Japanese Yen fixed rate notes, borrows loans denominated in Japanese Yen and Singapore dollar denominated loans which were overlaid with cross currency interest rate swap to realign it into effective JPY loans, and designated this as a net investment hedge. For the year ended 31 December 2022, the effective portion of the net investment hedge charged to the Unitholders' funds amounted to \$98.6 million gain (2021: \$49.1 million gain).

***Exposure to interest rate risk***

The Group's exposure to changes in interest rates relates primarily to the floating interest rates incurred for its loans and borrowings. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expenses could be affected by adverse movements in interest rates. The Manager adopts a policy of fixing the interest rates for at least 50% (and up to 100%) of its borrowings through the use of interest rate hedging financial instruments.

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. The Group's policy is for the critical terms of the interest rate swaps and interest rate caps to align with the hedged borrowings.

**Overview**

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). In 2021, the Group undertook amendments to most financial instruments with contractual terms indexed to IBORs and transited to the new benchmark rates, mainly TONA, with effect from 15 February 2022.

## Derivatives

In prior year, the Group has completed the revised derivatives trade confirmations with the counterparties from LIBOR and SOR indexed exposures to TONA and SORA, and specific changes have been incorporated into all its existing derivative contracts with effect from 15 February 2022.

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

## Hedge accounting

At the end of January 2022, the Manager has completed supplementary loan agreement for all bank loans and trade confirmation amendment for all derivatives instrument arising from the IBORs reform with the respective counterparties at no increase in loan interest. The interest bearing loans and derivatives (hedging instruments) had been transited on the same date and to the same benchmark indexes to avoid any ineffectiveness in relation to the application of the hedge accounting. The transition for all loans and derivatives instruments was effective from the interest repricing on 15 February 2022. Therefore, there is no longer uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. As a result, the Group no longer applies the amendments to FRS 9 issued in September 2019 (Phase 1) to those hedging relationships.

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

	<b>Group and Trust</b>	
	<b>Nominal amount</b>	
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Fixed rate instrument</b>		
Medium term notes	(201,773)	(140,184)
<b>Variable rate instruments</b>		
Interest rate swap	44,748	52,272
Interest rate caps	352,760	280,130
Cross currency interest rate swap	81,875	81,875
Loans and borrowings	(650,431)	(688,317)
	<u>(171,048)</u>	<u>(274,040)</u>

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

The Group does not account for any fixed rate financial assets at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect statement of total return and Unitholders' funds.

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates at the reporting date would have increased/ (decreased) the total return and Unitholders' funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Statement of total return		Unitholders' funds	
	100 bp increase \$'000	100 bp decrease \$'000	100 bp increase \$'000	100 bp decrease \$'000
<b>Group and Trust</b>				
<b>31 December 2022</b>				
Loans and borrowings	(6,504)	6,504	—	—
Interest rate swap	447	(447)	426	(82)
Interest rate caps	1,448	—	7,542	(2,708)
Cross currency interest rate swap	819	(819)	1,694	(1,758)
Cash flow sensitivity (net)	<u>(3,790)</u>	<u>5,238</u>	<u>9,662</u>	<u>(4,548)</u>
<b>31 December 2021</b>				
Loans and borrowings	(6,883)	6,883	—	—
Interest rate swap	523	(523)	977	(28)
Interest rate caps	1,512	—	6,602	(82)
Cross currency interest rate swap	819	(819)	2,703	(2,815)
Cash flow sensitivity (net)	<u>(4,029)</u>	<u>5,541</u>	<u>10,282</u>	<u>(2,925)</u>

**Hedge accounting***Cash flow hedges*

At 31 December 2022, the Group held the following instruments to hedge exposures to changes in interest rates.

	Maturity	
	Within 1 year	More than 1 year
<b>Interest rate risk</b>		
<b>Cross currency interest rate swap</b>		
Net exposure (\$'000)	—	81,875
Fixed interest rate	—	0.36%
<b>Interest rate swap</b>		
Net exposure (\$'000)	—	44,748
Fixed interest rate	—	0.16%
<b>Interest rate caps</b>		
Net exposure (\$'000)	—	352,760
Fixed interest cap rate	—	<u>0.25%</u>

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

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

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

	<b>Change in value used for calculating hedge ineffectiveness \$'000</b>	<b>Cash flow hedge reserve \$'000</b>	<b>Cost of hedging reserve \$'000</b>	<b>Balances remaining in the cash flow hedge reserve from hedging relationships for which hedge accounting is no longer applied \$'000</b>
<b>31 December 2022</b>				
<b>Interest rate risk</b>				
Variable-rate instruments	—	(7,157)	(715)	—
<b>31 December 2021</b>				
<b>Interest rate risk</b>				
Variable-rate instruments	—	(199)	(308)	—

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

	<b>Hedging reserve \$'000</b>	<b>Cost of hedging reserve \$'000</b>
<b>Balance at 1 January 2021</b>	3,569	(377)
<b>Cash flow hedges</b>		
Changes in fair value	(3,768)	69
<b>Balance at 31 December 2021</b>	<u>(199)</u>	<u>(308)</u>
 <b>Balance at 1 January 2022</b>	 (199)	 (308)
<b>Cash flow hedges</b>		
Changes in fair value	(6,958)	(407)
<b>Balance at 31 December 2022</b>	<u>(7,157)</u>	<u>(715)</u>

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

	2022					During the period - 2022			
	Nominal amount	Carrying amount		Line item in the statement of financial position where		Changes in the value of the hedging instrument recognised in Unitholders' funds	Hedge ineffectiveness recognised in statement of total return	Cost of hedging recognised in Unitholders' funds	Line item in statement of total return that includes hedge ineffectiveness
	\$'000	Assets \$'000	Liabilities \$'000	the hedging instrument is included	the hedged item is included	\$'000	\$'000	\$'000	
Interest rate risk									
Cross currency interest rate swap	81,875	18,914	—	Financial derivatives	Loans and borrowings	4,455	—	—	Net change in fair value of financial derivatives
Interest rate swap	44,748	38	—	Financial derivatives	Loans and borrowings	191	—	—	Net change in fair value of financial derivatives
Interest rate caps	352,760	3,942	—	Financial derivatives	Loans and borrowings	2,314	—	407	Net change in fair value of financial derivatives

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



*Net investment hedges*

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

	2022			During the period - 2022			
	Nominal amount \$'000	Carrying amount Assets \$'000      Liabilities \$'000		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in Unitholders' funds \$'000	Hedge ineffectiveness recognised in statement of total return \$'000	Line item in statement of total return that includes hedge ineffectiveness
Foreign currency denominated loans and borrowings	705,564	—	(703,342)	Loans and borrowings	98,624	—	N.A.
	2021			During the period - 2021			
	Nominal amount \$'000	Carrying amount Assets \$'000      Liabilities \$'000		Line item in the statement of financial position where the hedging instrument is included	Changes in the value of the hedging instrument recognised in Unitholders' funds \$'000	Hedge ineffectiveness recognised in statement of total return \$'000	Line item in statement of total return that includes hedge ineffectiveness
Foreign currency denominated loans and borrowings	741,801	—	(739,478)	Loans and borrowings	49,060	—	N.A.

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

<b>2022</b>		
<b>Change in value used for calculating hedge ineffectiveness \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied \$'000</b>
Net investment in SPEs with JPY functional currency	(106,848)	(159,390) —
<b>2021</b>		
<b>Change in value used for calculating hedge ineffectiveness \$'000</b>	<b>Foreign currency translation reserve \$'000</b>	<b>Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied \$'000</b>
Net investment in SPEs with JPY functional currency	(48,512)	(52,542) —

### ***Capital management***

The Manager reviews the Group's and the Trust's capital structure regularly and uses a combination of debt and equity to fund acquisitions and asset enhancement projects.

The objectives of the Manager are to:

- (a) maintain a strong financial position by adopting and maintaining an optimal gearing ratio;
- (b) secure diversified funding sources from financial institutions and/or capital markets; and
- (c) adopt a proactive financial risk management strategy to manage financial risks related to interest rate and foreign currency fluctuations.

The Manager seeks to maintain an optimal combination of debt and equity in order to minimise the cost of capital and maximise returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted comply with these requirements.

The Group is subjected to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (the "Aggregate Leverage") of a property fund should not exceed 50% of the fund's Deposited Property.

The Aggregate Leverage of the Group as at 31 December 2022 was 36.4% (2021: 35.4%) of the Group's Deposited Property. This complied with the stipulated Aggregate Leverage limit. The interest coverage ratio is 18.3 times at of 31 December 2022 (2021: 21.5 times).

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

**Determination of fair values**

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

	Note	Carrying amount				Fair value				
		Amortised cost \$'000	Mandatorily at FVTPL \$'000	Other financial liabilities \$'000	Fair value – hedging instruments \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Group</b>										
<b>31 December 2022</b>										
<b>Financial assets measured at fair value</b>										
Forward exchange contracts	7	—	11,534	—	—	11,534	—	11,534	—	11,534
Interest rate caps used for hedging	7	—	—	—	3,942	3,942	—	3,942	—	3,942
Interest rate swap used for hedging	7	—	—	—	38	38	—	38	—	38
Cross currency interest rate swap used for hedging	7	—	—	—	18,914	18,914	—	18,914	—	18,914
		—	11,534	—	22,894	34,428				
<b>Financial assets not measured at fair value</b>										
Trade and other receivables*	8	14,502	—	—	—	14,502				
Cash and cash equivalents	9	40,010	—	—	—	40,010				
		54,512	—	—	—	54,512				
<b>Financial liabilities not measured at fair value</b>										
Loans and borrowings	11									
- Unsecured bank loans		—	—	(648,221)	—	(648,221)				
- Medium term notes		—	—	(201,568)	—	(201,568)	—	(199,559)	—	(199,559)
Security deposits		—	—	(18,577)	—	(18,577)				
Trade and other payables^	10	—	—	(14,005)	—	(14,005)				
		—	—	(882,371)	—	(882,371)				

\* Excludes prepayments

^ Excludes advance rent received

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

\* Excludes prepayments

^ Excludes advance rent received

		Carrying amount				Fair value				
	Note	Amortised cost \$'000	Mandatorily at FVTPL \$'000	Other financial liabilities \$'000	Fair value – hedging instruments \$'000	Total carrying amount \$'000	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Trust										
31 December 2022										
Financial assets measured at fair value										
Forward exchange contracts	7	–	11,534	–	–	11,534	–	11,534	–	11,534
Interest rate caps used for hedging	7	–	–	–	3,942	3,942	–	3,942	–	3,942
Interest rate swap used for hedging	7	–	–	–	38	38	–	38	–	38
Cross currency interest rate swap used for hedging	7	–	–	–	18,914	18,914	–	18,914	–	18,914
		–	11,534	–	22,894	34,428				
Financial assets not measured at fair value										
Amount due from subsidiary	5	4,075	–	–	–	4,075				
Trade and other receivables*	8	14,124	–	–	–	14,124				
Cash and cash equivalents	9	15,467	–	–	–	15,467				
		33,666	–	–	–	33,666				
Financial liabilities not measured at fair value										
Loans and borrowings	11									
- Unsecured bank loans		–	–	(648,221)	–	(648,221)				
- Medium term notes		–	–	(201,568)	–	(201,568)	–	(199,559)	–	(199,559)
Trade and other payables^	10	–	–	(11,351)	–	(11,351)				
		–	–	(861,140)	–	(861,140)				

\* Excludes prepayments

^ Excludes advance rent received

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

\* Excludes prepayments

^ Excludes advance rent received

**Measurement of fair values****(i) Valuation techniques and significant unobservable inputs**

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

*Financial instruments measured at fair value*

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

*Financial instruments not measured at fair value*

<b>Type</b>	<b>Valuation technique</b>	<b>Key unobservable inputs</b>
<b>Group and Trust</b>		
Medium term notes	The fair value is estimated taking into consideration of the quoted price	Not applicable
Security deposits	Discounted cash flows	Discount rate – 0.53% (2021: 1.02%)

*Other financial assets and liabilities*

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

**(ii) Transfer between Level 1 and Level 2**

During the financial year ended 31 December 2022, there were no transfers between Level 1 and Level 2.



## 27 Financial ratios

	2022 %	2021 %
Ratio of expenses to weighted average net assets <sup>1</sup>		
- excluding performance component of Manager's fees	0.81	0.86
- including performance component of Manager's fees	1.20	1.24
Portfolio turnover rate <sup>2</sup>	—	2.35

<sup>1</sup> The annualised ratios are computed in accordance with the guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance costs, income tax expense and foreign exchange gains/(losses).

<sup>2</sup> The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.

## 28 Operating segments

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

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

Performance measurement based on segment profit before income tax and non-financial assets as well as financial assets attributable to each segment is used as the Manager believes that such information is most relevant in evaluating the results of certain segments relative to other entities that operate within these industries.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly assets and expenses of the subsidiary providing financial and treasury services which were not allocated to an identified segment.

Segment capital expenditure is the total cost incurred on additions to investment properties that are expected to be used for more than one year.

	Hospitals and Medical Centres		Nursing Homes		Pharmaceutical Manufacturing and Distribution Facility		Total	
	2022	2021	2022	2021	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Revenue and expenses</b>								
Gross revenue	82,543	70,688	47,429	49,889	–	128	129,972	120,705
Net property income	79,158	67,261	42,710	43,852	–	121	121,868	111,234
Foreign exchange (loss)/gain	(1,233)	(399)	4,632	1,573	–	772	3,399	1,946
Non-property expenses	(10,293)	(8,993)	(6,788)	(6,997)	(1)	(211)	(17,082)	(16,201)
Finance costs	(2,208)	(566)	(3,545)	(4,049)	–	(68)	(5,753)	(4,683)
<b>Total return before changes in fair value of financial derivatives, investment properties and gain on disposal of asset held for sale</b>	65,424	57,303	37,009	34,379	(1)	614	102,432	92,296
Net change in fair value of financial derivatives	–	–	5,160	4,161	–	–	5,160	4,161
Net change in fair value of investment properties	(56,998)	249,068	(2,383)	(9,862)	–	–	(59,381)	239,206
Gain on disposal of asset held for sale	–	–	–	–	–	5,113	–	5,113
<b>Total return before income tax</b>	8,426	306,371	39,786	28,678	(1)	5,727	48,211	340,776
Income tax expense	(47)	(52)	(7,034)	(7,990)	–	(832)	(7,081)	(8,874)
<b>Total return after income tax</b>	8,379	306,319	32,752	20,688	(1)	4,895	41,130	331,902
<b>Assets and liabilities</b>								
Reportable segment assets	1,461,646	1,449,586	880,418	895,465	46	53	2,342,110	2,345,104
Reportable segment liabilities	142,636	96,024	789,007	814,382	10	16	931,653	910,422
<b>Other segment information</b>								
Capital expenditure	14,140	9,259	3,170	3,255	–	–	17,310	12,514

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

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Total revenue for reportable segments	129,972	120,705
<b>Total return before income tax</b>		
Total return for reportable segments	48,211	340,776
Unallocated amounts:		
- Other corporate expenses	6	(24)
Consolidated return before income tax	48,217	340,752
<b>Assets</b>		
Total assets for reportable segments	2,342,110	2,345,104
Other unallocated amounts	39	32
Consolidated total assets	2,342,149	2,345,136
<b>Liabilities</b>		
Total liabilities for reportable segments	931,653	910,422
Other unallocated amounts	10	7
Consolidated total liabilities	931,663	910,429

**Geographical information**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>		
Singapore	82,241	70,393
Japan	47,429	50,017
Malaysia	302	295
	129,972	120,705
<b>Non-current assets*</b>		
Singapore	1,439,000	1,472,000
Japan	760,565	812,289
Malaysia	6,316	6,462
	2,205,881	2,290,751

\* Non-current assets presented consist of investment properties

## 29 Subsequent events

On 27 January 2023, the Manager declared a distribution of 7.32 cents per unit in respect of the period 1 July 2022 to 31 December 2022 which is payable on 28 February 2023.