OUE Commercial Real Estate Investment Trust
and its subsidiaries
(Constituted in the Republic of Singapore pursuant to a trust deed dated 10 October 2013) (as amended)

Financial Statements
Year ended 31 December 2019

Report of the Trustee

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of OUE Commercial Real Estate Investment Trust (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the holders of units in the Trust. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of OUE Commercial REIT Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 10 October 2013 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries during the year covered by these financial statements set out on pages FS1 to FS84, in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited

Jane Lim Puay Yuen
Director

Singapore
6 March 2020

Statement by the Manager

In the opinion of the directors of OUE Commercial REIT Management Pte. Ltd. (the "Manager"), the manager of OUE Commercial Real Estate Investment Trust (the "Trust"), the accompanying financial statements set out on pages FS1 to FS84 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds and Portfolio Statements of the Trust and its subsidiaries (the "Group") and of the Trust, the Consolidated Statement of Cash Flows of the Group and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of the Group and the Trust as at 31 December 2019, the total return, distributable income, movements in unitholders' funds and cash flows of the Group and the total return, distributable income and movements in unitholders' funds of the Trust for the year ended 31 December 2019, in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed between DBS Trustee Limited and the Manager dated 10 October 2013 (as amended). At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet the respective financial obligations as and when they materialise.

For and on behalf of the Manager,
OUE Commercial REIT Management Pte. Ltd.

Tan Shu Lin
Executive Director

Singapore
6 March 2020

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Independent auditors' report

Unitholders
OUE Commercial Real Estate Investment Trust

Report on the financial statements

Opinion

We have audited the financial statements of OUE Commercial Real Estate Investment Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the statement of financial position and portfolio statement of the Group and the Trust as at 31 December 2019, and the consolidated statement of total return, distribution statement, consolidated statement of movements in unitholders' funds and 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 FS84.

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 financial position and portfolio holdings of the Group and the Trust as at 31 December 2019 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 ("RAP 7") *Reporting Framework for Unit Trusts* issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the "*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.

<u>Valuation of investment properties</u>
(Refer to Note 4 to the financial statements)

Risk

The Group has investment properties in Singapore and China with a carrying value of \$6.8 billion as at 31 December 2019. Investment properties represent the most significant asset item on the statement of financial position.

The Group's accounting policy is to state investment properties at fair value which are based on independent external valuations. The valuation process involves significant judgement in determining the valuation method to be used and estimating the underlying assumptions to be applied. The valuations are sensitive to the key assumptions applied and a change in assumptions could have a significant impact to the valuation.

Our response

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

We considered the valuation methods used, which included the discounted cash flow method, capitalisation method and direct comparison method, against those applied for similar property types. We assessed the reasonableness of the key assumptions used in the valuations which included a comparison of the discount rates, terminal yield rates, capitalisation rates, price per square foot and price per room, against historical trends and available industry data, taking into consideration comparability and market factors. We also considered the adequacy of the disclosures in the financial statements.

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 methods used by the valuers are in line with generally accepted market practices and the key assumptions used in the valuations are within range of market data. We also found the disclosures in the financial statements to be appropriate in their description of the judgement inherent in the key assumptions used in the valuations, including the inter-relationship between the key unobservable inputs and the fair values.

Accounting for acquisition of OUE Hospitality Trust ("OUE H-Trust")
(Refer to Note 31 to the financial statements)

Risk

During the year, the Group completed its merger with OUE H-Trust, which has an investment property portfolio of $2.2 billion, by way of a trust scheme of arrangement. The acquisition is considered a key audit matter as this was a significant non-routine transaction and requires management judgement in determining of whether the acquisition is a business combination or an acquisition of assets, with different accounting implications. The Group accounted for it as an acquisition of assets.

Our response

We assessed the basis of accounting by examining the transaction agreements, to understand the key terms of the acquisition, including the arrangement for asset management. We further assessed the adequacy and appropriateness of the disclosures.

Our findings

The judgement applied by management in determining the basis of accounting as an asset acquisition is balanced. We also found the disclosure of the acquisition to be appropriate.

Other information

OUE Commercial REIT Management Pte. Ltd., 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 all other information prior to the date of this auditors' report except for the Statistics of Unitholdings ("the Report") which is expected to be made available to us after that date.

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

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

When we read the Report, 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 Institute of Singapore Chartered Accountants, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

The engagement partner on the audit resulting in this independent auditors' report is Koh Wei Peng.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
6 March 2020

Statements of Financial Position
As at 31 December 2019

		Group		Trust	
	Note	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Non-current assets					
Plant and equipment		270	393	–	–
Investment properties	4	6,770,187	4,494,535	2,093,000	2,093,100
Intangible assets	5	19,167	24,465	19,167	24,465
Investments in subsidiaries	6	–	–	2,727,742	1,368,506
Trade and other receivables	7	4,139	175	–	–
		6,793,763	4,519,568	4,839,909	3,486,071
Current assets					
Trade and other receivables	7	35,020	14,384	9,331	6,583
Financial derivatives	8	–	116	–	95
Cash and cash equivalents	9	59,410	37,074	7,297	12,725
		94,430	51,574	16,628	19,403
Total assets		6,888,193	4,571,142	4,856,537	3,505,474
Non-current liabilities					
Borrowings	10	2,111,638	1,711,330	1,323,261	1,371,081
Trade and other payables	11	48,258	42,400	18,280	17,356
Financial derivatives	8	14,560	7,828	6,780	5,448
Deferred tax liabilities	12	87,928	87,726	–	–
Lease liability		24,657	–	–	–
		2,287,041	1,849,284	1,348,321	1,393,885
Current liabilities					
Borrowings	10	575,489	1,992	149,844	–
Trade and other payables	11	77,299	65,580	29,176	25,253
Financial derivatives	8	2,751	132	2,404	109
Current tax liabilities		16,411	13,429	–	–
Lease liability		1,000	–	–	–
		672,950	81,133	181,424	25,362
Total liabilities		2,959,991	1,930,417	1,529,745	1,419,247
Net assets		3,928,202	2,640,725	3,326,792	2,086,227

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

Statements of Financial Position (continued)
As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Represented by:					
Unitholders' funds		3,318,417	2,038,092	2,964,902	1,724,337
Convertible Perpetual Preferred Units ("CPPU") holder's funds	13	361,890	361,890	361,890	361,890
		3,680,307	2,399,982	3,326,792	2,086,227
Non-controlling interests		247,895	240,743	–	–
		3,928,202	2,640,725	3,326,792	2,086,227
Units in issue and to be issued ('000)	14	5,392,459	2,861,589	5,392,459	2,861,589
Net asset value per Unit ($)	15	0.62	0.71	0.55	0.60

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

Statements of Total Return
Year ended 31 December 2019

		Group		Trust	
	Note	**2019**	**2018**	**2019**	**2018**
		$'000	**$'000**	**$'000**	**$'000**
Revenue	16	257,329	176,396	140,283	98,969
Property operating expenses	17	(52,378)	(38,209)	(22,262)	(13,610)
Net property income		204,951	138,187	118,021	85,359
Other income	18	17,182	7,189	17,182	7,189
Amortisation of intangible assets	5	(5,298)	(5,286)	(5,298)	(5,286)
Manager's management fees	19	(16,272)	(10,565)	(16,272)	(10,565)
Trustee's fee		(972)	(602)	(835)	(602)
Other expenses		(1,874)	(1,877)	(1,461)	(1,148)
Finance income		3,725	3,681	2,205	2,551
Finance costs		(71,861)	(51,679)	(50,359)	(37,737)
Net finance costs	20	(68,136)	(47,998)	(48,154)	(35,186)
Net income		129,581	79,048	63,183	39,761
Net change in fair value of investment properties	4	21,090	71,399	(2,546)	21,339
Total return for the year before tax	21	150,671	150,447	60,637	61,100
Tax expense	22	(17,448)	(19,734)	–	–
Total return for the year		133,223	130,713	60,637	61,100
Total return attributable to:					
Unitholders and CPPU holder		118,745	117,493	60,637	61,100
Non-controlling interests		14,478	13,220	–	–
		133,223	130,713	60,637	61,100
Earnings per Unit (cents)					
Basic	23	3.15	5.73		
Diluted	23	2.83	4.66		

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

Distribution Statements
Year ended 31 December 2019

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Amount available for distribution to Unitholders at beginning of the year	37,901	35,873	37,901	35,873
Total return for the year attributable to Unitholders and CPPU holder	118,745	117,493	60,637	61,100
Less: Amount reserved for distribution to CPPU holder	(3,750)	(3,750)	(3,750)	(3,750)
Distribution adjustments (Note A)	9,719	(42,453)	67,827	13,940
Amount available for distribution for the current year	124,714	71,290	124,714	71,290
Less: Amount retained for working capital requirements	(1,500)	–	(1,500)	–
Amount to be distributed to Unitholders (Note B)	123,214	71,290	123,214	71,290
Distributions to Unitholders:				
- Distribution of 2.29 cents per Unit for the period from 1/7/2017 to 31/12/2017	–	(35,421)	–	(35,421)
- Distribution of 2.18 cents per Unit for the period from 1/1/2018 to 30/6/2018	–	(33,841)	–	(33,841)
- Distribution of 1.30 cents per Unit for the period from 1/7/2018 to 31/12/2018	(37,200)	–	(37,200)	–
- Distribution of 1.68 cents per Unit for the period from 1/1/2019 to 30/6/2019	(48,243)	–	(48,243)	–
- Distribution of 0.53 cents per Unit for the period from 1/7/2019 to 3/9/2019	(15,220)	–	(15,220)	–
	(100,663)	(69,262)	(100,663)	(69,262)
Amount available for distribution to Unitholders at the end of the year	60,452	37,901	60,452	37,901
Distribution per Unit ("DPU") (cents)	3.31	3.48[1]	3.31	3.48[1]

[1] The restated DPU was 3.22 cents to reflect the bonus element in the new Units issued pursuant to the rights issue in October 2018.

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

Distribution Statements (continued)
Year ended 31 December 2019

Note A – Distribution adjustments

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Net change in fair value of investment properties	(21,090)	(71,399)	2,546	(21,339)
Amortisation of intangible assets	5,298	5,286	5,298	5,286
Amortisation of debt establishment costs	5,336	4,857	3,848	3,388
Net change in fair value of financial derivatives	619	565	592	(263)
Ineffective portion of changes in fair value of cash flow hedges	(2,726)	(2,874)	(2,033)	(1,847)
Hedging reserve transferred from unitholders' funds due to discontinuation of hedge accounting	447	653	447	448
Manager's management fees paid/payable in Units	13,018	8,452	13,018	8,452
Trustee's fee	972	602	835	602
Foreign exchange differences	365	(12)	77	(253)
Deferred tax expense	2,421	5,329	–	–
Straight-lining of lease incentives	(1,268)	1,547	(49)	–
Transfer to statutory reserve	(1,547)	(1,585)	–	–
Net income of subsidiaries not distributed to the Trust	–	–	42,920	19,302
Other items	7,874	6,126	328	164
Distribution adjustments	9,719	(42,453)	67,827	13,940

Note B – Amount available for distribution to Unitholders

	Group and Trust	
	2019	**2018**
	$'000	**$'000**
Comprises:		
- From operations	86,236	31,676
- From tax exempt income	22,499	23,744
- From Unitholders' contribution	14,479	15,870
	123,214	71,290

Statements of Movements in Unitholders' Funds
Year ended 31 December 2019

	<---- Attributable to ---->				
	Unitholders $'000	**CPPU holder $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total $'000**
Group					
Net assets attributable to owners at 1 January 2019	2,038,092	361,890	2,399,982	240,743	2,640,725
Operations					
Total return for the year	118,745	–	118,745	14,478	133,223
Less: Amount reserved for distribution to CPPU holder	(3,750)	3,750	–	–	–
Net increase in net assets resulting from operations	114,995	3,750	118,745	14,478	133,223
Transactions with owners					
Issue of new Units:					
- Acquisition fee paid to Manager in Units	8,318	–	8,318	–	8,318
- Manager's management fees paid/payable in Units	13,018	–	13,018	–	13,018
- Partial consideration paid in Units pursuant to the Merger	1,267,672	–	1,267,672	–	1,267,672
Distributions paid to Unitholders	(100,663)	–	(100,663)	–	(100,663)
Distributions paid to CPPU Holder	–	(3,750)	(3,750)	–	(3,750)
Distributions paid to non-controlling interests	–	–	–	(6,800)	(6,800)
Net increase/(decrease) in net assets resulting from transactions with owners	1,188,345	(3,750)	1,184,595	(6,800)	1,177,795
Movement in foreign currency translation reserve	(14,325)	–	(14,325)	–	(14,325)
Hedging transactions					
Effective portion of change in fair value of cash flow hedges	(9,338)	–	(9,338)	(560)	(9,898)
Hedging reserve transferred to statement of total return	648	–	648	34	682
Net movement in hedging transactions	(8,690)	–	(8,690)	(526)	(9,216)
At 31 December 2019	3,318,417	361,890	3,680,307	247,895	3,928,202

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

Statements of Movements in Unitholders' Funds (continued)
Year ended 31 December 2019

	<---- Attributable to ---->				
	Unitholders **$'000**	**CPPU holder** **$'000**	**Total** **$'000**	**Non-controlling interests** **$'000**	**Total** **$'000**
Group					
Net assets attributable to owners at 1 January 2018	1,407,285	361,891	1,769,176	234,906	2,004,082
Operations					
Total return for the year	117,493	–	117,493	13,220	130,713
Less: Amount reserved for distribution to CPPU holder	(3,750)	3,750	–	–	–
Net increase in net assets resulting from operations	113,743	3,750	117,493	13,220	130,713
Transactions with owners					
Issue of new Units:					
- Rights issue	587,528	–	587,528	–	587,528
- Acquisition fee paid to Manager in Units	6,810	–	6,810	–	6,810
- Manager's management fees paid/payable in Units	8,452	–	8,452	–	8,452
Issue costs	(7,098)	–	(7,098)	–	(7,098)
Distributions paid to Unitholders	(69,262)	–	(69,262)	–	(69,262)
Distributions paid to CPPU Holder	–	(3,751)	(3,751)	–	(3,751)
Distributions paid to non-controlling interests	–	–	–	(7,200)	(7,200)
Net increase/(decrease) in net assets resulting from transactions with owners	526,430	(3,751)	522,679	(7,200)	515,479
Movement in foreign currency translation reserve	(11,241)	–	(11,241)	–	(11,241)
Hedging transactions					
Effective portion of change in fair value of cash flow hedges	139	–	139	(152)	(13)
Hedging reserve transferred to statement of total return	1,736	–	1,736	(31)	1,705
Net movement in hedging transactions	1,875	–	1,875	(183)	1,692
At 31 December 2018	2,038,092	361,890	2,399,982	240,743	2,640,725

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

Statements of Movements in Unitholders' Funds (continued)
Year ended 31 December 2019

	<------- Attributable to ------->		
	Unitholders $'000	**CPPU holder $'000**	**Total $'000**
Trust			
Net assets attributable to owners at 1 January 2019	1,724,337	361,890	2,086,227
Operations			
Total return for the year	60,637	–	60,637
Less: Amount reserved for distribution to CPPU holder	(3,750)	3,750	–
Net increase in net assets resulting from operations	56,887	3,750	60,637
Transactions with owners			
Issue of new Units:			
- Acquisition fee paid to Manager in Units	8,318	–	8,318
- Manager's management fees paid/payable in Units	13,018	–	13,018
- Partial consideration paid in Units pursuant to the Merger	1,267,672	–	1,267,672
Distributions paid to Unitholders	(100,663)	–	(100,663)
Distributions paid to CPPU holder	–	(3,750)	(3,750)
Net increase/(decrease) in net assets resulting from transactions with owners	1,188,345	(3,750)	1,184,595
Hedging transactions			
Effective portion of change in fair value of cash flow hedges	(5,243)	–	(5,243)
Hedging reserve transferred to statement of total return	576	–	576
Net movement in hedging transactions	(4,667)	–	(4,667)
At 31 December 2019	2,964,902	361,890	3,326,792

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

Statements of Movements in Unitholders' Funds (continued)
Year ended 31 December 2019

	<------- Attributable to ------->		
	Unitholders	**CPPU holder**	**Total**
	$'000	**$'000**	**$'000**
Trust			
Net assets attributable to owners at 1 January 2018	1,137,760	361,891	1,499,651
Operations			
Total return for the year	61,100	–	61,100
Less: Amount reserved for distribution to CPPU holder	(3,750)	3,750	–
Net increase in net assets resulting from operations	57,350	3,750	61,100
Transactions with owners			
Issue of new Units:			
- Rights issue	587,528	–	587,528
- Acquisition fee paid to Manager in Units	6,810	–	6,810
- Manager's management fees paid/payable in Units	8,452	–	8,452
Issue costs	(7,098)	–	(7,098)
Distributions paid to Unitholders	(69,262)	–	(69,262)
Distributions paid to CPPU holder	–	(3,751)	(3,751)
Net increase/(decrease) in net assets resulting from transactions with owners	526,430	(3,751)	522,679
Hedging transactions			
Effective portion of change in fair value of cash flow hedges	908	–	908
Hedging reserve transferred to statement of total return	1,889	–	1,889
Net movement in hedging transactions	2,797	–	2,797
At 31 December 2018	1,724,337	361,890	2,086,227

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

Portfolio Statements
As at 31 December 2019

				Group			
Description of property	**Leasehold tenure**	**Location**	**Existing use**	**Carrying value at 31/12/2019 $'000**	**Percentage of Unitholders' funds at 31/12/2019 %**	**Carrying value at 31/12/2018 $'000**	**Percentage of Unitholders' funds at 31/12/2018 %**
Singapore							
OUE Bayfront (and adjoining properties comprising OUE Tower and OUE Link)	OUE Bayfront and OUE Tower: 99-year lease from 12 November 2007	50 Collyer Quay, OUE Bayfront, Singapore 049321	Commercial	1,181,000	36	1,173,100	58
An integrated commercial development comprising an 18-storey office building, a conserved tower building and a retail link bridge at Collyer Quay, Singapore	OUE Link: 15-year lease from 26 March 2010	60 Collyer Quay, OUE Tower, Singapore 049322					
	Underpass: 99-year lease from 7 January 2002	62 Collyer Quay, OUE Link, Singapore 049325					
OUE Downtown Office							
OUE Downtown is a mixed-use development comprising a 50-storey building (OUE Downtown 1) and a 37-storey building (OUE Downtown 2), a retail podium and a multi-storey car park	OUE Downtown 1 and OUE Downtown 2: 99-year lease from 19 July 1967	6 Shenton Way, Singapore 068809 and 6A Shenton Way, Singapore 068815	Commercial	912,000	27	920,000	45
The Group owns the office components of OUE Downtown (OUE Downtown Office), comprising OUE Downtown 1 (Strata Lot U4628V) and OUE Downtown 2 (Strata Lot U4629P)							

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

Portfolio Statements (continued)
As at 31 December 2019

				Group			
Description of property	**Leasehold tenure**	**Location**	**Existing use**	**Carrying value at 31/12/2019 $'000**	**Percentage of Unitholders' funds at 31/12/2019 %**	**Carrying value at 31/12/2018 $'000**	**Percentage of Unitholders' funds at 31/12/2018 %**
One Raffles Place							
An integrated commercial development comprising One Raffles Place Tower 1, One Raffles Place Tower 2 and One Raffles Place Shopping Mall The Group has an effective interest of 67.95% in One Raffles Place	One Raffles Place Tower 1: 841-year lease from 1 November 1985 One Raffles Place Tower 2: 99-year lease from 26 May 1983 One Raffles Place Shopping Mall: the retail podium straddles two land plots: - approximately 75% of the net lettable area ("NLA") of the retail podium is on a 99-year lease from 1 November 1985 - the balance 25% of the NLA of the retail podium is on a 841-year lease from 1 November 1985	1 Raffles Place, One Raffles Place, Singapore 048616	Commercial	1,862,000	56	1,813,500	89

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

Portfolio Statements (continued)
As at 31 December 2019

Description of property	Leasehold tenure	Location	Existing use	Group: Carrying value at 31/12/2019 $'000	Group: Percentage of Unitholders' funds at 31/12/2019 %	Group: Carrying value at 31/12/2018 $'000	Group: Percentage of Unitholders' funds at 31/12/2018 %
Crowne Plaza Changi Airport An airport hotel situated within the vicinity of passenger terminals of Singapore Changi Airport and is connected to Jewel Changi Airport via a pedestrian bridge from Terminal 3. The 563-room hotel is managed by Intercontinental Hotels Group and has been named the World's Best Airport Hotel for the 5th consecutive year.	74-year lease from 1 July 2009	75 Airport Boulevard, Singapore 819664	Hotel	497,000	15	–	–
Mandarin Orchard Singapore A renowned upscale hotel with strong brand recognition and has won numerous internationally recognised awards and accolades. With 1,077 rooms, Mandarin Orchard Singapore is the largest hotel located in the heart of Orchard Road.	99-year lease from 1 July 1957	333 Orchard Road, Singapore 238867	Hotel	1,228,000	37	–	–
Mandarin Gallery High-end retail mall with 152-metre frontage situated along Orchard Road, Singapore and is the preferred location for flagship stores of international brands.	99-year lease from 1 July 1957	333A Orchard Road, Singapore 238897	Retail	493,000	15	–	–

Portfolio Statements (continued)
As at 31 December 2019

Description of property	Leasehold tenure	Location	Existing use	Group: Carrying value at 31/12/2019 $'000	Group: Percentage of Unitholders' funds at 31/12/2019 %	Group: Carrying value at 31/12/2018 $'000	Group: Percentage of Unitholders' funds at 31/12/2018 %
Shanghai							
Lippo Plaza A 36-storey commercial building with retail podium at Shanghai, China excluding: (i) Unit 2 in Basement 1, (ii) the 12th, 13th, 15th and 16th floors and (iii) 4 car park lots	50-year land use right commencing from 2 July 1994	222 Huaihai Zhong Road, Huangpu District, Shanghai, PRC 200021	Commercial	570,530	17	587,935	29
Investment properties, at valuation				6,743,530	203	4,494,535	221
Other assets and liabilities (net)				(2,815,328)	(85)	(1,853,810)	(91)
Net assets of the Group				3,928,202	118	2,640,725	130
Net assets attributable to CPPU holder				(361,890)	(11)	(361,890)	(18)
Net assets attributable to non-controlling interests				(247,895)	(7)	(240,743)	(12)
Unitholders' funds				3,318,417	100	2,038,092	100

The carrying value of Lippo Plaza as at 31 December 2019 in Renminbi is RMB 2,950,000,000 (2018: RMB 2,950,000,000).

The properties are leased to third parties except as otherwise stated in Note 16. Generally, the leases contain an initial non-cancellable period of 1 to 10 years (2018: 1 to 10 years). Subsequent renewals are negotiated with the respective lessees.

Portfolio Statements (continued)
As at 31 December 2019

Description of property	Leasehold tenure	Location	Existing use	Trust: Carrying value at 31/12/2019 $'000	Trust: Percentage of Unitholders' funds at 31/12/2019 %	Trust: Carrying value at 31/12/2018 $'000	Trust: Percentage of Unitholders' funds at 31/12/2018 %
Singapore							
OUE Bayfront (and adjoining properties comprising OUE Tower and OUE Link)	OUE Bayfront and OUE Tower: 99-year lease from 12 November 2007	50 Collyer Quay, OUE Bayfront, Singapore 049321	Commercial	1,181,000	40	1,173,100	68
An integrated commercial development comprising an 18-storey office building, a conserved tower building and a retail link bridge at Collyer Quay, Singapore	OUE Link: 15-year lease from 26 March 2010	60 Collyer Quay, OUE Tower, Singapore 049322					
	Underpass: 99-year lease from 7 January 2002	62 Collyer Quay, OUE Link, Singapore 049325					

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

Portfolio Statements (continued)
As at 31 December 2019

Description of property	Leasehold tenure	Location	Existing use	Trust: Carrying value at 31/12/2019 $'000	Trust: Percentage of Unitholders' funds at 31/12/2019 %	Trust: Carrying value at 31/12/2018 $'000	Trust: Percentage of Unitholders' funds at 31/12/2018 %
OUE Downtown Office							
OUE Downtown is a mixed-use development comprising a 50-storey building (OUE Downtown 1) and a 37-storey building (OUE Downtown 2), a retail podium and a multi-storey car park	OUE Downtown 1 and OUE Downtown 2: 99-year lease from 19 July 1967	6 Shenton Way, Singapore 068809 and 6A Shenton Way, Singapore 068815	Commercial	912,000	31	920,000	53
The Trust owns the office components of OUE Downtown (OUE Downtown Office), comprising OUE Downtown 1 (Strata Lot U4628V) and OUE Downtown 2 (Strata Lot U4629P)							
Investment properties, at valuation				2,093,000	71	2,093,100	121
Other assets and liabilities (net)				1,233,792	41	(6,873)	–
Net assets of the Trust				3,326,792	112	2,086,227	121
Net assets attributable to CPPU holder				(361,890)	(12)	(361,890)	(21)
Unitholders' funds				2,964,902	100	1,724,337	100

The properties are leased to third parties except as otherwise stated in Note 16. Generally, the leases contain an initial non-cancellable period of 1 to 10 years (2018: 1 to 10 years). Subsequent renewals are negotiated with the respective lessees.

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

Consolidated Statement of Cash Flows
Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Cash flows from operating activities			
Total return for the year		133,223	130,713
Adjustments for:			
Amortisation of intangible assets		5,298	5,286
Depreciation of plant and equipment		177	180
Finance costs		71,496	51,679
Finance income		(3,725)	(3,669)
Manager's fees paid/payable in Units		13,018	8,452
Net change in fair value of investment properties		(21,090)	(71,399)
Gain on disposal of plant and equipment		(1)	–
Loss on write-off of plant and equipment		3	–
Tax expense		17,448	19,734
Operating income before working capital changes		215,847	140,976
Changes in working capital:			
Trade and other receivables		(8,518)	(137)
Trade and other payables		(33,802)	8,741
Cash generated from operating activities		173,527	149,580
Tax paid		(12,671)	(16,924)
Net cash from operating activities		160,856	132,656
Cash flows from investing activities			
Additions to plant and equipment		(61)	(74)
Acquisition of investment property, intangible asset and its related acquisition costs (see Note A)		–	(935,979)
Net cash consideration relating to the Merger	31	(51,199)	–
Payment for capital expenditure on investment properties		(7,790)	(3,549)
Interest received		999	787
Proceed from sale of plant and equipment		1	–
Net cash used in investing activities		(58,050)	(938,815)
Cash flows from financing activities			
Distributions paid to Unitholders		(100,616)	(69,262)
Distributions paid to CPPU holder		(3,750)	(4,255)
Distributions paid to non-controlling interests		(6,800)	(7,200)
Interest paid		(66,460)	(43,274)
Proceeds from issue of Units		–	587,528
Payment of transaction costs related to the issue of Units		–	(7,033)
Payment of transaction costs related to borrowings		–	(8,245)
Payment of lease liability		(1,000)	–
Proceeds from borrowings		168,380	1,139,735
Redemption of CPPUs		–	(100,000)
Repayment of borrowings		(69,200)	(684,538)
Net cash (used in)/from financing activities		(79,446)	803,456

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

Consolidated Statement of Cash Flows (continued)
Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Net increase/(decrease) in cash and cash equivalents		23,360	(2,703)
Cash and cash equivalents at beginning of the year		37,074	40,314
Effect of exchange rate fluctuations on cash held		(1,024)	(537)
Cash and cash equivalents at end of the year	9	59,410	37,074

Notes:

(A) Acquisition of investment property, intangible asset and its related acquisition costs

	Group 2018 $'000
Investment property	883,000
Intangible asset	25,000
Total assets acquired	908,000
Purchase consideration	908,000
Add: Acquisition costs paid in cash	27,979
Net cash outflow	935,979

(B) Significant non-cash transactions

During the year, there were the following significant non-cash transactions:

Financial year ended 31 December 2019

- a total of 24,503,304 Units, amounting to $13,018,000, were or would be issued to the Manager as satisfaction of the Manager's management fees for the financial year;
- 14,592,105 Units, amounting to $8,317,500, were issued as satisfaction of the acquisition fee payable to the Manager for the Merger during the financial year; and
- 2,491,774,895 Units, amounting to $1,267,672,000, were issued as partial consideration paid pursuant to the Merger.

Financial year ended 31 December 2018

- a total of 14,433,703 Units, amounting to $8,452,000, were issued to the Manager as satisfaction of the Manager's management fees for the financial year; and
- 11,947,368 Units, amounting to $6,810,000, were issued as satisfaction of the acquisition fee payable to the Manager for the investment property acquired during the financial year.

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 6 March 2020.

1 General

OUE Commercial Real Estate Investment Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 10 October 2013 (as amended) (the "Trust Deed") between OUE Commercial REIT Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 27 January 2014 (the "Listing Date").

The principal activity of the Trust is to invest, directly or indirectly, in a portfolio of income-producing real estate used primarily for commercial purposes (including real estate used primarily for office and/or retail purposes) in financial and business hubs and hospitality and/or hospitality-related purposes, within and outside of Singapore, as well as real estate-related assets. The principal activities of the subsidiaries are set out in Note 6.

On 4 September 2019, OUE C-REIT completed its merger with OUE Hospitality Trust ("OUE H-Trust") (comprising OUE Hospitality Real Estate Investment Trust ("OUE H-REIT") and OUE Hospitality Business Trust) (the "Merger") by way of a trust scheme of arrangement (the "Trust Scheme").

Following the completion of the Merger, OUE H-Trust was delisted from SGX-ST and became a wholly-owned sub-trust of OUE C-REIT. OUE H-REIT was renamed OUE Hospitality Sub-Trust ("OUE H-Sub-Trust"). The OUE C-REIT Manager has replaced OUE Hospitality REIT Management Pte. Ltd. as manager of OUE H-Sub-Trust.

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

The Group is regarded as a subsidiary of OUE Limited ("OUE") for financial reporting purposes. Accordingly, the ultimate holding company of the Trust is Lippo ASM Asia Property Limited, a company incorporated in the Cayman Islands.

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

(a) Manager's fees

The Manager is entitled to receive the following remuneration:

(i) a base fee of 0.3% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the value of the Deposited Property (as defined in the Trust Deed);

(ii) a performance fee of 25% per annum of the difference in DPU (as defined in the Trust Deed) in a financial year with the DPU in the preceding full financial year (calculated before accounting for the performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year in which the performance fee is payable may be less than the DPU in the financial year prior to any preceding financial year;

(iii) an acquisition fee of 0.75% of the acquisition price of an investment property for acquisitions from related parties and 1.0% of the acquisition price for all other cases;

(iv) a divestment fee of 0.5% of the sale price of an investment property on all future disposals of properties; and

(v) a development management fee of 3.0% of the total project costs incurred in a development project undertaken by the Manager on behalf of the Trust.

Any portion of the base fee payable in the form of Units is payable quarterly in arrears and any portion of the base fee payable in cash is payable monthly in arrears. The performance fee is paid annually in arrears, regardless of whether it is paid in the form of cash and/or Units. For the financial year ended 31 December 2019, 80% (2018: 80%) of the management base fee payable were in the form of Units. There was no management performance fee payable in the form of Units in 2019 (2018: nil).

The acquisition, divestment and development management fees are payable in the form of Units and/or cash as the Manager may elect, and such proportion as may be determined by the Manager.

(b) Fees under the property management agreements

OUE Bayfront and OUE Downtown are managed by OUE Commercial Property Management Pte. Ltd. (the "Commercial Property Manager") and Mandarin Gallery is managed by OUE Property Management Pte. Ltd. (the "Retail Property Manager" and collectively with the Commercial Property Manager, the "Property Managers").

Pursuant to the property management agreement between the Trust and the Commercial Property Manager in respect of OUE Bayfront, the following fees are payable:

- A property management fee of (a) 2% per annum of the gross revenue of the relevant property and (b) 2% of the gross revenue less property expenses ("Net Property Income") for the relevant property (calculated before accounting for the property management fee in that financial period); and

- A lease management fee of 0.5% per annum of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period) in respect of lease management services.

Pursuant to the property management agreement between the Trust and the Commercial Property Manager in respect of OUE Downtown Office, the following fees are payable:

- A property management fee of (a) 1% per annum of the gross revenue of the relevant property and (b) 1% of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period); and

- A lease management fee of 0.25% per annum of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period) in respect of lease management services.

The Commercial Property Manager is also entitled to a project management fee at a scale of between 1.35% to 3.0% of the construction cost or a fee to be mutually agreed in writing between the Manager, the Trustee and the Commercial Property Manager. During the financial year, no project management services were provided by the Commercial Property Manager. Where development management fees are payable to the Manager, there will not be any project management fees payable to the Commercial Property Manager and vice versa.

Pursuant to the property management agreement between OUE Hospitality Sub-Trust and the Retail Property Manager in respect of Mandarin Gallery and the certain commercial areas of Mandarin Orchard Singapore, the following fees are payable:

- A property management fee of (a) 2% per annum of the gross revenue of Mandarin Gallery and certain commercial areas of Mandarin Orchard Singapore; and (b) 2% per annum of the Net Property Income of Mandarin Gallery and certain commercial areas of Mandarin Orchard Singapore (calculated before accounting for the property management fee in that financial period); and

- A lease management fee of 0.5% per annum of the Net Property Income of Mandarin Gallery (calculated before accounting for the property management fee in that financial period), in respect of lease management services.

The property and lease management fees are payable monthly in arrears.

(c) Trustee's fee

The Trust

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.1% per annum of the value of the Deposited Property or such higher percentage as may be fixed by an extraordinary resolution of a meeting of Unitholders. The Trustee's fee is presently charged at a scaled basis of up to 0.02% per annum of the value of the Deposited Property (subject to a minimum of $15,000 per month). The Trustee's fee is payable out of the Deposited Property on a monthly basis, in arrears. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

The Sub-trust

Pursuant to the Sub-trust Deed, the Sub-trust Trustee's fee shall not exceed 0.1% per annum of the value of Sub-trust's Deposited Property. The Sub-trust Trustee's fee is payable out of Sub-trust's Deposited Property on a monthly basis, in arrears. The Sub-trust Trustee's fee is presently charged on a scaled basis of up to 0.02% per annum of the value of the Sub-trust Deposited Property (subject to a minimum of $20,000 per month). The Sub-trust Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Sub-trust Deed.

2 Basis of preparation

2.1 Statement of compliance

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

This is the first set of the Group's annual financial statements in which FRS 116 *Leases* has been applied. The related 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 as described below.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgments

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

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

Information about assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements is described in Note 4 – valuation of investment properties.

Measurement of fair values

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

The Group has an established process with respect to the measurement of fair values.

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

Significant valuation issues are reported to the Audit and Risk Committee.

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).
- 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 – investment properties
- Note 26 – financial instruments

2.5 Changes in significant accounting policies

New standards and amendments

The Group has applied the principles relating to the recognition and measurement of following FRS, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2019:

- FRS 116 *Leases*
- FRS INT 123 *Uncertainty over Income Tax Treatments*
- Amendments to FRS 109, FRS 39 and FRS 107 *Interest Rate Benchmark Reform*

Other than FRS 116, the application of these principles did not have a material effect on the financial statements.

FRS 116 *Leases*

The Group applied FRS 116 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under FRS 17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in FRS 116 have not generally been applied to comparative information.

As a lessee

As a lessee, the Group leases land and photocopiers. The Group previously classified leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under FRS 116, the Group recognises a right-of-use asset and lease liability for the land lease – i.e. the lease is on-balance sheet.

As a lessor

The Group leases out its investment property and has classified these leases as operating leases.

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

The Group has applied FRS 15 *Revenue from Contracts with Customers* to allocate consideration in the contract to each lease and non-lease component.

Impact on transition

There is no impact to the Group on transition to FRS 116.

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

The Group applied the interest rate benchmark reform amendments retrospectively to hedging relationship that existed at 1 January 2019 or were designated thereafter and that are directly affected by interest rate benchmark reform. These amendments also apply to the gain or loss recognised in the Statements of Unitholders Funds that existed at 1 January 2019. The details of the accounting policies are disclosed in Note 3.6 and Note 26 for related disclosures about the risks and hedge accounting.

3 Significant accounting policies

The accounting policies set out below have been applied by the Group entities consistently to all the periods presented in these financial statements, except as explained in Note 2.5, which addresses changes in accounting policies arising from the adoption of new standards.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with the recognition and measurement principles of FRS 103 *Business Combinations* as at the date of acquisition, which is the date on which control is transferred to the Group.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests ("NCI") in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in the statement of total return.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in the statement of total return.

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

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

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

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the statement of total return. Adjustments to NCI arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(ii) Property acquisitions and business combinations

When a property is acquired through corporate acquisitions or otherwise, the Manager considers whether the acquisition represents an acquisition of business or an acquisition of an asset. An acquisition is accounted for as a business combination when an integrated set of activities is acquired, in addition to the property. In determining whether an integrated set of activities is acquired, the Manager considers whether significant processes, such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business. Where an acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

(iii) 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. Investments in subsidiaries are stated at cost less accumulated impairment losses.

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

(iv) 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.

(v) Subsidiaries in the financial statements of the Trust

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

3.2 Foreign currencies

(i) 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 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 from the translation of a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective, or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in unitholders' funds.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing 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 in unitholders' funds. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the 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.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that is considered to form part of a net investment in a foreign operation, or qualifying cash flow hedges to the extent that the hedge is effective, which are recognised in the unitholders' funds.

3.3 Plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

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

(ii) Depreciation

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

Depreciation is recognised in the statement of total return on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment.

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

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

Furniture and fittings	-	5 years
Office equipment	-	5 years
Operating equipment	-	5 years

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

3.4 Investment properties

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

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

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

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

3.5 Intangible assets

The intangible assets represent the income support receivable by the Group and the Trust under the Deeds of Income Support in relation to OUE Bayfront and OUE Downtown Office.

The intangible assets are measured at cost less accumulated amortisation and accumulated impairment losses.

The intangible assets are amortised in the statement of total return on a straight-line basis over its estimated useful life of 5 years. The intangible assets are tested for impairment as described in Note 3.7.

Amortisation method, useful life and residual value are reviewed at the end of each reporting period and adjusted, if appropriate.

3.6 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables issued 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, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

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

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

Financial assets at amortised cost

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

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

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 management. The information considered includes:

- how the performance of the portfolio is evaluated and reported to the Group's management; 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.

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 sole 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 the statement of total return. Any gain or loss on derecognition is recognised in the statement of total return.

Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses are recognised in the statement of total return.

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

Financial liabilities are classified and measured at amortised cost.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the statement of total return.

These financial liabilities comprise trade and other payables (excluding advance rental received) and borrowings.

(iii) Derecognition

Financial assets

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

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits.

(vi) Derivative financial instruments and hedge accounting

Derivative financial instruments and hedge accounting

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

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in the statement of total return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in the statement of total return.

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.

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

Specific policies applicable from 1 January 2019 for hedges directly affected by IBOR reform

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

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

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 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 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 it is reclassified to the statement of total return in the same period or periods as the hedged expected future cash flows affect the statement of total return.

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

3.7 Impairment

(i) Non-derivative financial assets

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

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

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

Simplified approach

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

General approach

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

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

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

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

The Group considers a financial asset to be in default when the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

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 a breach of contract such as a default.

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

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

Write-off

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

(ii) Non-financial assets

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

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

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 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 Leases

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

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in FRS 116.

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

(i) As a lessee

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 presented in investment property and subsequently measured at fair value.

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 Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its 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 of fixed payments, including in-substance fixed payments.

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 if the Group changes its assessment of whether it will exercise the 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.

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.

(ii) As a lessor

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'.

Leases - Policy applicable before 1 January 2019

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

(i) As a lessee

In the comparative period, payments made under operating leases were recognised in statement of total return on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

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

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

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

3.9 Unitholders' funds

Unitholders' funds are classified as equity.

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

3.10 Convertible perpetual preferred units

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

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

3.11 Revenue recognition

(i) Service fee income

Revenue from servicing and maintaining the investment property is recognised on a time apportioned basis following the timing of satisfaction of performance obligations.

(ii) Car park income

Car park income consists of season and hourly parking income. Season parking income is recognised on a straight-line basis over the non-cancellable lease term. Hourly parking income is recognised at a point of time upon the utilisation of car parking facilities.

(iii) Dividend income

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

3.12 Employee benefits

(i) Short term employee benefits

All short term employee benefits are recognised in the statement of total return in the period in which the employees render their services.

A provision is recognised for the amount expected to be paid under variable bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

Contributions to post-employment benefits under defined contribution plans are recognised as an expense in the statement of total return as incurred.

3.13 Levies

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

3.14 Finance income and finance costs

The Group's finance income and finance costs include:
- interest income;
- interest expense;
- the foreign currency gain or loss on financial assets and financial liabilities;
- hedge ineffectiveness recognised in the statement of total return; and
- the reclassification of net gains and losses previously recognised in unitholders' funds on cash flow hedges of interest rate risk for borrowings.

Foreign currency gains and losses are reported on a net basis as either finance income or finance costs depending on whether foreign currency movements are in a net gain or net loss position.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:
- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

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

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

3.15 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of total return except to the extent that it relates to items recognised directly in unitholders' funds.

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and

- temporary differences relating to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. For investment properties that are measured at fair value, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying value at the reporting date unless the property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the investment property over time, rather than through sale. In all other cases, the amount of deferred tax is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

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

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

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

Tax Transparency Ruling

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

(i) Where the beneficial owners are Qualifying Unitholders, the Trustee and the Manager will make the distributions to such Unitholders without deducting any income tax; or

(ii) Where the beneficial owners are Qualifying Foreign Non-Individual Unitholders, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions made up to 31 December 2025, unless the concession is extended.

(iii) Where the beneficial owners are Qualifying Non-Resident Fund, the Trustee and the Manager will deduct Singapore income tax at the reduced rate of 10% for distributions for the period from 1 July 2019 to 31 December 2025, unless the concession is extended.

A "Qualifying Unitholder" is a Unitholder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a Singapore branch of a company incorporated outside Singapore;

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

A Qualifying Foreign Non-Individual Unitholder is a person other than an individual who is not resident in Singapore for Singapore income tax purposes and who:

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

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

- does not have a permanent establishment in Singapore (other than a fund manager in Singapore); or

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

The Tax Transparency Ruling does not apply to gains or profits from the disposal of any properties such as immovable properties and shares that are determined by the IRAS to be revenue gains chargeable to tax and income derived by the Trust but not distributed to the Unitholders in the same year in which the income is derived. Tax on such gains or profits will be subject to tax in accordance with Section 10(1)(a) of the Income Tax Act (Cap. 134). Distribution made out of the after-tax amount will not be subject to any further tax. Where the disposal gains are regarded as capital in nature, they will not be subject to tax and the Trustee and the Manager may distribute the capital gains without tax being deducted at source.

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

Foreign-sourced Income Tax Exemption Ruling

Pursuant to the Foreign-sourced Income Tax Exemption Ruling issued by the IRAS and subject to the meeting of certain conditions, the Trust will be exempt from Singapore income tax on dividends received by the Trust from its subsidiary, OUE Eastern Limited.

3.16 Earnings per Unit

The Group presents basic and diluted earnings per Unit. Basic earnings per Unit is calculated by dividing the total return attributable to the Unitholders by the weighted average number of Units outstanding during the year. Diluted earnings per Unit is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units, which comprise the convertible perpetual preferred units issued by the Trust.

3.17 Segment reporting

An operating segment is a component of the Group that engages in business activities from which they may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the other components of the Group. All operating segments' operating results are reviewed regularly by the Board of Directors of the Manager 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 that are reported to the Board of Directors of the Manager include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance income and trust expenses.

3.18 New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective and have not been applied in preparing these financial statements. An explanation of the impact, if any, on adoption of these new requirements is provided in Note 33.

4 Investment properties

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	4,494,535	3,515,148	2,093,100	1,153,000
Acquisition during the year * (including acquisition costs)	2,262,157	917,817	–	917,817
Capital expenditure capitalised	8,500	5,621	2,417	944
Lease incentives	1,312	(1,566)	29	–
Fair value changes recognised in the statement of total return (unrealised)	21,090	71,399	(2,546)	21,339
Translation differences	(17,407)	(13,884)	–	–
At 31 December	6,770,187	4,494,535	2,093,000	2,093,100

*Included right-of-use asset of $26.8 million

As at 31 December 2019, investment properties with a carrying amount of $3,472,530,000 (2018: $1,761,035,000) are pledged as security to secure bank loans (see Note 10).

Included in the acquisition costs capitalised are fees of $108,000 (2018: $22,000) paid to auditors of the Trust for assurance services performed in relation to the Group's acquisition of investment properties arising from the merger with OUE H-Trust during the year.

Measurement of fair value

(i) Fair value hierarchy

The investment properties are stated at fair value at the reporting date.

Properties	Valuer
31 December 2019	
OUE Bayfront	Cushman & Wakefield VHS Pte Ltd
OUE Downtown Office	Savills Valuation and Professional Services (S) Pte Ltd
One Raffles Place	Savills Valuation and Professional Services (S) Pte Ltd
Crowne Plaza Changi Airport	Cushman & Wakefield VHS Pte Ltd
Mandarin Orchard Singapore	Cushman & Wakefield VHS Pte Ltd
Mandarin Gallery	Cushman & Wakefield VHS Pte Ltd
Lippo Plaza	Beijing Colliers International Real Estate Valuation Co., Ltd.
31 December 2018	
OUE Bayfront	Savills Valuation and Professional Services (S) Pte Ltd
OUE Downtown Office	Colliers International Real Estate Valuation Co., Ltd.
One Raffles Place	Knight Frank Pte Ltd and Colliers International Consultancy and Valuation (Singapore) Pte Ltd
Lippo Plaza	Beijing Colliers International Real Estate Valuation Co., Ltd.

The fair values were derived based on the discounted cash flow, capitalisation and direct comparison methods. The valuation methods involve certain estimates including those relating to discount rate, terminal yield rate, capitalisation rate, price per square foot and price per room. The specific risks inherent in each of the properties are taken into consideration in arriving at the valuations.

The discounted cash flow method involves the estimation and projection of an income stream over a period and discounting the income stream with an internal rate of return to arrive at the market value. The capitalisation method capitalises an income stream into a present value using single-year capitalisation rate. The direct comparison method involves the analysis of comparable sales of similar properties, with adjustments made to differentiate the comparables in terms of location, area, quality and other relevant factors.

In relying on the valuation reports, the Manager has exercised its judgment and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

The fair value measurement of all of the Group's investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used (see Note 2.4).

	2019 **$'000**
Fair value of investment property (based on valuation report)	6,743,530
Add: Carrying amount of lease liability	25,657
Add: Prepayment of lease	1,000
Carrying amount of investment property	6,770,187

(ii) Valuation techniques and significant unobservable inputs

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

Valuation techniques	Significant unobservable inputs	Commercial (Singapore)	Commercial (China)	Hospitality (Singapore)	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flow method	Discount rate				The estimated fair value would increase/(decrease) if: • discount rate was lower (higher); • terminal yield rate was lower (higher).
	2019	6.5% - 7.0%	6.8%	7.0%	
	2018	6.5% - 7.0%	7.0%	–	
	Terminal yield rate				
	2019	3.8% - 5.3%	4.0%	4.8% - 5.5%	
	2018	3.5% - 5.0%	4.0%	–	
Capitalisation method	Capitalisation rate				The estimated fair value would increase/(decrease) if the capitalisation rate was lower (higher).
	2019	3.5% - 6.5%	–	–	
	2018	3.5% - 5.5%	–	–	
Direct comparison method	Price per square foot (psf)				The estimated fair value would increase/(decrease) if the price psf or per room was higher (lower).
	2019	$1,746 - $3,928	$1,363	–	
	2018	$1,811	$1,403	–	
	Price per room				
	2019	–	–	$0.9 million - $1.1 million	

5 Intangible assets

	Group and Trust $'000
Cost	
At 1 January 2018	33,000
Acquisition	25,000
At 31 December 2018 and 31 December 2019	58,000
Amortisation and impairment loss	
At 1 January 2018	28,249
Amortisation for the year	5,286
At 31 December 2018	33,535
Amortisation for the year	5,298
At 31 December 2019	38,833
Carrying amount	
At 1 January 2018	4,751
At 31 December 2018	24,465
At 31 December 2019	19,167

Intangible assets represent the unamortised income support receivable by the Group and the Trust under the Deeds of Income Support entered into with OUE and Alkas Realty Pte. Ltd. ("Alkas"), related parties of the Trust, in relation to OUE Bayfront and OUE Downtown Office, respectively.

Pursuant to the terms of the Deed of Income Support on OUE Bayfront, OUE will provide income support on OUE Bayfront of up to $12 million per annum, for 5 years from 27 January 2014. The income support for OUE Bayfront expired in January 2019.

Pursuant to the terms of the Deed of Income Support on OUE Downtown Office, Alkas will provide income support on OUE Downtown Office of up to $60 million for a period of 5 years from 1 November 2018 or the date when the total income support payments to the Trust exceeds $60 million, whichever is earlier.

Under the Deeds of Income Support on OUE Bayfront and OUE Downtown Office, the Group and the Trust drew down $17,182,000 (2018: $7,189,000) during the financial year (Note 18).

As at 31 December 2019, the Group and the Trust has drawn down $46,445,000 (2018: $29,263,000) under the Deeds of Income Support on OUE Bayfront and OUE Downtown Office.

6 Investments in subsidiaries

	Trust 2019 $'000	Trust 2018 $'000
Equity investments at cost	2,727,742	1,368,506

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities	Ownership interest 2019 %	Ownership interest 2018 %
Direct subsidiaries				
OUE Eastern Limited [(1)]	British Virgin Island	Investment holding	100	100
OUE CT Treasury Pte. Ltd.[(2)]	Singapore	Provision of financial services	100	100
Beacon Property Holdings Pte. Ltd.[(2)]	Singapore	Investment holding	100	100
OUE H-Trust [(2)(4)]	Singapore	Property owner and investment holding	100	–
Indirect subsidiaries				
Tecwell Limited [(1)]	British Virgin Island	Investment holding	100	100
Lippo Realty (Shanghai) Limited [(3)]	China	Property owner	100	100
Cresthill Property Holdings Pte. Ltd. [(2)]	Singapore	Investment holding	100	100
OUB Centre Limited [(2)]	Singapore	Property owner and investment holding	83.33	83.33

(1) Not required to be audited under the laws of the country in which it is incorporated.
(2) Audited by KPMG LLP, Singapore.
(3) Audited by KPMG China (a member firm of KPMG International).
(4) OUE H-Trust is a stapled group consisting of OUE Hospitality Sub-Trust and OUE Hospitality Business Trust.

Non-controlling interests

The non-controlling interests ("NCI") relate to the following subsidiary:

Name	Principal place of business/Country of incorporation	Ownership interest held by NCI 2019 %	Ownership interest held by NCI 2018 %
OUB Centre Limited	Singapore	16.67	16.67

The following summarised financial information of the above subsidiary is prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	OUB Centre Limited	
	2019	**2018**
	$'000	**$'000**
Revenue	84,532	81,504
Profit and total comprehensive income	86,867	79,322
Profit and total comprehensive income attributable to NCI	14,478	13,220
Non-current assets	1,862,449	1,813,910
Current assets	10,654	8,033
Non-current liabilities	(357,444)	(350,028)
Current liabilities	(28,288)	(27,458)
Net assets	1,487,371	1,444,457
Net assets attributable to NCI	247,895	240,743
Cash flows from operating activities	53,881	54,542
Cash flows used in investing activities	(4,259)	(3,324)
Cash flows used in financing activities	(48,727)	(52,973)
Net increase/(decrease) in cash and cash equivalents	895	(1,755)

7 Trade and other receivables

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Current				
Trade receivables from:				
- other related parties	15,769	8	91	5
- third parties	2,058	1,347	199	350
	17,827	1,355	290	355
Other receivables from:				
- the Manager	–	27	–	27
- subsidiaries	–	–	534	361
- other related parties	7,962	5,190	7,962	5,190
- third parties	6,711	6,847	209	309
	14,673	12,064	8,705	5,887
Deposits	320	314	287	289
	32,820	13,733	9,282	6,531
Prepayments	2,200	651	49	52
	35,020	14,384	9,331	6,583
Non-current				
Deposits	3,826	–	–	–
Prepayments	313	175	–	–
	4,139	175	–	–

Trade receivables from related parties mainly relate to receivables from the master lessees of Mandarin Orchard Singapore and Crowne Plaza Changi Airport. The receivables are considered to be held with a held-to-collect business model.

Included in other receivables from related parties of the Group and the Trust are income support receivable on OUE Bayfront of Nil (2018: $2,205,000) and income support receivable on OUE Downtown Office of $7,962,000 (2018: $2,955,000) (see Note 5).

Outstanding balance with subsidiaries and related parties are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debt arising from these outstanding balances as the ECL is not material.

Credit and market risks, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in Note 26.

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

	Group		Trust	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Not past due	16,254	734	226	322
Past due 0 – 30 days	1,033	421	37	33
Past due 31 – 90 days	133	75	26	–
Past due over 90 days	407	125	1	–
	17,827	1,355	290	355

The Group believes that the unimpaired amounts that are past due are still collectible based on historic payment behaviour and the deposits held.

8 Financial derivatives

	Group		Trust	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Derivative assets				
Interest rate swaps used for hedging				
- Current	–	116	–	95
Derivative liabilities				
Interest rate swaps used for hedging				
- Current	(2,751)	(132)	(2,404)	(109)
- Non-current	(14,560)	(7,828)	(6,780)	(5,448)
	(17,311)	(7,960)	(9,184)	(5,557)
	(17,311)	(7,844)	(9,184)	(5,462)
Financial derivatives as a percentage of net assets	(0.4%)	(0.3%)	(0.3%)	(0.3%)

The Group uses interest rate swaps to manage its exposure to interest rate movements on its floating rate interest-bearing bank loans by swapping the interest expense of bank loans from floating rates to fixed rates.

Master netting or similar agreements

The Group enters into derivative transactions under International Swaps and Derivatives Association ("ISDA") master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. 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 payable in settlement of all transactions.

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

The following table sets out the carrying amounts of recognised financial instruments that are subject to the above agreements.

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments included in the statement of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Group					
31 December 2019					
Derivatives liabilities					
Interest rate swaps used for hedging	(17,311)	–	(17,311)	–	(17,311)
31 December 2018					
Derivatives assets					
Interest rate swaps used for hedging	116	–	116	(105)	11
Derivatives liabilities					
Interest rate swaps used for hedging	(7,960)	–	(7,960)	105	(7,855)

	Gross amounts of recognised financial instruments $'000	Gross amounts of recognised financial instruments offset in the statement of financial position $'000	Net amounts of financial instruments included in the statement of financial position $'000	Related financial instruments that are not offset $'000	Net amount $'000
Trust					
31 December 2019					
Derivatives liabilities					
Interest rate swaps used for hedging	(9,184)	–	(9,184)	–	(9,184)
31 December 2018					
Derivatives assets					
Interest rate swaps used for hedging	95	–	95	(95)	–
Derivatives liabilities					
Interest rate swaps used for hedging	(5,557)	–	(5,557)	95	(5,462)

9 Cash and cash equivalents

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Cash at bank	19,788	7,781	2,487	2,855
Short-term deposits with financial institutions	39,622	29,293	4,810	9,870
	59,410	37,074	7,297	12,725

As at 31 December 2018, included in short-term deposits with financial institutions is $17,937,000 of structured deposits, which are measured at FVTPL and matured in January 2019.

10 Borrowings

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Bank loans				
- Secured	1,573,555	651,302	674,480	624,500
- Unsecured	977,935	926,735	656,934	608,735
Unsecured notes	150,000	150,000	–	–
Loan from a subsidiary	–	–	150,000	150,000
Less: Unamortised transaction costs	(14,363)	(14,715)	(8,309)	(12,154)
	2,687,127	1,713,322	1,473,105	1,371,081

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Classified as:				
Current	575,489	1,992	149,844	–
Non-current	2,111,638	1,711,330	1,323,261	1,371,081
	2,687,127	1,713,322	1,473,105	1,371,081

Terms and debt repayment schedule

Terms and conditions of outstanding borrowings are as follows:

			Group		Trust	
	Nominal interest rate %	**Year of maturity**	**Face value $'000**	**Carrying amount $'000**	**Face value $'000**	**Carrying amount $'000**
2019						
Bank loans						
- SGD	2.31 – 3.21	2020 - 2024	2,527,415	2,513,214	1,331,414	1,323,261
- Chinese Renminbi	4.90	2024	24,075	24,069	–	–
Unsecured notes	3.03	2020	150,000	149,844	–	–
Loan from a subsidiary	3.03	2020	–	–	150,000	149,844
			2,701,490	2,687,127	1,481,414	1,473,105
2018						
Bank loans						
- SGD	2.72 – 3.42	2021 - 2024	1,551,235	1,536,913	1,233,235	1,221,467
- Chinese Renminbi	4.90	2024	26,802	26,795	–	–
Unsecured notes	3.03	2020	150,000	149,614	–	–
Loan from a subsidiary	3.03	2020	–	–	150,000	149,614
			1,728,037	1,713,322	1,383,235	1,371,081

(a) Secured bank loans

The Group has secured term loans and revolving credit facilities of 3 to 8 years (2018: 5 to 8 years) which are secured on the following:

- investment properties with a total carrying amount of $3,472,530,000 (2018: $1,761,035,000) (Note 4);
- assignment of insurance policies on the above investment properties, except public liability insurance;
- assignment of all rights, titles, benefits and interests in connection with the sale and tenancy agreements, tenancy deposits/proceeds, sales deposits/proceeds, property management agreements and the receivables of certain properties;
- assignment of all rights, titles, benefits and interests in connection with the Deed of Income Support over OUE Bayfront which expired in January 2019;
- assignment of all rights, titles, benefits and interests in connection with any master lease, entered into by OUE H-Sub-Trust and lease or tenancy deposits/proceeds in connection with such master lease in respect of Mandarin Orchard Singapore;

- a debenture incorporating a fixed charge over book debt, charged accounts, goodwill, intellectual property and plant and machinery in connection with OUE Bayfront and floating charge over generally all of the present and future assets of the Trust in connection with OUE Bayfront; Mandarin Orchard Singapore and Mandarin Gallery; and

- the account control or charge over certain bank accounts of the Trust and certain subsidiary.

(b) Unsecured bank loans

The Group has in place the following unsecured bank loans:

- a total of $1,050.0 million (2018: $1,050.0 million) committed bank loans and revolving credit facilities with banks. At the reporting date, $977.9 million (2018: $926.7 million) was drawn down; and

- $30.0 million (2018: $30.0 million) uncommitted revolving credit facility with a bank. The uncommitted revolving credit facility was undrawn at the reporting date (2018: $Nil). The uncommitted revolving credit facility is repayable on demand.

(c) Unsecured notes

The Trust, through its wholly-owned subsidiary, OUE CT Treasury Pte. Ltd., established a $1.5 billion Multicurrency Debt Issuance Programme (the "Programme"). Under the Programme, OUE CT Treasury Pte. Ltd. may from time to time issue notes and/or perpetual securities in series or tranches.

The unsecured notes outstanding as at 31 December 2019 under the Programme is $150.0 million (2018: $150.0 million). The unsecured notes has a fixed rate of 3.03% per annum payable semi-annually in arrears, fully repayable on 5 September 2020.

The unsecured notes and the coupons relating thereto of all series will constitute direct, unconditional, unsubordinated and unsecured obligations of OUE CT Treasury Pte. Ltd. and shall at all times rank pari passu, without any preference or priority among themselves, and pari passu with all other present and future unsecured obligations (other than the subordinated obligations and priorities created by law) of OUE CT Treasury Pte. Ltd.. All sums payable in respect of the unsecured notes will be unconditionally and irrevocably guaranteed by the Trustee.

OUE H-Sub-Trust, through its wholly-owned subsidiary, OUE H-T Treasury Pte. Ltd., established a US$1.0 billion Guaranteed Euro Medium Term Note Programme ("EMTN Programme"). Under the EMTN Programme, OUE H-Sub-Trust, through its subsidiary, may from time to time issue the notes in series or tranches. As at 31 December 2019, no notes have been issued under the EMTN Programme.

(d) Loan from a subsidiary

OUE CT Treasury Pte. Ltd. has on-lent the proceeds from the issuance of the notes to the Trust.

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

	Liabilities			Derivative (assets)/ liabilities held to hedge long-term borrowings		
	Borrowings $'000	Accrued interest payable $'000	Lease liability $'000	Interest rate swap used for hedging – assets $'000	Interest rate swap used for hedging – liabilities $'000	Total $'000
Balance at 1 January 2019	1,713,322	9,216	–	(116)	7,960	1,730,382
Changes from financing cash flows						
Proceeds from bank loans	168,380	–	–	–	–	168,380
Repayment of bank loans	(69,200)	–	–	–	–	(69,200)
Payment of lease liability – principal	–	–	(117)	–	–	(117)
Payment of lease liability – interest	–	–	(883)	–	–	(883)
Interest paid	–	(66,510)	–	–	50	(66,460)
Total changes from financing cash flows	99,180	(66,510)	(1,000)	–	50	31,720
The effect of changes in foreign exchange rates	(729)	(29)	–	–	–	(758)
Change in fair value	–	–	–	116	7,441	7,557
Other changes						
Liability-related						
Merger	870,018	3,380	26,373	–	1,860	901,631
Amortisation of debt establishment costs	5,336	–	–	–	–	5,336
Interest expense	–	64,810	284	–	–	65,094
Total liability-related other changes	875,354	68,190	26,657	–	1,860	972,061
Balance at 31 December 2019	2,687,127	10,867	25,657	–	17,311	2,740,962

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

	Liabilities			Derivative (assets)/ liabilities held to hedge long-term borrowings		
	Borrowings $'000	**Accrued interest payable $'000**	**Lease liability $'000**	**Interest rate swap used for hedging – assets $'000**	**Interest rate swap used for hedging – liabilities $'000**	**Total $'000**
Balance at 1 January 2018	1,262,335	7,091	–	–	11,192	1,280,618
Changes from financing cash flows						
Payment of transaction costs related to borrowings	(8,245)	–	–	–	–	(8,245)
Proceeds from bank loans	1,139,735	–	–	–	–	1,139,735
Repayment of bank loans	(684,538)	–	–	–	–	(684,538)
Interest paid	–	(43,274)	–	–	–	(43,274)
Total changes from financing cash flows	446,952	(43,274)	–	–	–	403,678
The effect of changes in foreign exchange rates	(822)	(205)	–	–	–	(1,027)
Change in fair value	–	–	–	(116)	(3,232)	(3,348)
Other changes						
Liability-related						
Amortisation of debt establishment costs	4,857	–	–	–	–	4,857
Interest expense	–	45,604	–	–	–	45,604
Total liability-related other changes	4,857	45,604	–	–	–	50,461
Balance at 31 December 2018	1,713,322	9,216	–	(116)	7,960	1,730,382

11 Trade and other payables

	Group		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Current				
Trade payables	4,210	3,448	1,589	635
Other payables due to:				
- subsidiaries	–	–	1,687	1,668
- related parties	1,964	992	1,304	992
- third parties	9,574	7,235	830	53
Advance rental received	3,576	4,848	1,131	1,723
Accrued expenses	29,291	21,838	8,509	7,403
Interest payable to:				
- a subsidiary	–	–	1,470	1,469
- third parties	10,867	9,216	5,950	5,061
Rental deposits				
- related parties	1,351	1,380	1,351	1,351
- third parties	14,071	14,862	4,551	4,211
Other deposits				
- related parties	25	48	25	25
- third parties	2,370	1,713	779	662
	77,299	65,580	29,176	25,253
Non-current				
Rental deposits				
- related parties	538	592	538	421
- third parties	47,720	41,808	17,742	16,935
	48,258	42,400	18,280	17,356

Other payables due to subsidiaries and related parties are unsecured, interest-free and repayable on demand.

12 Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group		Trust	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Investment properties	77,451	78,151	–	–
Plant and equipment	9,220	8,269	–	–
Other items	1,257	1,306	–	–
	87,928	87,726	–	–

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

	Investment properties $'000	Plant and equipment $'000	Others $'000	Total $'000
2019				
At 1 January 2019	78,151	8,269	1,306	87,726
Recognised in statement of total return (Note 22)	1,209	1,221	(9)	2,421
Exchange differences	(1,909)	(270)	(40)	(2,219)
At 31 December 2019	77,451	9,220	1,257	87,928
2018				
At 1 January 2018	75,677	7,032	1,443	84,152
Recognised in statement of total return (Note 22)	4,000	1,433	(104)	5,329
Exchange differences	(1,526)	(196)	(33)	(1,755)
At 31 December 2018	78,151	8,269	1,306	87,726

13 Convertible perpetual preferred units

In October 2015, the Group and the Trust issued 550 million Convertible Perpetual Preferred Units ("CPPU") at $1 per Unit to a substantial unitholder of the Trust and a related party of the Manager, as partial satisfaction of the purchase consideration for the subsidiaries acquired. The key terms and conditions of the CPPUs are as follows:

- the CPPU holder has the right to receive preferential non-cumulative distribution of an amount equivalent to 1.0% per annum of the issue price which may be declared by the Manager at its sole discretion;

- any preferential distribution or part thereof not due or payable shall not accumulate for the benefit of the CPPU holder or entitle the CPPU holder to any claim in respect thereof against the Trust, the Trustee and/or the Manager;

- the CPPUs rank senior to the Units in respect of the entitlement to participate in the distributions of the Trust and rank senior to the Units in respect of the entitlement to receive out of the assets of the Trust the amount equivalent to the number of CPPUs held by the CPPU holder multiplied by the issue price and outstanding preferred and special preferred distribution upon the liquidation of the Trust. The CPPUs rank junior to the claims of all other present and future creditors of the Trust;

- the CPPU holder has the sole right to convert the CPPUs into Units, provided that the number of CPPUs converted in each financial year shall not exceed one-third of the total number of CPPUs initially issued to the CPPU holder, at a conversion price of $0.7154 per CPPU, being the adjusted conversion price pursuant to the rights issue undertaken by the Trust in October 2018. The CPPUs may not be converted into Units for a period of four years commencing from the date of issuance of the CPPUs on 8 October 2015;

- the Manager shall have the sole right to redeem any number of CPPUs for the time being issued and outstanding on a pro-rata basis at the issue price at all times;

- the Manager shall not declare distributions or pay any distributions to the Unitholders, or make any redemption, unless the Manager declares or pays distributions to the CPPU holder; and

- the CPPU holder does not have the right to attend and vote at the meetings of Unitholders except during such period as the preferred or special preferred distribution remains in arrears and unpaid for at least 12 months, or upon any resolution which varies or abrogates any right, preference or privilege of the CPPUs, or upon any resolution for the dissolution or winding up of the Trust.

The CPPUs are classified as equity instruments in the statement of financial position. The $361,890,000 (2018: $361,890,000) presented in the statement of financial position represents the carrying value of the remaining 375.0 million CPPUs and the total return attributable to the CPPU holder from the last distribution date.

14 Units in issue and to be issued

	--------Group and Trust--------	
	2019	**2018**
	’000	**’000**
Units in issue		
At 1 January	2,855,978	1,544,013
Creation of Units:		
- Partial consideration paid in Units pursuant to the Merger	2,491,775	–
- Rights issue	–	1,288,439
- Acquisition fee paid to Manager in Units	14,592	11,947
- Manager’s management fees paid in Units	23,053	11,579
At 31 December	5,385,398	2,855,978
Units to be issued		
Manager’s management fees payable in Units	7,061	5,611
Units in issue and to be issued	5,392,459	2,861,589

Financial year ended 31 December 2019

During the financial year, the following Units were issued:

- 23,053,355 Units were issued at issue prices ranging from $0.46 to $0.53 per Unit, amounting to $11,621,000 as satisfaction of the Manager's management fees payable in Units;

- 14,592,105 Units were issued at $0.57 per Unit, amounting to $8,317,500, as satisfaction of the acquisition fee payable to the Manager arising from the Merger during the financial year; and

- 2,491,774,895 Units, amounting to $1,267,672,000, were issued as partial consideration paid pursuant to the Merger.

Financial year ended 31 December 2018

During the financial year, the following Units were issued:

- 1,288,438,981 Units were issued at $0.456 per Unit, amounting to $587,528,000 for cash as part of the rights issue undertaken by the Trust, wherein Unitholders were entitled to subscribe for 83 new Units for every 100 existing Units held. The proceeds raised from the rights issue were used to partially fund the acquisition of an investment property and the related acquisition costs during the financial year;

- 11,579,111 Units were issued at issue prices ranging from $0.60 to $0.72 per Unit, amounting to $7,852,000 as satisfaction of the Manager's management fees payable in Units; and

- 11,947,368 Units were issued at $0.57 per Unit, amounting to $6,810,000, as satisfaction of the acquisition fee payable to the Manager arising from the acquisition of an investment property during the financial year.

Each Unit in the Trust represents an undivided interest in the Trust.

A Unitholder has no equitable or proprietary interest in the underlying asset of the Group and is not entitled to the transfer to it of any asset (or any part thereof) or of any real estate, any interests in any asset and the real estate-related assets (or any part thereof) of the Group.

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

15 Net asset value per Unit

	Note	Group 2019	Group 2018	Trust 2019	Trust 2018
Net asset value per Unit is based on:					
- Net assets attributable to Unitholders ($'000)		3,318,417	2,038,092	2,964,902	1,724,337
- Units in issue and to be issued at 31 December ('000)	14	5,392,459	2,861,589	5,392,459	2,861,589

16 Revenue

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Rental income	221,271	151,066	81,164	52,311
Service fee income	19,981	14,829	11,225	6,950
Carpark income	3,469	3,721	1,395	1,392
Dividend income	–	–	41,122	35,995
Others	12,787	6,963	5,377	2,321
Less: Business and other taxes	(179)	(183)	–	–
	257,329	176,396	140,283	98,969

Under the terms of the lease agreements for the properties, the Group and the Trust are generally entitled to a fixed rent component and/or a variable rent component computed based on a certain percentage of the revenue. Mandarin Orchard Singapore is leased to a related party under a master lease arrangement. The lease contains an initial term of 15 years from 25 July 2013 with an option to renew for a further 15 years. Crowne Plaza Changi Airport is leased to a related party under a master lease agreement till 27 May 2028, with an option to renew for two consecutive terms of five years each.

Included in rental income is variable rent of $11,229,000 (2018: $664,000) and $23,000 (2018: $46,000) recognised in the statement of total return for the Group and the Trust, respectively.

Included in the revenue of the Group and the Trust are amounts derived from related parties of $39,341,000 (2018: $6,843,000) and $6,516,000 (2018: $6,111,000), respectively.

Other income consists of miscellaneous income such as utilities and annual license fee, which are recognised when over time as the service is provided.

17 Property operating expenses

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Property maintenance expenses	12,816	8,763	5,914	3,334
Property management fees	3,621	2,444	3,179	2,444
Property-related taxes	23,559	17,992	10,657	6,430
Insurance	274	261	103	87
Utilities	2,786	1,953	1,808	1,033
Land rent expenses (Note 28)	1,309	–	–	–
Centre management costs	4,578	4,281	–	–
Others	3,435	2,515	601	282
	52,378	38,209	22,262	13,610
Centre management costs comprise:				
Salaries, bonuses and other costs	4,061	3,783	–	–
Contributions to defined contribution plans	517	498	–	–
	4,578	4,281	–	–

18 Other income

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Income support on OUE Bayfront and OUE Downtown Office	17,182	7,189	17,182	7,189

19 Manager's management fees

	Group and Trust	
	2019	**2018**
	$'000	**$'000**
Base fee	16,272	10,565

The Manager's management fees comprise an aggregate of 24,503,304 (2018: 14,433,703) Units, amounting to approximately $13,018,000 (2018: $8,452,000), that have been or will be issued to the Manager as satisfaction of the Manager's management fees payable in Units at unit prices ranging from $0.51 to $0.56 (2018: $0.46 to $0.71) per Unit.

20 Net finance costs

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Finance income				
Interest income	999	795	172	188
Ineffective portion of changes in fair value of cash flow hedges	2,726	2,874	2,033	1,847
Net change in fair value of derivatives	–	–	–	263
Net foreign exchange gain	–	12	–	253
	3,725	3,681	2,205	2,551
Finance costs				
Amortisation of debt-related transaction costs	(5,336)	(4,857)	(3,848)	(3,388)
Interest paid/payable to a subsidiary	–	–	(1,469)	(4,545)
Interest paid/payable to banks	(64,810)	(45,604)	(43,926)	(29,356)
Net change in fair value of derivatives	(619)	(565)	(592)	–
Hedging reserve transferred from unitholders' funds due to discontinuation of hedge accounting	(447)	(653)	(447)	(448)
Net foreign exchange losses	(365)	–	(77)	–
Financial liability measured at amortised cost – interest expense	(284)	–	–	–
	(71,861)	(51,679)	(50,359)	(37,737)
Net finance costs	(68,136)	(47,998)	(48,154)	(35,186)

The above finance income and expenses include the following interest income and expense and debt-related transaction costs in respect of assets and liabilities not at fair value through statement of total return:

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Total interest income on financial assets	999	795	172	188
Total interest expense on financial liabilities and debt-related transaction costs	(67,136)	(44,542)	(46,381)	(32,424)

21 Total return for the year before tax

Included in total return for the year before tax are the following:

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Audit fees paid/payable to:				
- Auditors of the Trust	380	245	175	146
- Other auditors	53	49	–	–
Non-audit fees paid to:				
- Auditors of the Trust	217	65	195	56
- Other auditors	63	6	–	–
Valuation fees	130	76	45	20

22 Tax expense

	Group 2019 $'000	Group 2018 $'000	Trust 2019 $'000	Trust 2018 $'000
Current tax expense				
Current year	13,552	13,703	–	–
Under/(Over) provision in respect of prior years	82	(724)	–	–
	13,634	12,979	–	–
Withholding tax	1,393	1,426	–	–
Deferred tax expense				
Origination and reversal of temporary differences	2,421	5,329	–	–
	17,448	19,734	–	–
Reconciliation of effective tax rate				
Total return for the year before tax	150,671	150,447	60,637	61,100
Tax calculated using Singapore tax rate of 17% (2018: 17%)	25,614	25,576	10,308	10,387
Effect of tax rates in foreign jurisdictions	2,014	3,058	–	–
Non-tax deductible items	11,209	6,416	6,753	5,103
Non-taxable items	(8,178)	(10,597)	(1,616)	(3,986)
Tax exempt income	(8)	(26)	(5,932)	(6,119)
Tax incentives	(18)	(10)	–	–
Under/(Over) provision in respect of prior years	82	(724)	–	–
Tax transparency (Note 3.15)	(14,660)	(5,385)	(9,513)	(5,385)
Withholding tax	1,393	1,426	–	–
	17,448	19,734	–	–

23 Earnings per Unit and distribution per Unit

(i) Basic earnings per Unit

The calculation of basic earnings per Unit was based on the total return attributable to Unitholders and the weighted average number of Units, as set out below:

Total return attributable to Unitholders

	Group	
	2019	**2018**
	$'000	**$'000**
Total return for the year attributable to Unitholders and CPPU holder	118,745	117,493
Less: Amount reserved for distribution to CPPU holder	(3,750)	(3,750)
Total return attributable to Unitholders	114,995	113,743

Weighted average number of Units

	Group	
	2019	**2018**
	'000	**'000**
Units issued or to be issued at beginning of the year	2,861,589	1,546,769
Effect of Units issued during the year	791,026	228,716
Effect of Units to be issued as payment of the Manager's management fees payable in Units	19	15
Adjustment for effect of rights issue (1)	–	210,174
Weighted average number of Units during the year	3,652,634	1,985,674

(1) The weighted average number of Units has been adjusted to reflect the bonus element in the new Units pursuant to the rights issue on 30 October 2018.

(ii) Diluted earnings per Unit

The calculation of diluted earnings per Unit was based on the total return attributable to Unitholders and CPPU holder and the weighted average number of Units, after adjustment for the effect of all dilutive potential Units, as set out below:

Total return attributable to Unitholders (diluted)

	Group	
	2019	**2018**
	$'000	**$'000**
Total return attributable to Unitholders (basic)	114,995	113,743
Add: Amount reserved for distribution to CPPU holder	3,750	3,750
Total return attributable to Unitholders and CPPU holder (diluted)	118,745	117,493

Weighted average number of Units (diluted)

	Group	
	2019	**2018**
	'000	**'000**
Weighted average number of Units (basic)	3,652,634	1,985,674
Effect of the Manager's fees paid/payable in Units	16,269	10,087
Effect of the rights issue (1)	–	609
Effect of conversion of CPPUs into Units (2)	524,182	524,182
Weighted average number of Units (diluted)	4,193,085	2,520,552

(1) The weighted average number of Units has been adjusted to reflect the bonus element in the new Units pursuant to the rights issue on 30 October 2018.

(2) The weighted average number of Units includes the weighted average potential Units to be issued assuming all the remaining CPPUs were converted at $0.7154 per Unit, being the adjusted conversion price pursuant to the rights issue.

24 Issue costs

Issue costs comprise professional, advisory and underwriting fees and other costs related to the issue of Units.

For the financial year ended 31 December 2018, included in issue costs are fees paid to the auditors of the Trust of $53,000 for the services rendered in relation to the fund raising exercise undertaken by the Trust.

25 Operating segments

Information regarding the results of each reportable segment is included below. Performance is measured based on segment net property income, as included in the internal management reports that are reviewed by the Board of Directors of the Manager. Segment net property income is used to measure performance as management believes that such information is the most relevant in evaluating the results of its segments relative to other entities that operate within the same industry.

Segment information by business is not presented for 2018 as all of the Group's assets are classified as commercial assets.

Information about reportable segments

	Commercial	**Hospitality**	**Total**
	$'000	**$'000**	**$'000**
Year ended 31 December 2019			
Revenue	225,045	32,284	257,329
Property operating expenses	(49,721)	(2,657)	(52,378)
Reportable segment net property income	175,324	29,627	204,951

	Commercial $'000	Hospitality $'000	Total $'000
Year ended 31 December 2019			
Other income	17,182	–	17,182
Depreciation and amortisation	(5,475)	–	(5,475)
Finance income	3,712	–	3,712
Finance costs	(64,995)	(6,590)	(71,585)
Unallocated items			
- Finance income			13
- Finance costs			(276)
- Expenses			(18,941)
Net income			129,581
Net change in fair value of investment properties			21,090
Tax expense			(17,448)
Total return for the year			133,223
31 December 2019			
Non-current assets [(1)]	5,038,279	1,751,658	6,789,937

Geographical information

The Group has two reportable segments, which are Singapore and China. The reporting segments operate in different countries and are managed separately because of the differences in operating and regulatory environment. For each of the reporting segments, the Board of Directors of the Manager reviews internal management reports on a regular basis.

Information about reportable segments

	Singapore $'000	China $'000	Total $'000
Year ended 31 December 2019			
Revenue	226,708	30,621	257,329
Property operating expenses	(47,071)	(5,307)	(52,378)
Reportable segment net property income	179,637	25,314	204,951
Other income	17,182	–	17,182
Depreciation and amortisation	(5,434)	(41)	(5,475)
Finance income	2,902	813	3,715
Finance costs	(70,305)	(1,280)	(71,585)
Unallocated items			
- Finance income			10
- Finance costs			(276)
- Expenses			(18,941)
Net income			129,581
Net change in fair value of investment properties			21,090
Tax expense			(17,448)
Total return for the year			133,223
31 December 2019			
Non-current assets [(1)]	6,219,274	570,663	6,789,937

	Singapore $'000	China $'000	Total $'000
Year ended 31 December 2018			
Revenue	144,478	31,918	176,396
Property operating expenses	(32,288)	(5,921)	(38,209)
Reportable segment net property income	112,190	25,997	138,187
Other income	7,189	–	7,189
Depreciation and amortisation	(5,427)	(39)	(5,466)
Finance income	3,146	519	3,665
Finance costs	(50,265)	(1,414)	(51,679)
Unallocated items			
- Finance income			16
- Expenses			(12,864)
Net income			79,048
Net change in fair value of investment properties			71,399
Tax expense			(19,734)
Total return for the year			130,713
31 December 2018			
Non-current assets [(1)]	3,931,475	588,093	4,519,568

(1) Excluding financial instruments

26 Financial instruments

Financial risk management

Risk management framework

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

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

Overview

The Group has exposure to the following risks arising from financial instruments:
- credit risk
- liquidity risk
- market risk

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

Credit risk

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

Concentration of credit risk is limited due to many varied tenants.

Credit evaluations are performed before lease agreements are entered into with prospective tenants. Rental deposits are obtained, where appropriate, to mitigate credit risk. In addition, the Manager monitors closely the balances due from its tenants.

Expected credit loss assessment for individual tenants

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants.

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

The Group believes that no allowance for impairment is necessary in respect of the trade receivables as these receivables relate mainly to tenants that have a good record with the Group or have sufficient security deposits as collateral, and hence ECL is not material.

Other receivables and deposits

Impairment on other receivables and deposits has been measured on the 12 months expected loss basis and the amount of the allowance is insignificant.

Cash and cash equivalents

The Group and the Trust held cash and cash equivalents of $59,410,000 and $7,297,000 respectively at 31 December 2019 (2018: $37,074,000 and $12,725,000 respectively). The cash and cash equivalents are held with bank and financial institution counterparties which are rated P-1, based on Moody's ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Trust 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

At the reporting date, the Group has interest rate swap contracts with a total notional amount of $1,855.0 million (2018: $1,235.0 million). In 2018, $80.0 million related to forward start interest rate swaps which was effective in 2019. The Trust has interest rate swap contracts with a total notional amount of $970.0 million (2018: $840.0 million).

The derivatives are entered into with bank and financial institution counterparties, which are rated Aa1/P-1 to A3/P-2, based on Moody's ratings.

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

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Manager monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. The Manager also monitors and observes the CIS Code issued by the MAS concerning limits on total borrowings.

In addition, as at 31 December 2019, the Group maintains term loans and revolving credit facilities of $2,709.1 million (2018: $1,786.8 million) with banks. At the reporting date, $2,551.5 million (2018: $1,578.0 million) of the facilities was utilised.

As at 31 December 2019, the Group has issued unsecured notes of $150.0 million (2018: $150.0 million) through OUE CT Treasury Pte. Ltd..

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

			------------- Cash flows ---------------		
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 2 to 5 years $'000**	**More than 5 years $'000**
Group					
2019					
Non-derivative financial liabilities					
Trade and other payables*	121,981	(121,981)	(73,724)	(45,221)	(3,036)
Borrowings	2,687,127	(2,810,779)	(930,671)	(1,880,108)	–
Lease liability	25,657	(62,667)	(1,000)	(4,000)	(57,667)
	2,834,765	(2,995,427)	(1,005,395)	(1,929,329)	(60,703)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	17,311	(17,564)	(9,636)	(7,928)	–
	2,852,076	(3,012,991)	(1,015,031)	(1,937,257)	(60,703)

	Carrying amount $'000	Contractual cash flows $'000	------------- Cash flows -------------- Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Group					
2018					
Non-derivative financial liabilities					
Trade and other payables*	103,132	(103,132)	(60,732)	(39,116)	(3,284)
Borrowings	1,713,322	(1,895,396)	(270,978)	(1,526,664)	(97,754)
	1,816,454	(1,998,528)	(331,710)	(1,565,780)	(101,038)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	(116)	121	121	–	–
Interest rate swaps used for hedging (net-settled)	7,960	(8,160)	(3,699)	(4,461)	–
	7,844	(8,039)	(3,578)	(4,461)	–
	1,824,298	(2,006,567)	(335,288)	(1,570,241)	(101,038)
Trust					
2019					
Non-derivative financial liabilities					
Trade and other payables*	46,325	(46,325)	(28,045)	(18,082)	(198)
Borrowings	1,473,105	(1,523,563)	(474,799)	(1,048,764)	–
	1,519,430	(1,569,888)	(502,844)	(1,066,846)	(198)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	9,184	(9,263)	(5,864)	(3,399)	–
	1,528,614	(1,579,151)	(508,708)	(1,070,245)	(198)

	Carrying amount $'000	Contractual cash flows $'000	---- Cash flows ---- Within 1 year $'000	Within 2 to 5 years $'000	More than 5 years $'000
Trust					
2018					
Non-derivative financial liabilities					
Trade and other payables*	40,886	(40,886)	(23,530)	(16,954)	(402)
Borrowings	1,371,081	(1,495,252)	(257,499)	(1,157,066)	(80,687)
	1,411,967	(1,536,138)	(281,029)	(1,174,020)	(81,089)
Derivative financial instruments					
Interest rate swaps used for hedging (net-settled)	(95)	99	99	–	–
Interest rate swaps used for hedging (net-settled)	5,557	(5,682)	(2,920)	(2,762)	–
	5,462	(5,583)	(2,821)	(2,762)	–
	1,417,429	(1,541,721)	(283,850)	(1,176,782)	(81,089)

* Excluding lease liability (shown separately) and advance rental received

The maturity analyses show the contractual undiscounted cash flows of the Group's and the Trust's financial liabilities on the basis of their earliest possible contractual maturity. Derivative financial instruments held are normally not closed out prior to contractual maturity. The disclosure shows net cash flow amounts for derivatives that are net cash-settled.

All the derivative financial instruments are designated as cash flow hedges. The table above reflects the periods in which the cash flows associated with cash flow hedges are expected to occur and to impact the total return.

Market risk

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

Interest rate benchmark reform

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark interbank offered rates ("IBORs") with alternative rates. In Singapore, the fundamental review and reform of the two key Singapore Dollar interest rate benchmarks that are widely referenced in financial contracts, namely Singapore interbank offered rates ("SIBORs") and Singapore swap offer rates ("SORs"), and the transition from SOR to the Singapore Overnight Rate Average ("SORA"), is also ongoing.

The Group evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at the reporting date. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rate. However, the Group's cash flow hedging relationships extend beyond the anticipated cessation dates for SOR. The Group expects that SOR will be replaced by other benchmark rates, but there is uncertainty over the timing and amount of the replacement rate cash flows.

The Group applies the principles of the amendments to these hedging relationships directly affected by IBOR reform, namely the hedges of SOR, and assumes that the cash flows of the hedged item and hedging instrument will not be materially altered as a result of IBOR reform.

Interest rate risk

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

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

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and the notional or par amounts. The Group considers whether the critical terms of the interest rate swaps to align with the hedged borrowings when assessing the presence of an economic relationship. The Group assesses whether the derivative designated in each hedge relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the regression method. For cash flow hedging relationships directly impacted by IBOR reform (i.e. hedges of SOR), the Group assumes that the cash flows of the hedged item and hedging instrument will not be altered as a result of IBOR reform.

In these hedge relationships, the main sources of ineffectiveness are the differences in the inception dates between the swaps and the borrowings.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations for when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness.

There were no other sources of ineffectiveness in these hedging relationships.

The Group's exposure to changes in interest rates relate primarily to interest-earning financial assets and interest-bearing financial liabilities. At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Nominal amount			
	Group		Trust	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Fixed rate instruments				
Short-term deposits with financial institutions	39,622	29,293	4,810	9,870
Borrowings	(150,000)	(150,000)	(150,000)	(150,000)
Interest rate swaps	(1,855,000)	(1,155,000)	(970,000)	(840,000)
	(1,965,378)	(1,275,707)	(1,115,190)	(980,130)
Variable rate instruments				
Borrowings	(2,551,490)	(1,578,037)	(1,331,414)	(1,233,235)
Interest rate swaps	1,855,000	1,155,000	970,000	840,000
	(696,490)	(423,037)	(361,414)	(393,235)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for the fixed rate financial assets and liabilities at fair value through statement of total return. The Group does not designate interest rate swaps as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect total return.

Sensitivity analysis for variable instruments

For the variable rate instruments, a change in 50 (2018: 50) basis points ("bp") in interest rate at the reporting date would impact total return and unitholders' funds (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Statement of Total Return		Unitholders' funds	
	Increase in interest rate $'000	Decrease in interest rate $'000	Increase in interest rate $'000	Decrease in interest rate $'000
Group				
2019				
Variable rate instruments				
Borrowings (50 bp)	(12,757)	12,757	–	–
Interest rate swaps (50 bp)	9,291	(9,273)	1,227	(1,212)
	(3,466)	3,484	1,227	(1,212)
2018				
Variable rate instruments				
Borrowings (50 bp)	(7,890)	7,890	–	–
Interest rate swaps (50 bp)	7,309	(7,337)	492	(644)
	(581)	553	492	(644)

	Statement of Total Return		Unitholders' funds	
	Increase in interest rate $'000	**Decrease in interest rate $'000**	**Increase in interest rate $'000**	**Decrease in interest rate $'000**
Trust				
2019				
Variable rate instruments				
Borrowings (50 bp)	(6,657)	6,657	–	–
Interest rate swaps (50 bp)	4,866	(4,848)	364	(368)
	(1,791)	1,809	364	(368)
2018				
Variable rate instruments				
Borrowings (50 bp)	(6,166)	6,166	–	–
Interest rate swaps (50 bp)	4,200	(4,200)	296	(459)
	(1,966)	1,966	296	(459)

Hedge accounting

Cash flow hedges

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

	Maturity	
	1-12 months	**More than one year**
31 December 2019		
Group		
Interest rate risk		
Interest rate swaps		
Net exposure ($'000)	470,000	1,385,000
Fixed interest rate	1.59% - 1.93%	1.46% - 2.17%
Trust		
Interest rate risk		
Interest rate swaps		
Net exposure ($'000)	300,000	670,000
Fixed interest rate	1.59% - 1.93%	1.46% - 2.13%
31 December 2018		
Group		
Interest rate risk		
Interest rate swaps		
Net exposure ($'000)	440,000	715,000
Fixed interest rate	1.53% - 2.45%	1.88% - 2.55%
Trust		
Interest rate risk		
Interest rate swaps		
Net exposure ($'000)	260,000	580,000
Fixed interest rate	1.53% - 2.45%	1.88% - 2.55%

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

	Change in value used for calculating hedge ineffectiveness $'000	Cash flow hedge reserve $'000
Group		
31 December 2019		
Interest rate risk		
Variable-rate instruments	8,310	(12,355)
31 December 2018		
Interest rate risk		
Variable-rate instruments	(763)	(3,139)
Trust		
31 December 2019		
Interest rate risk		
Variable-rate instruments	5,196	(6,911)
31 December 2018		
Interest rate risk		
Variable-rate instruments	(2,283)	(2,244)

There are no balances remaining in cash flow hedge reserve from hedging relationships for which hedge accounting no longer applied.

The amounts relating to items designated as hedging instruments and hedge ineffectiveness were as follows.

	As at 31 December				During the period				
	Nominal amount $'000	**Carrying amount – assets $'000**	**Carrying amount – liabilities $'000**	**Line item in the statement of financial position where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in unitholders' funds and NCI $'000**	**Hedge ineffective-ness recognised in statement of total return $'000**	**Line item in statement of total return that includes hedge ineffectiveness**	**Amount reclassified from hedging reserve to statement of total return $'000**	**Line item in statement of total return affected by the reclassification**
Group									
2019									
Interest rate risk									
Interest rate swaps	1,855,000	–	(17,311)	Financial derivatives	(9,898)	2,726	Finance income	682	Finance cost
2018									
Interest rate risk									
Interest rate swaps	1,155,000	116	(7,960)	Financial derivatives	(13)	2,874	Finance income	1,705	Finance cost

	As at 31 December				During the period				
	Nominal amount $'000	**Carrying amount – assets $'000**	**Carrying amount – liabilities $'000**	**Line item in the statement of financial position where the hedging instrument is included**	**Changes in the value of the hedging instrument recognised in unitholders' funds $'000**	**Hedge ineffective-ness recognised in statement of total return $'000**	**Line item in statement of total return that includes hedge ineffectiveness**	**Amount reclassified from hedging reserve to statement of total return $'000**	**Line item in statement of total return affected by the reclassification**
Trust									
2019									
Interest rate risk									
Interest rate swaps	970,000	–	(9,184)	Financial derivatives	(5,243)	2,033	Finance income	576	Finance cost
2018									
Interest rate risk									
Interest rate swaps	840,000	95	(5,557)	Financial derivatives	908	1,847	Finance income	1,889	Finance cost

The following table provides a reconciliation by risk category of components of equity and analysis of unitholders' funds items, net of tax, resulting from cash flow hedge accounting.

	Group Hedging reserve $'000	Trust Hedging reserve $'000
Balance at 1 January 2019	(3,139)	(2,244)
Cash flow hedges		
Change in fair value:		
Interest rate risk	(9,898)	(5,243)
Amount reclassified to statement of total return:		
Interest rate risk	682	576
Balance at 31 December 2019	(12,355)	(6,911)
Balance at 1 January 2018	(5,014)	(5,041)
Cash flow hedges		
Change in fair value:		
Interest rate risk	139	908
Amount reclassified to statement of total return:		
Interest rate risk	1,736	1,889
Balance at 31 December 2018	(3,139)	(2,244)

Currency risk

In order to manage the currency risk involved in investing in assets outside Singapore, the Manager adopts the currency risk management strategies that may include:

- the use of foreign currency denominated borrowings to match the currency of the asset investment as a natural currency hedge; and
- entering into currency forward contracts to hedge the foreign currency income received from its foreign subsidiaries, back into Singapore Dollars.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from recognised assets or liabilities denominated in a currency other than the functional currency of the entity to which they relate.

	HKD $'000	USD $'000	RMB $'000
Group			
2019			
Cash and cash equivalents	1	72	4,823
2018			
Cash and cash equivalents	2	73	11,365

Changes in the exchange rates between the above currencies and the Singapore dollar would not have a significant impact to the Group's total return before tax.

Accounting classifications and fair values

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial 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 liability is also not required.

		Carrying amount					Fair value			
	Note	Amortised cost $'000	FVTPL $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
2019										
Financial assets not measured at fair value										
Trade and other receivables ^	7	36,646	–	–	–	36,646	–	–	34,127	34,127
Cash and cash equivalents	9	59,410	–	–	–	59,410				
		96,056	–	–	–	96,056				
Financial liabilities measured at fair value										
Financial derivatives	8	–	–	(17,311)	–	(17,311)	–	(17,311)	–	(17,311)
Financial liabilities not measured at fair value										
Borrowings:										
- Bank loans	10	–	–	–	(2,537,283)	(2,537,283)				
- Unsecured notes	10	–	–	–	(149,844)	(149,844)				
Trade and other payables #	11	–	–	–	(121,981)	(121,981)	–	–	(118,572)	(118,572)
		–	–	–	(2,809,108)	(2,809,108)				

^ Excluding prepayments
\# Excluding advance rental received

	Note	Carrying amount					Fair value			
		Amortised cost $'000	**FVTPL $'000**	**Fair value – hedging instruments $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group										
2018										
Financial assets measured at fair value										
Financial derivatives	8	–	–	116	–	116	–	116	–	116
Financial assets not measured at fair value										
Trade and other receivables ^	7	13,733	–	–	–	13,733				
Cash and cash equivalents	9	19,137	17,937	–	–	37,074	–	17,937	–	17,937
		32,870	17,937	–	–	50,807				
Financial liabilities measured at fair value										
Financial derivatives	8	–	–	(7,960)	–	(7,960)	–	(7,960)	–	(7,960)
Financial liabilities not measured at fair value										
Borrowings:										
- Bank loans	10	–	–	–	(1,563,708)	(1,563,708)				
- Unsecured notes	10	–	–	–	(149,614)	(149,614)	–	(146,945)	–	(146,945)
Trade and other payables #	11	–	–	–	(103,132)	(103,132)	–	–	(99,857)	(99,857)
		–	–	–	(1,816,454)	(1,816,454)				

^ Excluding prepayments
# Excluding advance rental received

		Carrying amount				Fair value			
	Note	Amortised cost $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust									
2019									
Financial assets not measured at fair value									
Trade and other receivables ^	7	9,282	–	–	9,282				
Cash and cash equivalents	9	7,297	–	–	7,297				
		16,579	–	–	16,579				
Financial liabilities measured at fair value									
Financial derivatives	8	–	(9,184)	–	(9,184)	–	(9,184)	–	–
Financial liabilities not measured at fair value									
Borrowings:									
- Bank loans	10	–	–	(1,323,261)	(1,323,261)				
- Loan from a subsidiary	10	–	–	(149,844)	(149,844)				
Trade and other payables #	11	–	–	(46,325)	(46,325)	–	–	(45,411)	(45,411)
		–	–	(1,519,430)	(1,519,430)				

^ Excluding prepayments
# Excluding advance rental received

	Note	Carrying amount				Fair value			
		Amortised cost $'000	Fair value – hedging instruments $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust									
2018									
Financial assets measured at fair value									
Financial derivatives	8	–	95	–	95	–	95	–	95
Financial assets not measured at fair value									
Trade and other receivables ^	7	6,531	–	–	6,531				
Cash and cash equivalents	9	12,725	–	–	12,725				
		19,256	–	–	19,256				
Financial liabilities measured at fair value									
Financial derivatives	8	–	(5,557)	–	(5,557)	–	(5,557)	–	(5,557)
Financial liabilities not measured at fair value									
Borrowings:									
- Bank loans	10	–	–	(1,221,467)	(1,221,467)				
- Loan from a subsidiary	10	–	–	(149,614)	(149,614)	–	(146,945)	–	(146,945)
Trade and other payables #	11	–	–	(40,886)	(40,886)	–	–	(39,926)	(39,926)
		–	–	(1,411,967)	(1,411,967)				

^ Excluding prepayments
# Excluding advance rental received

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Type	Valuation technique
Group and Trust	
Interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Type	Valuation technique
Group	
Trade and other receivables	*Discounted cash flows*
Trade and other payables	*Discounted cash flows*
Unsecured notes	*The fair value of the unsecured notes is based on the quoted price at reporting date.*
Trust	
Trade and other payables	*Discounted cash flows*
Loan from subsidiary	*Loan from a subsidiary is based on the same terms as the unsecured notes and therefore, the fair value of the loan from a subsidiary is determined based on the fair value of the unsecured notes.*

There were no transfers between Level 2 and 3 during the year.

Capital management

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

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

The Group has income derived from its investments in the PRC. The conversion of the Chinese Renminbi is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Trust and its subsidiaries are subject to the aggregate leverage limit as defined in the Property Funds Appendix of the CIS Code issued by the MAS. The CIS Code stipulates that the total borrowings and deferred payments (together the "Aggregate Leverage") of a property fund should not exceed 45.0% of its Deposited Property.

The Aggregate Leverage of the Group as at 31 December 2019 was 40.3% (2018: 39.3%) of its Deposited Property. This complied with the Aggregate Leverage limit as described above.

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

27 Commitments

The Group and the Trust has the following commitments as at the reporting date:

Capital commitments

	Group		Trust	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Contracted but not provided for in the financial statements:				
- Expenditure in respect of investment properties	9,144	5,647	351	–

28 Leases

Leases as lessee (FRS 116)

The Group leases land in relation to the Crowne Plaza Changi Airport site. The lease runs for a period of 74 years. Under the terms of the lease agreement, the land rent payable comprises a fixed component and a variable component computed based on certain percentage of the hotel revenue.

Information about leases for which the Group is a lessee is presented below.

Right-of-use assets

Right-of-use assets related to land meets the definition of investment property (see Note 4).

Amounts recognised in statement of total return

	2019 $'000
Leases under FRS 116	
Interest on lease liability	284

Amounts recognised in statement of cash flows

	2019 $'000
Total cash outflow for leases	1,000

Leases as lessor

Operating lease

The Group leases out its investment properties (see Note 4). The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets. Note 3.8 sets out information about the operating leases of investment property.

Rental income from investment properties recognised by the Group during 2019 was $241,252,000 (2018: $165,895,000) and Trust was $92,389,000 (2018: $59,261,000).

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

	Group $'000	Trust $'000
2019 – Operating leases under FRS 116		
Less than one year	287,905	94,371
One to two years	222,888	62,948
Two to three years	164,594	36,566
Three to four years	111,681	14,969
Four to five years	93,429	6,752
More than five years	260,254	306
Total	1,140,751	215,912
2018 – Operating leases under FRS 17		
Less than one year	188,335	91,853
Between one and five years	270,859	123,797
More than five years	23,646	544
Total	482,840	216,194

29 Related party transactions

In the normal course of the operations of the Trust, the Manager's management fee and Trustee's fee have been paid or are payable to the Manager and the Trustee respectively. Property management fees are payable to the Property Managers, related parties of the Manager.

During the financial year, other than the transactions disclosed elsewhere in the financial statements, there were the following related party transactions:

	Group		Trust	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Acquisition of investment property and intangible asset from a related party	–	908,000	–	908,000
Hotel service expenses and professional fees paid/payable to related parties	637	68	70	68
Settlement of liabilities by related parties of the Manager on behalf of the Group and the Trust	159	471	114	471
Consideration for stapled securities of OUE Hospitality Trust pursuant to the Merger	525,539	–	–	–

30 Financial ratios

	Group		Trust	
	2019 $'000	**2018 $'000**	**2019 $'000**	**2018 $'000**
Expenses to weighted average net assets [1]				
- including performance component of the Manager's fees	0.99	1.18	1.12	1.39
- excluding performance component of the Manager's fees	0.99	1.18	1.12	1.39
Portfolio turnover rate [2]	–	–	–	–

[1] The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group and the Trust, excluding property expenses and finance expenses.

[2] The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group and the Trust expressed as a percentage of daily average net asset value.

31 Acquisition of OUE H-Trust

On 4 September 2019, OUE C-REIT completed its merger with OUE H-Trust by way of a trust scheme of arrangement. OUE H-Trust owns a portfolio of three properties.

The purchase consideration of $1,342.4 million was settled by a cash consideration of $74.7 million and issuance of 2,491.8 million new Units, amounting to $1,267.7 million, which is the fair value of the net assets of OUE H-Trust less the cash consideration. The Merger was accounted for as an asset acquisition.

The fair value of identifiable assets and liabilities of OUE H-Trust as at 3 September 2019 (the Merger date) and the cashflow effect of the Merger were:

	2019 **$'000**
Investment properties (including right-of-use assets)	2,245,346
Trade and other receivables	17,383
Cash and cash equivalents	31,674
Borrowings	(870,018)
Trade and other payables	(52,926)
Lease liability	(26,373)
Tax payable	(800)
Financial derivatives	(1,860)
Total identifiable net assets at fair value	1,342,426
Acquisition costs	16,811
Purchase consideration paid (including acquisition costs)	1,359,237
Effect of the acquisition on cash flows	
Purchase consideration (including acquisition costs)	1,359,237
Less:	
- Cash at bank of subsidiaries acquired	(31,674)
- Considerations paid in Units	(1,267,673)
- Manager's acquisition fee in Units	(8,318)
- Accrued acquisition costs	(373)
Net cash outflow on Merger net of cash acquired	51,199

32 Subsequent events

There were the following events subsequent to the reporting date:

- On 30 January 2020, the Manager declared a distribution of $1,890,000 to the CPPU holder in respect of the period from 1 July 2019 to 31 December 2019.
- On 30 January 2020, the Manager declared a distribution of 1.10 cents per Unit, amounting to $59,283,000, in respect of the period from 4 September 2019 to 31 December 2019.

- On 4 February 2020, the Trust issued 7,060,763 Units at $0.5634 per Unit, amounting to $3,978,000, to the Manager as payment of the management base fee for the period from 1 October 2019 to 31 December 2019.

- There is a novel coronavirus ("COVID-19") outbreak which will impact the performance of the Singapore hospitality and China segments in 2020. Should the duration of the COVID-19 situation be protracted, the minimum rent component embedded in the master lease agreements of the Group's hotel portfolio provides significant downside protection. Additionally, only 14.3% of Lippo Plaza's gross rental income is due for renewal in FY2020.

33 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards 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.

- *Amendments to References to Conceptual Framework in FRS standards*
- *Definition of a Business* (Amendments to FRS 103)
- *Definition of Material* (Amendments to FRS 101-1 and FRS 101-8)