ASCOTT RESIDENCE TRUST

A Member of CapitaLand

ASCOTT RESIDENCE TRUST
Annual Report 2018

WE ARE GROWING OUR REACH

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GROWING OUR REACH

Full of curiosity and a knack for adventure, a child's mind sees no borders. With vivid imagination and a genuine sense of wonder, the sky is the limit as to where a child can go and what a child can do.

Similarly, Ascott Residence Trust has been for years exemplifying a desire to expand our horizons and venture further. We have nurtured a far-reaching and continuously growing global presence, while, at the same time, constantly redefining what quality living spaces entail.

OUR VISION

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

OUR MISSION

To deliver stable and sustainable returns to Unitholders.

CORPORATE PROFILE

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

Ascott Reit's asset size has increased sixfold to S$5.3 billion since it was listed on the Singapore Exchange Securities Trading Limited (SGX-ST) in March 2006. Ascott Reit's international portfolio comprises of 73 properties with 11,430 units in 37 cities across 14 countries in Asia Pacific, Europe and the United States of America[1].

Ascott Reit was conferred the "Best Hospitality REIT (Platinum award)" in the Asia Pacific Best of the Breeds REITs Awards™ 2018 and was ranked third in the Singapore Governance and Transparency Index 2018 within the REIT and Business Trust category.

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

Ascott Reit is managed by Ascott Residence Trust Management Limited (Manager or ARTML), an indirect wholly owned subsidiary of CapitaLand Limited, one of Asia's largest real estate companies.

1 Figures above as at 31 December 2018 and excludes lyf one-north Singapore (under-development).

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2018 HIGHLIGHTS

GLOBAL PRESENCE

MOST GEOGRAPHICALLY DIVERSIFIED REIT LISTED ON THE SGX-ST

11,430[1] UNITS

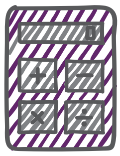
37 CITIES

14 COUNTRIES

REVENUE

S$514.3 million

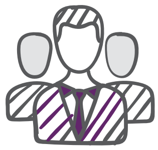
4% increase YoY



GROSS PROFIT

S$239.4 million

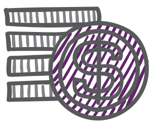
5% increase YoY



UNITHOLDERS' DISTRIBUTION

S$154.8 million

2% increase YoY



DISTRIBUTION PER UNIT

7.16 cents

REVENUE PER AVAILABLE UNIT

S$151

5% increase YoY

TOTAL ASSETS
As at 31 December 2018

S$5.3 billion

Largest hospitality REIT listed on SGX-ST

1 Excluding lyf one-north Singapore (under development)

FINANCIAL HIGHLIGHTS

For the Financial Year	2014	2015	2016	2017	2018
Gross Revenue (S$ million)	357.2	421.1	475.6	496.3	**514.3**
Gross Profit (S$ million)	180.2	204.6	222.4	226.9	**239.4**
Unitholders' Distribution (S$ million)	125.6	123.3	135.0	152.2	**154.8**
Distribution Per Unit (DPU) (cents)	8.20	7.99	8.27	7.09	**7.16**
Distribution Yield[1] (%)	6.46	6.71	7.32	5.81	**6.63**
DPU (adjusted for Rights Issue)[2] (cents)	7.96	7.75	8.03	7.09	**7.16**
DPU (adjusted for one-off items) (cents)	7.61	8.06	7.59	6.23	**6.79**

Balance Sheet as at 31 December	2014	2015	2016	2017	2018
Total Assets (S$ million)	4,121.9	4,724.6	4,791.3	5,493.1	**5,309.1**
Unitholders' Funds (S$ million)	2,106.1	2,189.7	2,200.6	2,685.1	**2,644.1**
Total Borrowings (S$ million)	1,550.9	1,815.2	1,862.6	1,945.4	**1,905.5**

Financial Ratios as at 31 December	2014	2015	2016	2017	2018
Net Asset Value (NAV) Per Unit (S$)	1.37	1.41	1.33	1.25	**1.22**
Aggregate Leverage (%)	38.5	39.3	39.8	36.2	**36.7**
Interest Cover Ratio[3] (times)	4.3	4.1	4.3	4.7	**4.8**
Management Expense Ratio[4] (%)	1.1	1.2	1.3	1.2	**1.2**
Financial Derivatives as a Percentage of NAV[5] (%)	0.7	0.5	0.5	0.3	**0.04**

Other Information as at 31 December	2014	2015	2016	2017	2018
Market Capitalisation[1] (S$ million)	1,949.5	1,843.0	1,868.4	2,622.6	**2,337.8**
Number of Units in Issue (million)	1,535.0	1,548.7	1,653.5	2,149.7	**2,164.6**

1 Based on the closing unit price of S$1.27 on 31 December 2014, S$1.19 on 31 December 2015, S$1.13 on 31 December 2016, S$1.22 on 31 December 2017 and S$1.08 on 31 December 2018.
2 The figures have been restated for the underwritten and renounceable Rights Issue, through which 481,688,010 units were issued on 11 April 2017.
3 Refers to EBITDA (earnings before net interest expense, tax, depreciation and amortisation) before change in fair value of financial derivatives, change in fair value of serviced residence properties and assets held for sale, and foreign exchange differences over net interest expense.
4 Refers to the expenses of Ascott Reit (excluding direct expenses, foreign exchange differences, net interest expense, change in fair value of financial derivatives, change in fair value of serviced residence properties (which comprise serviced residences, rental housing properties and other hospitality assets) and assets held for sale, assets written off and income tax expense).
5 Financial derivatives refer to the cross currency interest rate swaps and interest rate swaps which Ascott Reit has entered into.

MESSAGE TO UNITHOLDERS

Tan Beng Hai, Bob
Chairman

Beh Siew Kim
Chief Executive Officer

"For the financial year ended on 31 December 2018, Ascott Reit's Unitholders' distribution of S$154.8 million was record high for the third consecutive year."

Dear Unitholders,

Ascott Residence Trust (Ascott Reit) has continued to deliver stable returns to Unitholders as we grow and strengthen our edge as the largest[1] and most geographically diversified hospitality real estate investment trust (REIT) listed on SGX-ST.

Since listing as the world's first Pan-Asian serviced residence REIT in 2006, our asset size has increased sixfold to S$5.3 billion. In 2010, we extended our footprint to Europe, a first mover amongst our peers. In 2015, Ascott Reit further expanded into the United States of America. In 2018, Ascott Reit again ventured into new frontiers, embarking on our maiden development project to build our first coliving property, lyf one-north Singapore, targeted at the rising millennial segment.

Whilst pursuing growth, Ascott Reit also ensures that we are ready to seize opportunities as the hospitality landscape and guests' needs change. We constantly review and strengthen our property portfolio through acquisitions and divestments. Over the years, Ascott Reit has built a portfolio that cannot be easily replicated – more than 70 properties across 14 countries in 37 key gateway cities, with a mix of hospitality products including serviced residences, rental housing and coliving property. Operating under several established brands, our properties cater to short- and long-stay guests, for both business and leisure.

DELIVERING GROWTH...

For the financial year (FY) ended on 31 December 2018, Ascott Reit's Unitholders' distribution of S$154.8 million was record high for the third consecutive year. Distribution per unit (DPU) increased from 7.09 cents in FY 2017 to 7.16 cents in FY 2018. This translated to a distribution yield of 6.6% based on Ascott Reit's closing price of S$1.08 as at 31 December 2018. As part of our effort to share divestment gains and provide stable distribution to our Unitholders, the FY 2018 distribution to be paid out on 28 February 2019 included S$6.5 million, which was part of the gains from the sale of two China properties[2] that were completed in January 2018. Adjusting for the effects of one-off items[3], DPU increased 9% against the previous year.

Ascott Reit's revenue crossed the half-billion mark at S$514.3 million, representing a 4% increase over FY 2017. Gross profit rose 5% to S$239.4 million, with 85% generated by our eight key markets of Australia, China, France, Japan, Singapore, the United Kingdom, the United States of America and Vietnam. For FY 2018, 75% of Ascott Reit's EBITDA[4] was contributed by developed markets, according to the FTSE classification of markets. The record high revenue and gross profit achieved in FY 2018 were a result of higher market demand, stronger performance from Ascott Reit's existing portfolio and contributions from newly acquired properties.

1 By asset size and market capitalisation
2 Citadines Biyun Shanghai and Citadines Gaoxin Xi'an
3 Divestment gains from the sale of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an and realised foreign exchange gains
4 Earnings before interest, taxes, depreciation and amortisation (excluding corporate expenses)

... THROUGH ACCRETIVE ACQUISITIONS

We continued to enhance Ascott Reit's portfolio through accretive acquisitions of quality assets. The four properties we acquired in 2017 – Ascott Orchard Singapore, Citadines City Centre Frankfurt, Citadines Michel Hamburg and DoubleTree by Hilton Hotel New York - Times Square South – contributed approximately 8% of FY 2018 revenue. Ascott Orchard Singapore, Citadines City Centre Frankfurt and Citadines Michel Hamburg are serviced residences under master lease arrangements, where Ascott Reit receives a guaranteed fixed income from the lessee. In the case of Ascott Orchard Singapore, its good performance enabled Ascott Reit to receive additional variable rent above the fixed component, within the first year of acquisition. The fourth property, DoubleTree by Hilton Hotel New York - Times Square South, is operating under a management contract. The property has benefitted from its strategic location and improvement of the New York market.

In 2018, Ascott Reit invested in a prime greenfield site in one-north, Singapore's research and innovation hub, for our maiden development project. Singapore offers a safe environment for construction and the investment provides an early entry to the product life cycle at a lower cost, enabling Ascott Reit to capture potential development profits. Given the site's strategic location and accessibility, complemented by the limited lodging supply in the vicinity and more importantly, the tailoring of a coliving product specially to meet the demands of the rising millennial-minded market, we believe lyf one-north Singapore will further enhance our portfolio and contribute positively to Ascott Reit's returns when it is operational in 2021.

...THROUGH PORTFOLIO ENHANCEMENT

For FY 2018, Ascott Reit achieved a revenue per available unit (RevPAU) of S$151[1], a 5% growth over FY 2017, which signifies a higher-yielding portfolio on a per unit basis. This is achieved through constant reconstitution of our portfolio and enhancing the performance of our existing assets. Ascott Reit's portfolio of investment properties, of which, more than 50% are freehold[2], were valued at S$4,894.3 million[3] as at 31 December 2018. This represents an uplift of S$35.5 million above the previous year's valuation and is a testament to Ascott Reit's ability to generate further uplift from our existing portfolio.

To remain competitive and improve guests' experience, we constantly engage in asset enhancement initiatives (AEI) of the properties. In 2018, Ascott Reit completed the AEI of Ascott Makati, Citadines Arnulfpark Munich, Citadines Trocadéro Paris, Somerset Grand Hanoi and Sheraton Tribeca New York Hotel. Upon the completion of AEIs, we were able to command higher average daily rates ranging from 10% to 20%. In the coming year, we will embark on the refurbishments of Element New York Times Square West and target to complete the works at Somerset Grand Citra Jakarta by the second quarter of 2019.

Leveraging technology, we find ways to sharpen our operations to improve workflow efficiency and offer higher customer satisfaction. In 2018, Ascott Orchard Singapore piloted a self check-in system, offering guests a seamless and faster experience of checking into their rooms. Through automation, this freed up time for staff to interact more with our residents, support them in other areas, and provide a more personalised service.

... THROUGH DISCIPLINED CAPITAL MANAGEMENT

Another key strategy to deliver stable returns to Unitholders is to be disciplined in our capital and risk management. As at 31 December 2018, Ascott Reit's gearing was 36.7%, with an available debt headroom of over S$788.2 million, before reaching the 45% limit set by the Monetary Authority of Singapore. With 80% of our borrowings on fixed interest rates and an average debt maturity term of 3.9 years, Ascott Reit is not expected to be significantly impacted by any further rise in interest rates during this period.

In 2018, Ascott Reit successfully refinanced two medium term notes (MTN) at more attractive terms. In September, a maturing Japanese Yen (JPY) 5 billion MTN with a fixed rate of 2.01% per annum was refinanced for seven years at a lower fixed rate of 0.97% per annum. Two months later, another expiring S$100 million MTN with a fixed rate of 4.30% per annum was refinanced for five years, and the proceeds were swapped into Euros (EUR) at a lower rate of 1.56% per annum. These refinancing have resulted in interest savings.

To manage our foreign currency exposure, Ascott Reit adopts a natural hedge wherever possible by borrowing in the currency of the underlying assets. To protect earnings from significant fluctuations in foreign exchange movements, we hedged part of the Unitholders' distribution denominated in EUR, British Pounds, JPY and US Dollars. As a result, there was minimal impact of exchange rate movement on FY 2018 gross profit.

In August 2018, Fitch Ratings affirmed Ascott Reit's "BBB" ratings with a stable outlook. Key drivers behind this rating include our geographically-diversed portfolio and steady cash flow generated from the stable-income contracts[4]. For FY 2018, the stable-income contracts accounted for 44% of Ascott Reit's gross profit. The investment-grade status in return, provides credit assurance to our stakeholders, enabling Ascott Reit to raise funds at attractive rates and terms.

1 Measured for properties under management contracts and management contracts with minimum guaranteed income
2 Including 999-year leases
3 Excluding lyf one-north Singapore (under development)
4 Refers to master lease contracts and management contracts with minimum guaranteed income

MESSAGE TO UNITHOLDERS

CONTRIBUTIONS TO COMMUNITIES AND SUSTAINABILITY

As we focus on our growth, we continued to give back to the communities we operate in, by engaging in various philanthropic activities throughout the year. In February 2018, our Vietnam colleagues visited the Go Vap Orphanage Centre in Ho Chi Minh City, home to over 240 orphans suffering from birth deformities and congenital diseases. Besides donating food and general supplies, the team carried out repairs and cleaning works and spent time with the children over performances and activities. Working together with CapitaLand's philanthropic arm, CapitaLand Hope Foundation, our Philippines team raised over S$23,000 for food distribution programmes and provided meals for over 600 children in poverty-stricken areas of La Union throughout the school year.

As part of sustainability management, we are proud that our newly renovated Ascott Makati has been awarded the first green building certification in the serviced residence category by International Finance Corporation (IFC) as part of their Excellence in Design for Greater Efficiencies (EDGE)[1] system.

INTERNATIONAL RECOGNITION

Ascott Reit was also conferred the "Best Hospitality REIT (Platinum award)" in the Asia Pacific Best of the Breeds REITs Awards™ 2018. In the Singapore Governance and Transparency Index 2018, Ascott Reit was ranked third in the REIT and Business Trust category, an improvement from sixth position in the previous year. These accolades echo our emphasis on corporate governance and efforts to inculcate accountability and transparency in our business practices.

Many of our properties have won awards, an affirmation of our consistent quality. Citadines Arnulfpark Munich, Citadines Ramblas Barcelona, Citadines Sainte-Catherine Brussels and Citadines Shinjuku Tokyo were conferred the "Leading Serviced Apartments" awards for their respective countries at the World Travel Awards 2018. Separately, eight of Ascott Reit's properties won the "Travellers' Choice Award 2018"[2], with another 24 being conferred the "Certificate of Excellence Award 2018"[2].

THE VIEW AHEAD

The International Monetary Fund has forecasted a global economic growth rate of 3.5% for 2019. This modest growth stems from economic uncertainties arising from trade tensions, political uncertainties and tightening financial markets. For the hospitality industry, international travel is trending up. In 2018, international tourist arrivals crossed the 1.4 billion mark, two years ahead of the forecast by the United Nations World Tourism Organisation. This represents a 6% increase over 2017 and a further growth of 3% to 6%[3] had been projected for 2019. However, with new disruptors and supply continuing to enter the market, increased competition and higher operating costs may remain a challenge. Nonetheless, with a well-diversified portfolio spanning 14 countries and no earnings concentration risk in any single market, Ascott Reit remains resilient in providing stable returns to our Unitholders.

BOARD ACKNOWLEDGEMENTS

On 1 July 2018, Mr Lim Ming Yan retired as a Non-Executive Non-Independent Director, the Deputy Chairman of the Board and the Chairman of the Executive Committee of Ascott Residence Trust Management Limited (ARTML). Mr Lim had been on the Board since July 2009 and brought Ascott Reit to new heights during his tenure. On behalf of the Board, we would like to express our deep gratitude to Mr Lim for his dedication and invaluable contributions to Ascott Reit over the past nine years. On the same day, Mr Lee Chee Koon was appointed the Chairman of the Executive Committee of ARTML in addition to his role as a member of the Corporate Disclosure Committee.

We would also like to take this opportunity to thank all Unitholders, our guests and business partners for your continued support and confidence in Ascott Reit. To all employees and Board of Directors, a note of appreciation for another year of hard work and unrelenting dedication.

Tan Beng Hai, Bob
Chairman

Beh Siew Kim
Chief Executive Officer

26 February 2019

1 EDGE is a green building certification that covers nearly 140 emerging countries. An innovation of IFC, a member of the World Bank Group, EDGE is recognised by various World Green Building councils and the Global Real Estate Sustainability Benchmark.
2 Awarded by TripAdvisor. For the full list of properties, please see https://www.the-ascott.com/en/tripadvisor_awards_2018.html
3 Source: IPK International (2018) and United Nations World Tourism Organisation (2019)

致信托单位持有人之信函

尊敬的信托单位持有人，

雅诗阁公寓信托持续为信托单位持有人带来稳定的回报，我们不断扩展并巩固我们作为在新加坡交易所上市的信托基金中，资产组合规模最大[1]和地域分布最广的酒店服务房地产信托基金（REIT）的优势。

自2006年上市成为全球首个泛亚服务式公寓房地产投资信托基金以来，我们的资产规模增长了六倍，达到53亿新元。 在2010年，我们将业务扩展至欧洲，成为同业中的领头者。 在2015年，雅诗阁公寓信托更进一步扩展至美国。在2018年，雅诗阁公寓信托再次迈向新领域，投资首个开发项目，lyf新加坡纬壹科技城共享公寓（lyf one-north Singapore），以极具潜力的千禧一代为目标顾客，在新加坡建立我们的第一个共享公寓物业。

雅诗阁公寓信托在不断增长的同时，也深知服务式公寓市场和客人的需求亦会与时并进，因此我们已努力准备好迎接各种新机遇。我们通过收购及脱售物业强化投资组合。多年来，雅诗阁公寓信托成功地创建出无法轻易复制的投资组合 – 在14个国家、37个主要城市拥有超过70家物业，经营多种业务，包括服务式公寓、出租住宅单位及共享公寓物业。通过知名品牌经营者的管理下，我们的物业适合商务或休闲的长短期客人。

物业的稳健增长...

截至2018年12月31日的财政年度（财年），雅诗阁公寓信托向信托单位持有人派息连续第三年创历史新高，达1.548亿新元。每单位派息从2017财年的7.09新分增加到2018财年的7.16新分。以雅诗阁公寓信托2018年12月31日的闭市价1.08新元计算，派息率为6.6%。我们致力分享脱售物业的收益并为信托单位持有人带来稳定回报。将在2019年2月28日支付的2018财年派息内包括了在2018年1月脱售完毕的两个中国物业[2]的部分利润，为650万新元。扣除一次性调整[3]，每单位派息率较上年增加9%。

雅诗阁公寓信托收入达到5.143亿新元，较2017财年增长4%。毛利润增长5%至2.394亿新元，其中85%来自澳大利亚、中国、法国、日本、新加坡、英国、美国及越南八个主要市场。根据富时市场分类，雅诗阁公寓信托2018财年中，75%的付息、纳税、折旧与摊销前收益[4]来自已成熟市场。 2018财年的创纪录高收入及毛利润有赖市场需求增加，雅诗阁公寓信托现有投资组合表现强劲及新收购物业的贡献。

...通过增值的收购

我们通过不断收购优质资产来增强雅诗阁公寓信托的投资组合。2017年所收购的四项物业 – 新加坡雅诗阁乌节服务公寓（Ascott Orchard Singapore）、法兰克福馨乐庭中心服务公寓（Citadines City Centre Frankfurt）、汉堡馨乐庭米歇尔服务公寓（ Citadines Michel Hamburg）和纽约时代广场南希尔顿逸林酒店（DoubleTree by Hilton Hotel New York – Times Square South）占了2018财年总收入约8%。新加坡雅诗阁乌节服务公寓、法兰克福馨乐庭中心服务公寓和汉堡馨乐庭米歇尔服务公寓均是包租租约经营模式，保障了雅诗阁公寓信托从承租公司获得固定收入。新加坡雅诗阁乌节服务公寓的良好表现更让雅诗阁公寓信托在收购后一年内在固定收入之上，获得额外租金收入。纽约时代广场南希尔顿逸林酒店则是根据管理合同运营。优越的地段以及日趋改善的纽约市场使得这家物业从中获益，业绩良好。

在2018年，雅诗阁公寓信托在新加坡纬壹科技城(one-north)全新优质地段投资发展创新中心，是我们首个开发项目。新加坡拥有安全的建筑环境，并让我们以较低的投资成本进入市场，让雅诗阁公寓信托能获得潜在开发利润。鉴于该项目的战略位置与便利流动性及附近地段的住宅供应，及其以千禧一代为目标顾客的市场定位，我们相信lyf新加坡纬壹科技城共享公寓发展项目将进一步强化雅诗阁公寓信托的投资组合，并在2021年投入运营后为雅诗阁公寓信托带来更大收益。

...通过增强投资组合

2018财年，雅诗阁公寓信托每单位可收收入（RevPAU）达至151新元[5]，较2017财年增长5%，充分表现其投资组合的优秀收益率。这都是通过不断重组投资组合，提高现有资产表现的成果。截至2018年12月31日，雅诗阁公寓信托的投资物业，其中过五成为永久业权财产[6]，总价值被评估为48.943亿新元[7]，较上年度估值高出3，550万新元，足以证明雅诗阁公寓信托有进一步加强现有投资组合的实力。

为了保持竞争力并提升客户体验，我们经常实施物业增值计划（AEI）。2018年，雅诗阁公寓信托顺利地对马卡蒂雅诗阁服务公寓（Ascott Makati）、慕尼黑馨乐庭阿努尔夫城市公园服务公寓（Citadines Arnulfpark Munich）、巴黎馨乐庭特洛卡德罗服务公寓（Citadines Trocadéro Paris）、河内盛捷格兰德服务公寓(Somerset Grand Hanoi)和纽约翠贝卡喜来登酒店(Sheraton Tribeca New York Hotel)进行了物业资产增值计划。物业资产增值计划使旗下物业获得更高的日均租金，增加10%到20%。来年，我们会着手翻新纽约时代广场西源宿酒店（Element New York Times Square West)，并计划在2019年第二季度完成雅加达盛捷高级斯特拉服务公寓（Somerset Grand Citra Jakarta)的物业资产增值计划。

善用新科技使我们不断提升运营效率，优化工作流程之余，更提高顾客满意度。 新加坡雅诗阁乌节服务公寓在

1 按照资产规模和市值计算
2 上海馨乐庭碧云服务公寓（Citadines Biyun Shanghai）和西安馨乐庭高新服务公寓（Citadines Gaoxin Xi' an）
3 上海馨乐庭碧云服务公寓 和西安馨乐庭高新服务公寓的脱售利润和已实现外汇收益
4 不包括企业费用
5 根据管理合同和最低收入保证管理合同计算
6 包括999-年租约
7 不包括lyf新加坡纬壹科技城共享公寓项目（正在开发中）

致信托单位持有人之信函

2018年推出了自助入住登记系统，为客人带来无缝快捷的入住体验。通过自动化，员工能够腾出更多时间与住客互动，扩展服务至其他领域及更个人化的服务。

...通过严谨的资本管理

保持信托单位持有人稳定回报的另一关键策略是严谨的资本和风险管理。截至2018年12月31日，雅诗阁公寓信托的负债率为36.7%，以新加坡金融管理局规定的45%限额计算，可增负债超过7.882亿新元。现有借款中八成为定息贷款，平均债务到期期限为3.9年，因此可以预期雅诗阁公寓信托在这期间不会受到利率上升太大影响。

雅诗阁公寓信托于2018年以极具优势的条款成功融资两笔中期票据（MTN）。 在9月，原定息率为2.01%的50亿日元中期票据成功以更低的定息率0.97%再融资七年。两个月后，另一笔定息率为4.30%即将到期的1亿新元中期票据亦成功再融资五年。换算为欧元（EUR）后成功获得较低的1.56%年利率。多项再融资为雅诗阁公寓信托节省了利息开支。

为了管理我们的外汇风险，雅诗阁公寓信托采用自然对冲方法，尽可能借入其相关资产的货币，保障收益免受外汇变动的影响。我们也对部分信托单位持有人派息收益的欧元、英镑、日元和美元进行套期保值，这成功令汇率变动对2018财年毛利的影响微乎其微。

2018年8月，雅诗阁公寓信托在惠誉国际评级机构（Fitch Ratings）取得"BBB"评级，未来预期稳定。获此评级主要是基于我们地域多元化的投资组合及稳定收益合同[1]带来的稳定现金流。2018财年，稳定收益合同占雅诗阁公寓信托毛利的44%。投资评级为我们的投资者带来更高的信用保证，让雅诗阁公寓信托能以极具优势的利率及条款筹集资金。

对社区及可持续发展的贡献

在专注增长的同时，我们亦持续回馈所经营的社区，积极参与各种慈善活动。2018年2月，越南分部的同事参观了胡志明市的Go Vap孤儿院，院内住有240多名患有先天畸形和先天性疾病的孤儿。除了捐赠食品外，团队亦参与了院舍的维修及清洁工作，更与孩子们一起参与表演活动。菲律宾团队亦与凯德置地旗下的慈善机构 – 凯德希望基金（CapitaLand Hope Foundation）合作，筹集超过23,000新元的食品，开展了为La Union贫困地区的600多名儿童提供整个学年的膳食计划。

在可持续发展管理上，我们新装修的马卡蒂雅诗阁服务公寓很荣幸获得国际金融公司（International Finance Corporation）颁发的服务公寓类别中第一个绿色建筑认证，认可了其卓越设计效率系统（EDGE）[2]的成就。

国际认可

雅诗阁公寓信托在2018年亚太最佳品种房地产投资信托基金奖™评选中获颁"最佳酒店类房地产信托基金（白金奖）"。在2018年新加坡治理与透明度指数报告中，雅诗阁公寓信托在房地产投资信托基金和商业信托类别中排名由上一年的第六位提升到第三位。这些荣誉都归功于我们努力坚守问责制和透明度的公司管理方针。

雅诗阁公寓信托旗下众多物业均赢得不同奖项，肯定了我们始终如一的服务品质。慕尼黑馨乐庭阿努尔夫城市公园服务公寓、巴塞罗那馨乐庭兰布拉斯服务公寓（Citadines Ramblas Barcelona）、布鲁塞尔馨乐庭圣凯瑟琳服务公寓 （Citadines Sainte-Catherine Brussels）及东京馨乐庭新宿区服务公寓 （Citadines Shinjuku Tokyo） 在2018年度世界旅游奖评选中，分别获得各自国家颁发的"领先服务式公寓"奖项。另外，雅诗阁公寓信托的八个物业亦取得了"2018年旅客最佳选择奖"[3]；24个物业亦获得了"2018年优秀证书奖"[3]。

展望未来

国际货币基金组织预测2019年全球经济增长率为3.5%。温和增长源于贸易紧张局势、政治不确定因素和金融市场紧缩引发的未知。然而，对酒店服务业来说，国际旅行需求正在迅速崛起。 2018年，国际游客人数比联合国世界旅游组织（United Nations World Tourism Organisation）的预测提前两年超过14亿大关，较2017年增加了6%。预计2019年将进一步增长3%至6%[4]。然而，随着新的经营者加入和新供应物业陆续落成，可预期激烈竞争及运营成本增加会是个重大挑战。尽管如此，凭借跨越14个国家的多元化投资组合及不倚靠任何单一市场的盈利模式，雅诗阁公寓信托有信心能持续为其信托单位持有人带来稳定回报。

董事会声明

2018年7月1日，林明彦先生辞去了其雅诗阁公寓信托管理有限公司（ARTML）非执行非独立董事、董事会副主席、及执行委员会主席的职务。林先生自2009年7月以来一直担任董事会成员，并在任职期间带领雅诗阁公寓信托创新高。我们代表董事会对林先生在过去九年中对雅诗阁公寓信托的奉献精神和宝贵贡献深表感谢。同日，除了担任公司披露委员会成员之外，李志勤先生亦被委任为雅诗阁公寓信托管理有限公司的执行委员会主席。

我们还想借此机会感谢入住雅诗阁公寓信托旗下物业的宾客、信托单位持有人和业务伙伴对雅诗阁公寓信托的持续支持和信赖，更要感谢董事会及全体员工在过去一年的辛勤奉献。

陈明海
主席

马秀琴
首席执行官

2019年2月26日

1 指主租约和最低收入保证管理合同
2 EDGE是一项绿色建筑认证，涵盖近140个新兴国家。作为世界银行集团成员国际金融公司的创新分子，EDGE得到各种世界绿色建筑委员会和全球房地产可持续性基准的认可。
3 奖项由猫途鹰（TripAdvisor）颁发。有关完整的物业列表，请参阅https://www.the-ascott.com/en/tripadvisor_awards_2018.html
4 来源：IPK International (2018) 和联合国世界旅游组织 (2019)

YEAR IN BRIEF 2018

JANUARY

- Ascott Reit achieved Unitholders' distribution of S$152.2 million for FY 2017 with distribution per unit (DPU) of 7.09 cents.
- Ascott Reit completed the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an.

APRIL

- Ascott Reit held our Annual General Meeting at The Star Gallery, Singapore.
- Ascott Reit achieved Unitholders' distribution of S$29.2 million and DPU of 1.35 cents for the first quarter of 2018.

MAY

- Ascott Reit completed the asset enhancement initiatives (AEI) of Citadines Arnulfpark Munich and Sheraton Tribeca New York Hotel, which comprised renovations made to apartment units and public areas.
- Eight of Ascott Reit's properties won the "Travellers' Choice Award 2018"[1].
- 24 of Ascott Reit's properties were conferred the "Certificate of Excellence Award 2018"[1].

JUNE

- ARTML, the Manager of Ascott Reit, announced the following changes to the Board, effective from 1 July 2018:-
  - retirement of Mr Lim Ming Yan as Non-Executive, Non-Independent Director, the Deputy Chairman of the Board and the Chairman of the Executive Committee
  - appointment of Mr Lee Chee Koon as Chairman of the Executive Committee
- Citadines Arnulfpark Munich, Citadines Ramblas Barcelona, Citadines Sainte-Catherine Brussels won the World Travel Awards 2018 for "Leading Serviced Apartments" for Germany, Spain and Belgium respectively.

JULY

- Ascott Reit achieved Unitholders' distribution of S$39.8 million and DPU of 1.84 cents for the second quarter of 2018.

AUGUST

- Ascott Reit won the "Best Hospitality REIT (Platinum award)" in the Asia Pacific Best of the Breeds REITs Awards™ 2018.
- Ascott Reit was ranked third in the REIT and Business Trust category for the Singapore Governance and Transparency Index 2018.
- Fitch Ratings affirmed Ascott Reit's "BBB" rating with a stable outlook. The agency also affirmed Ascott Reit's "BBB" senior unsecured rating, and the "BBB" rating on the S$1.0 billion of outstanding multicurrency medium term notes (MTN) programme.

SEPTEMBER

- Ascott Reit announced the acquisition of a prime site in one-north, Singapore, for S$62.4 million for our maiden development project and first coliving property, lyf one-north Singapore, which is slated to open in 2021.
- Ascott Reit refinanced a maturing JPY5 billion MTN for seven years at a fixed interest rate of 0.97% per annum.
- Citadines Shinjuku Tokyo won the World Travel Awards 2018 for Japan's "Leading Serviced Apartments", for the second consecutive year.

NOVEMBER

- Ascott Reit achieved Unitholders' distribution of S$39.4 million and a DPU of 1.82 cents for the third quarter of 2018.
- Ascott Reit refinanced an expiring S$100 million MTN for five years, and swapped the proceeds into EUR at a fixed interest rate of 1.56% per annum.
- Ascott Makati, which completed its AEI during the year, was awarded the first green building certification in the serviced residence category by International Finance Corporation as part of their EDGE[2] system.
- Ascott Reit completed the AEI of Citadines Trocadéro Paris, which comprised renovations made to the lobby and apartment units.

DECEMBER

- Ascott Reit completed the AEI at Somerset Grand Hanoi, which included renovation of apartment units, swimming pool and public restrooms.

1 Awarded by TripAdvisor. For the full list of properties, please see https://www.the-ascott.com/en/tripadvisor_awards_2018.html
2 Refers to Excellence in Design for Greater Efficiencies

GLOBAL PRESENCE

A Leading Global Hospitality REIT

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

73[1] **Properties**

37 Cities in 14 Countries

S$5.3 billion Total Assets

11,430[1] Apartment Units

ASIA PACIFIC

AUSTRALIA
Greater Sydney
Melbourne
Perth

CHINA
Dalian
Guangzhou
Shanghai
Shenyang
Suzhou
Tianjin
Wuhan

INDONESIA
Jakarta

JAPAN
Fukuoka
Hiroshima
Kyoto
Osaka
Sapporo
Tokyo

MALAYSIA
Kuala Lumpur

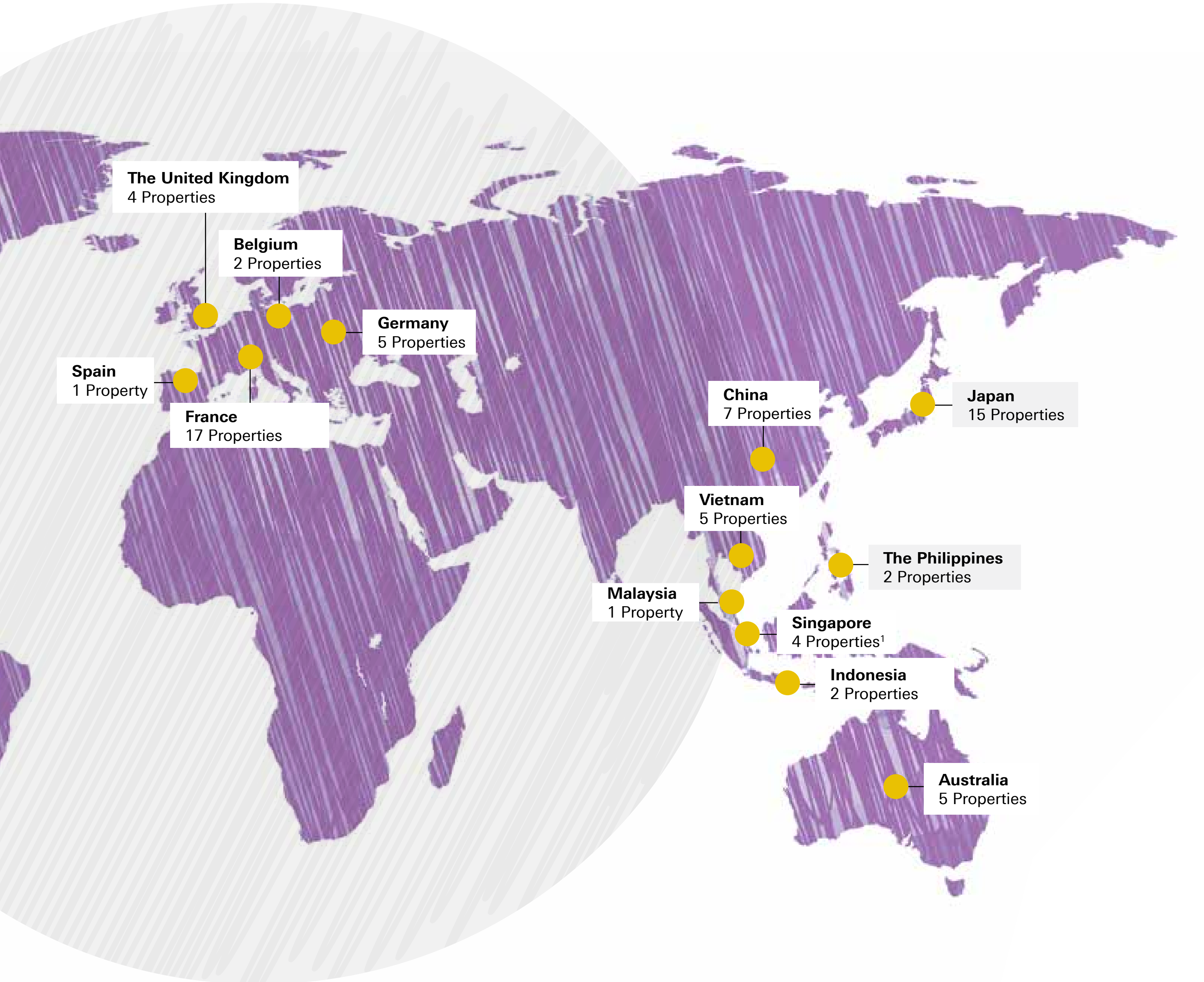
SINGAPORE
Singapore

THE PHILIPPINES
Manila

VIETNAM
Hanoi
Ho Chi Minh City

Note: Figures as at 31 December 2018

1 Excluding lyf one-north Singapore (under development)



EUROPE

BELGIUM
Brussels

FRANCE
Cannes
Grenoble
Lille
Lyon
Marseille
Montpellier
Paris

GERMANY
Berlin
Frankfurt
Hamburg
Munich

SPAIN
Barcelona

THE UNITED KINGDOM
London

THE AMERICAS

THE UNITED STATES OF AMERICA
New York

REACHING FOR **NEW FRONTIERS**

Distinguished by a globally recognised brand and presence in the world's key gateway cities, Ascott Reit is committed to further our value proposition and operationally excel in all of our markets. This entails seeking new opportunities to expand and strengthen our geographically diversified portfolio of quality serviced residences and hospitality assets, while constantly redefining prime living.

> **In 2018, Ascott Reit embarked on our maiden development project to build our first coliving property, lyf one-north Singapore, targeted at the rising millennial segment.**

VALUE CREATION

1 GROWTH BY ACQUISITION

In pursuing growth, the Manager actively but selectively explores acquisition opportunities globally, and adopts stringent investment critieria to acquire quality properties that enhance Ascott Reit's portfolio.

Acquisition Criteria

Yield Accretive

Investments are made only when there is expected enhancement to total returns for our Unitholders. We acquire properties that yield above or have the growth potential to generate yields above our cost of capital.

Location (Macro-Economic and Micro-Market Characteristics)

Key indicators such as gross domestic product (GDP) growth, foreign direct investments (FDI), business and trade activities, travel trends (including international and domestic movements) and the resulting demand for serviced residences or hospitality products are assessed. The overall impact to Ascott Reit's geographical diversification profile arising from acquisitions is considered as well.

Properties are also evaluated in terms of their micro-market locations - accessibility to major roads and public transportation, proximity to amenities as well as potential infrastructure and developmental plans of the vicinity.

Value Creation Opportunities

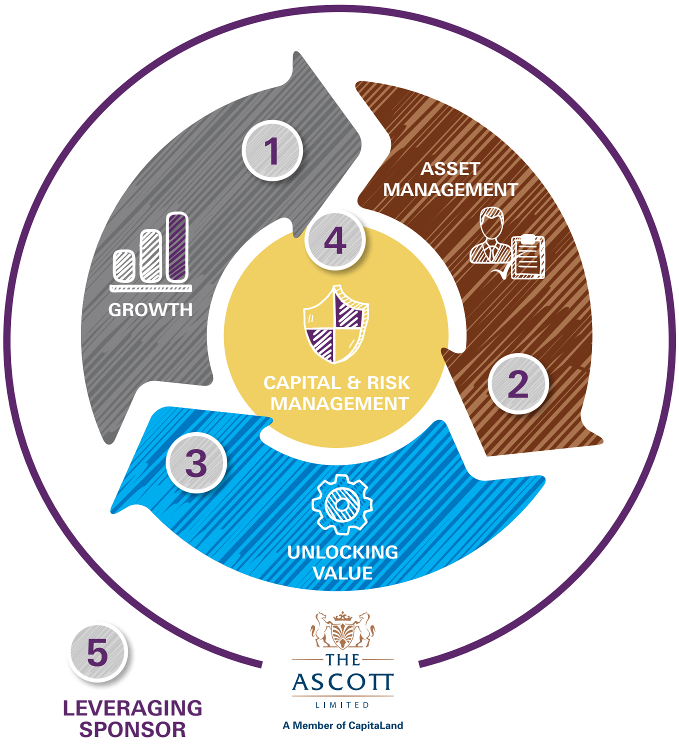
Investments are made in quality properties with the potential for increase in revenue per available unit (RevPAU), either through higher occupancy rates and/or average daily rates (ADR). Value creation through potential asset enhancement initiatives (AEI) such as refurbishment and reconfiguration are also assessed.

Building and Facilities Specifications

To assess the suitability of the property for the intended hospitality operations, due diligence on building specifications (including size and age) and compliance with approved legal and zoning regulations are performed.

Operator's Capabilities and Track Record

Emphasis is also placed on finding the right operator for the property. Operators are assessed based on their property management expertise and experience to effectively generate returns and cash flow from the investment.



In 2018, Ascott Reit has ventured into new frontiers by acquiring a prime site in one-north, Singapore, to embark on our maiden development project to build our first coliving property. Cognisant of one-north being poised as Singapore's research and innovation hub where numerous young entrepreneurs congregate, the limited lodging supply in the vicinity and the growing demand from the rising millennial segment, Ascott Reit expects strong demand for this property when it opens in 2021. Furthermore, compared to acquiring completed properties, this investment allows us to enter at a lower cost and enjoy potential development profits for higher returns to our Unitholders.

Since Ascott Reit's listing in March 2006, our total asset size has increased sixfold to S$5.3 billion as at 31 December 2018. Acquisition sources include third-party assets as well as pipeline properties from our Sponsor, The Ascott Limited (Ascott).

2 ACTIVE ASSET MANAGEMENT

With a slew of robust asset management programmes, operating yields of the properties are maximised to generate organic growth from our portfolio of assets.

The profitability of Ascott Reit's portfolio depends primarily on the optimisation of RevPAU. Thus, our yield management and marketing strategies are focused on (i) assessing and adjusting apartment rental rates based on occupancy levels and demand; and (ii) determining the right balance between higher yielding short-stay guests and stability of income from long-stay guests.

The Manager works closely with our various property operators to establish and develop relationships with key client accounts to improve Ascott Reit's revenue. Tapping on our operators' extensive network, Ascott Reit's profit margins are further enhanced through effective cost management without compromising on service quality. These include direct marketing to reduce commission expenses, bulk purchases to achieve economies of scale and centralisation of key functions such as finance and procurement for properties located within the same city or region.

We continuously strive to enhance Ascott Reit's properties through planned AEIs. Such refurbishment works enhance the quality and competitiveness of our properties, providing higher guest satisfaction. Improvement in performance further translates into higher real estate value. In 2018, Ascott Reit completed the AEIs for five properties - Ascott Makati, Citadines Arnulfpark Munich, Citadines Trocadéro Paris, Somerset Grand Hanoi and Sheraton Tribeca New York Hotel.

Criteria for Asset Enhancement Initiatives

The portfolio of properties is reviewed regularly for AEI potential, taking into account:

- Age of the property
- Market prospect and outlook
- Yield accretion potential

During AEIs, care is taken to minimise disruption to daily operations and inconveniences to guests.

3 UNLOCKING VALUE

As part of Ascott Reit's strategy to evaluate and rejuvenate our portfolio, we constantly monitor the growth potential of each property and seek divestment opportunites for those that have reached the optimal stage of their life cycle or whose growth prospects are limited by changes in the operating environment. Proceeds from divestments are then redeployed for other purposes, such as investing in higher yielding assets.

Factors Driving Potential Divestments

- Property life cycle and market conditions
- Requirement for additional capital outlay
- Opportunistic divestment

Since our listing in 2006 to 31 December 2018, Ascott Reit divested over 30 properties, recognising a total net divestment gain of more than S$300 million. Proceeds from the divestments, amounting to approximately S$1.3 billion, had been deployed towards other accretive acquisitions or distributed to Unitholders. Arising from the sale of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an that was completed in January 2018, Ascott Reit distributed part of the divestment gains amounting to a total of S$13.0 million to our Unitholders.

4 CAPITAL AND RISK MANAGEMENT

Ascott Reit strives to achieve an optimal capital structure and maintain gearing at a comfortable range, well within the allowed borrowing limits[1]. We balance our cost of capital to optimise returns to our Unitholders. Acquisitions are funded by debt or equity or a combination of both, while AEIs are funded mainly by operating cash flow. Arising from our robust and disciplined approach towards capital and risk management, Fitch Ratings has affirmed Ascott Reit's long-term issuer default rating at "BBB" with a stable outlook in August 2018.

Secure Diversified Funding Sources

We tap into various funding sources, including bank borrowings, accessing the debt capital markets through the issuance of bonds and notes and the issuance of perpetual securities. When deemed appropriate, we also have the option to raise additional equity capital through issuance of units.

In managing liquidity risks, Ascott Reit has established a S$1.0 billion multicurrency medium term notes (MTN) Programme in 2009 and a USD2.0 billion EUR MTN Programme in 2011, in addition to credit lines with financial institutions.

Interest Rate Risk Management

We manage risks associated with changes in interest rates on loan facilities while keeping Ascott Reit's ongoing cost of debt competitive. Through the use of fixed rate borrowings and interest rate swaps, we seek to keep the proportion of variable interest rate borrowings at not more than 20% on a portfolio basis. As at 31 December 2018, Ascott Reit's effective borrowing cost is kept at a low of 2.3% per annum with 80% of our borrowings on fixed interest rates.

1 As regulated by the Monetary Authority of Singapore

VALUE CREATION

Foreign Exchange Risk Management

With properties located globally across 14 countries, cash flow generated by our assets as well as their capital values are subjected to foreign exchange movements. To the extent possible, we adopt a natural hedging strategy, by borrowing in the same currency as the underlying asset. Due to the geographically diversified nature of Ascott Reit's portfolio and with currencies working in pairs, the impact from the weakening of some currencies is offset by the strengthening of others.

To further mitigate exposures to foreign currency fluctuations, we use hedging instruments such as cross currency interest rate swaps and foreign currency forward contracts where appropriate, taking the cost of hedging into consideration. As a result of proactive foreign exchange management, the impact of foreign exchange rate movement on Ascott Reit's gross profit has been kept within a +/-1.4% threshold for the last five years.

5 LEVERAGING SPONSOR

Our Sponsor, Ascott, is one of the leading international lodging owner-operators with over 30 years of industry track record. Ascott, in turn, is a wholly owned subsidiary of CapitaLand Limited, one of Asia's largest real estate companies.

Ascott Reit's properties are mostly operated under the Ascott, Citadines and Somerset brands, three amongst a portfolio of established brands of our Sponsor. Tapping on their award-winning global brands, guests are assured of consistent quality service and experience across the properties. The wide range of Ascott's brands also enable Ascott Reit to expand our hospitality portfolio, offering a different hospitality product to cater to the needs of varying guests.

Besides managing Ascott Reit's properties, our Sponsor is also a lodging operator of other third-party owner properties, with over 100,000 units under its management. Focused on growing its scale, our Sponsor continuously expands its global operations and footprint into new upcoming markets. Ascott Reit taps on our Sponsor's operational network for centralised procurement to lower operating costs and comprehensive sales and marketing programmes for a wider reach.

Recognising the importance of integrating digital technology into the hospitality industry, our Sponsor has invested in various new digital innovations to improve operational efficiencies and heighten service quality to enhance overall guest experience. Leveraging technology is critical to remain competitive and Ascott Reit will stand to benefit from these continuing technological advancements undertaken by our Sponsor.

Digital Technology Initiatives

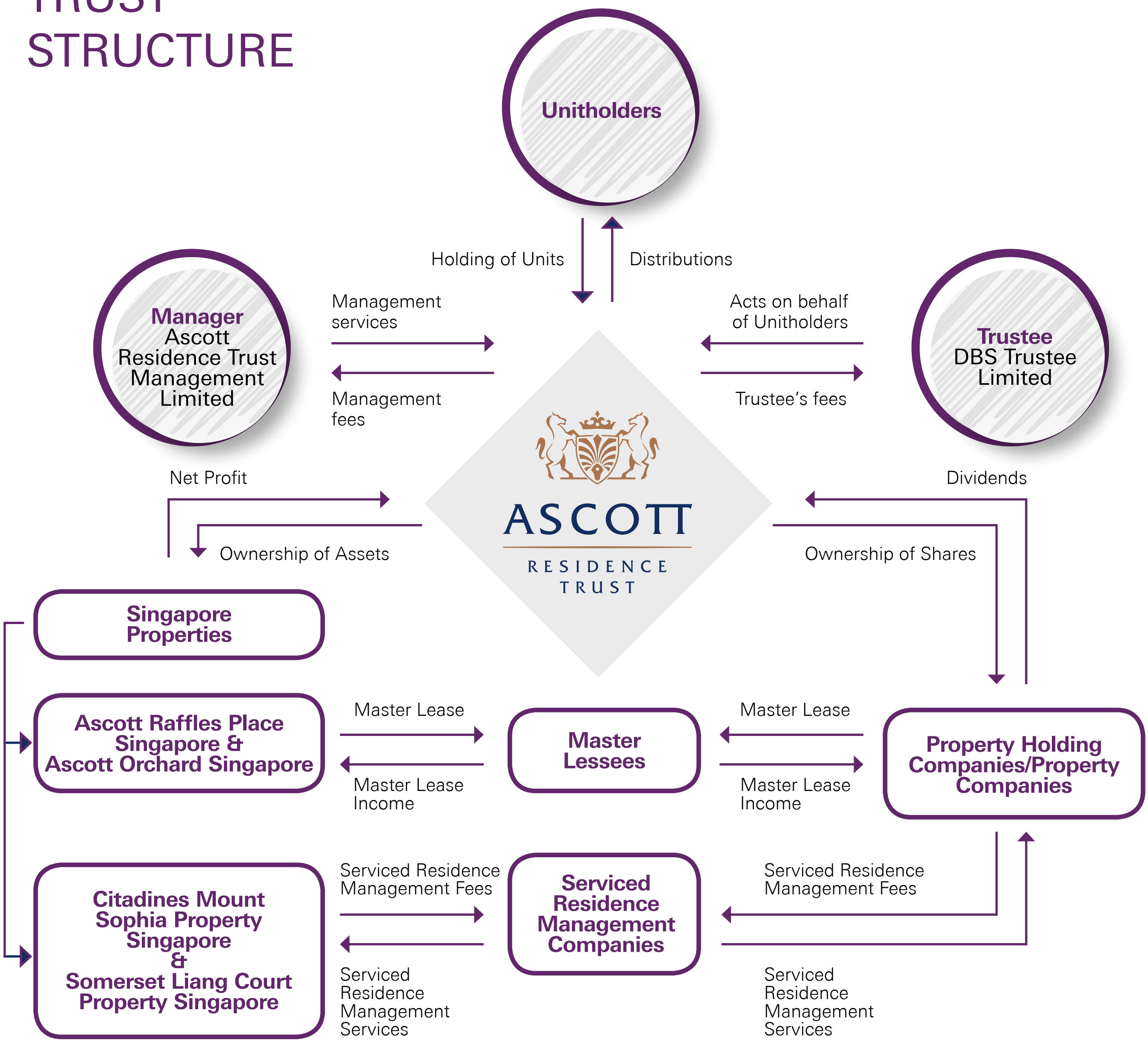
- Hotel management mobile application software that streamline processes and improve productivity. Through the application, issues are efficiently reported by operations team and addressed by managers in real-time.
- lyf mobile application is an easy-to-use, one-stop service platform which also enables guests to use their smartphone as a digital room key. This application will be used at Ascott Reit's lyf one-north Singapore when it is operational in 2021.
- Use of service robots to collect items pre-ordered by residents through designated mobile applications and deliver them directly to the guests' rooms. Integrating artificial intelligence and experiential shopping, this new application is currently on trial in one of Ascott's managed properties in China.
- Combining direct digital channels[1] with business services management systems[2] helps to establish a well-connected eco-system aimed at increasing guest convenience, promoting 'stickiness' through the loyalty programme, enhancing our understanding of customers and driving operational excellence.

Ascott Reit has been granted a right of first refusal by Ascott in respect of any sale of their properties that are used, or predominantly used, as serviced residences or rental housing properties in Europe and Pan-Asian region. Currently, our Sponsor's pipeline comprises approximately 20 properties at various developmental and operational stages. Moreover, through our Sponsor's business network of partners and alliances in the industry, Ascott Reit benefits from additional opportunities for potential acquisitions and divestments.

Being part of a larger group, Ascott Reit is able to tap on financing and treasury support and gain wider access to the banking and capital markets for more favourable capital raising terms.

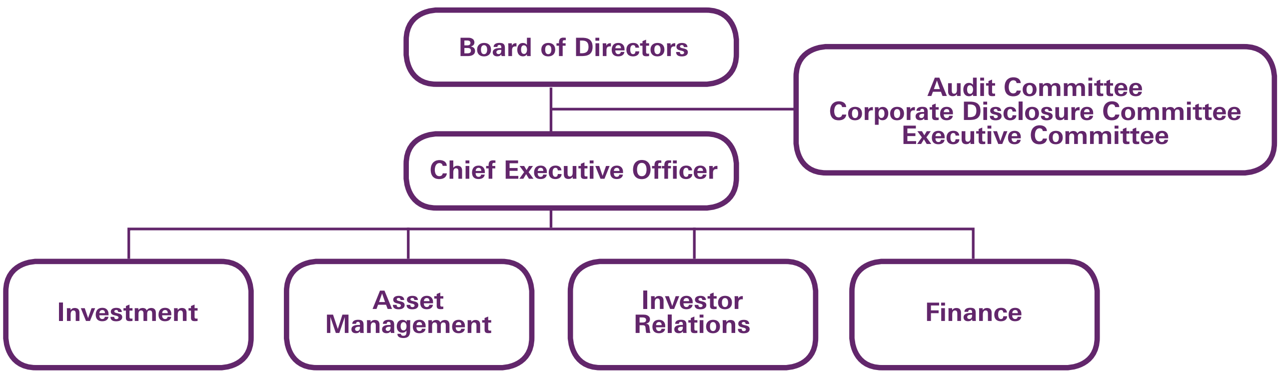
1 Mobile applications, websites and loyalty programme
2 Property management system, analytics, customer relationship management system and central reservation system

TRUST STRUCTURE



ORGANISATION STRUCTURE

THE MANAGER
ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED



BOARD OF DIRECTORS

TAN BENG HAI, BOB
Chairman &
Non-Executive Independent Director

BEH SIEW KIM
Chief Executive Officer &
Executive Non-Independent Director

ZULKIFLI BIN BAHARUDIN
Non-Executive Independent Director

SIM JUAT QUEE MICHAEL GABRIEL
Non-Executive Independent Director

ELAINE CAROLE YOUNG
Non-Executive Independent Director

LEE CHEE KOON
Non-Executive Non-Independent Director

LIM CHO PIN ANDREW GEOFFREY
Non-Executive Non-Independent Director

TAN BENG HAI, BOB, 67
Chairman
Non-Executive Independent Director
Fellow, Institute of Chartered Accountants in England and Wales, UK

Date of first appointment as a director:
24 April 2015
Date of appointment as chairman:
1 September 2016
Length of service as a director (as at 31 December 2018):
3 years 8 months

Board committee served on
- Corporate Disclosure Committee (Chairman)

Present directorships in other listed companies
- Sembcorp Marine Ltd
- Singapore Post Limited

Present principal commitments (other than directorships in other listed companies)
- Corporate Governance Advisory Committee of Monetary Authority of Singapore (Member)
- Inland Revenue Authority of Singapore (Director)
- Institute of Technical Education (Chairman)
- Jurong Engineering Limited (Chairman)
- NTUC Club Management Council (Member)
- Ong Teng Cheong Labour Leadership Institute (Director)
- Sentosa Development Corporation (Deputy Chairman)
- SINGEX Holdings Pte. Ltd. (Chairman)

Past directorship in other listed company held over the preceding three years
- SMRT Corporation Ltd

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

Awards
- NTUC May Day Distinguished Service Award in 2018
- The Meritorious Service Medal (Pingat Jasa Gemilang) - National Day Award in 2017
- NTUC May Day Meritorious Service Award in 2013
- Public Service Star Award (Bintang Bakti Masyarakat- BBM) – National Day Award in 2010
- NTUC May Day Friend of Labour Award in 2000

BEH SIEW KIM, 48
Chief Executive Officer
Executive Non-Independent Director
Bachelor of Business (Accounting), University of Tasmania, Australia
Member, Institute of Singapore Chartered Accountants

Date of first appointment as a director:
1 May 2017
Length of service as a director (as at 31 December 2018):
1 year 8 months

Board committees served on
- Corporate Disclosure Committee (Member)
- Executive Committee (Member)

Background and working experience
- Deputy Chief Executive Officer, Ascott Residence Trust Management Limited (From March 2017 to April 2017)
- Head, Corporate Planning & Compliance / Financial Controller, CapitaLand China (From August 2008 to February 2017)
- Vice President, Finance, CapitaLand Residential Limited (From February 2007 to July 2008)

BOARD OF DIRECTORS

ZULKIFLI BIN BAHARUDIN, 59

Non-Executive Independent Director
Bachelor of Science in Estate Management, National University of Singapore

Date of first appointment as a director:
1 January 2013
Length of service as a director (as at 31 December 2018):
6 years

Board committee served on
- Audit Committee (Member)

Present directorship in other listed company
- GDS Holdings Limited

Present principal commitments (other than directorship in other listed company)
- Ang Mo Kio - Thye Hua Kwan Hospital Ltd. (Director)
- Global Business Integrators Pte. Ltd. (Managing Director)
- ITL Corporation (Executive Chairman)
- Non-Resident Ambassador to the Republic of Kazakhstan & Uzbekistan
- Omni Holdco, LLC (Director)
- Singapore Management University (Director – Board of Trustees)
- SMU Ventures Pte Ltd (Director)
- Thye Hua Kwan Moral Charities Limited (Director)
- Virtus HoldCo Limited (Director)

Past directorship in other listed company held over the preceding three years
- Singapore Post Limited

Background and working experience
- Nominated Member of Parliament (From October 1997 to September 2001)

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

SIM JUAT QUEE MICHAEL GABRIEL, 63

Non-Executive Independent Director
Fellow, Association of Chartered Certified Accountants, UK
Fellow, Institute of Chartered Accountants of Singapore
Fellow, Certified Public Accountant, Australia
Master of Business Administration, University of South Australia, Australia
Certified Fraud Examiner, Association of Certified Fraud Examiner

Date of first appointment as a director:
1 September 2016
Length of service as a director (as at 31 December 2018):
2 years 4 months

Board committee served on
- Audit Committee (Chairman)

Present principal commitments
- Catholic Welfare Services (Vice Chairman, Board of Governors)
- JTC Corporation (Member of the Board)
- Lien Aid Limited (Chairman)
- Platanetree Capital Pte. Ltd. (Executive Director)
- Roman Catholic Archdiocese of Singapore (Chairman, Archdiocesan Audit Committee)

Background and working experience
- Advisory and Assurance Partner, Ernst & Young (from June 1995 to June 2015)

ELAINE CAROLE YOUNG, 54

Non-Executive Independent Director

Ardingly College, UK

Date of first appointment as a director:
1 September 2016
Length of service as a director (as at 31 December 2018):
2 years 4 months

Board committee served on

- Audit Committee (Member)

Present directorship in other listed company

- Link Asset Management Limited (manager of Link REIT)

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

- Asia Hope Ltd (Director)
- ECY Consulting Ltd (Director and CEO)
- Jungamals International Ltd (Director)
- Newick International Ltd (Director)
- NOVA Property Investment Co. Ltd. (Director)
- The Mekong Club (Director)

Background and working experience

- Executive Director of ONYX Hospitality Ltd (from June 2011 to April 2014)
- Founder & CEO of SHAMA Management Limited (from March 2000 to June 2011)

Award

- 'Entrepreneur of the Year' Award by RBS Coutts and the Financial Times at the Women in Asia Awards in 2009

LEE CHEE KOON, 44

Non-Executive Non-Independent Director

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

Date of first appointment as a director:
1 June 2013
Length of service as a director (as at 31 December 2018):
5 years 7 months

Board committees served on

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

Present directorships in other listed companies

- CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust)
- CapitaLand Limited
- CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust)

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

- CapitaLand Limited (President & Group Chief Executive Officer)
- EDBI Pte Ltd (Director)
- Lifelong Learning Endowment Fund Advisory Council (Member)
- National University of Singapore - Institute of Real Estate Studies (Member of the Management Board)
- St. Joseph's Institution International Ltd (Member of the Development Committee and Fund Raising Committee)
- St. Joseph's Institution International Elementary School Ltd (Member of the Development Committee and Fund Raising Committee)
- SkillsFuture Singapore Agency (Director)
- Temasek Foundation Nurtures CLG Limited (Director)

Background and working experience

- Group Chief Investment Officer, CapitaLand Limited (From 1 January 2018 to 14 September 2018)
- CEO, The Ascott Limited (From June 2013 to December 2017)
- Deputy CEO, The Ascott Limited (From February 2012 to May 2013)
- Managing Director, North Asia, The Ascott Limited (From July 2009 to May 2013)
- Vice President, Office of the President, CapitaLand Limited (From February 2007 to June 2009)
- Head, International Relations & Economic Strategy, Ministry of Finance (From November 2003 to January 2007)
- Assistant Director, Trade Directorate, Ministry of Trade and Industry (From November 2001 to November 2003)

Awards

- Business China Young Achiever Award in 2017
- National Order of Merit (*Chevalier de l'Ordre National du Mérite*) in 2016

BOARD OF DIRECTORS

LIM CHO PIN ANDREW GEOFFREY, 49

Non-Executive Non-Independent Director

Bachelor of Commerce (Economics), University of Toronto, Canada
Master in Business Administration, Rotman School of Business, University of Toronto, Canada Chartered Financial Analyst® and Member, CFA Institute

Date of first appointment as a director:
1 January 2018
Length of service as a director (as at 31 December 2018):
1 year

Board committees served on
- Audit Committee (Member)
- Executive Committee (Member)

Present directorships in other listed companies
- CapitaLand Commercial Trust Management Limited (manager of CapitaLand Commercial Trust)
- CapitaLand Malaysia Mall REIT Management Sdn. Bhd. (manager of CapitaLand Malaysia Mall Trust)
- CapitaLand Mall Trust Management Limited (manager of CapitaLand Mall Trust)
- CapitaLand Retail China Trust Management Limited (manager of CapitaLand Retail China Trust)

Present principal commitments (other than directorships in other listed companies)
- Accounting for Sustainability Circle of Practice (Member)
- Accounting Standards Council (Member)
- CapitaLand Limited (Group Chief Financial Officer)
- Institute of Singapore Chartered Accountants' CFO Committee (Member)
- Real Estate Investment Trust Association of Singapore (REITAS) (President)

Background and working experience
- Group Chief Financial Officer (Designate) of CapitaLand Limited (From 25 November 2016 to 31 December 2016)
- Managing Director and Head of SEA Coverage Advisory of HSBC Global Banking (From January 2016 to December 2016)
- Managing Director and Head of SEA Real Estate of HSBC Global Banking (From January 2015 to December 2015)
- Managing Director, SEA Investment Banking of HSBC Global Banking (From April 2013 to December 2014)
- Director, SEA Investment Banking of HSBC Global Banking (From April 2010 to March 2013)
- Associate Director, Investment Banking of HSBC Global Banking (From April 2007 to March 2010)
- Associate, Investment Banking of HSBC Global Banking (From July 2004 to March 2007)

THE MANAGER

BEH SIEW KIM

Chief Executive Officer
Executive Non-Independent Director

Ms Beh Siew Kim is a member of the Corporate Disclosure Committee and the Executive Committee.

Ms Beh is responsible for spearheading the overall strategic planning and leading the implementation of the business, investment and operational strategies for Ascott Reit. She has over 20 years of experience in financial and corporate planning, development and compliance in real estate, as well as auditing in Singapore and Malaysia.

Ms Beh has been with the CapitaLand Group for more than 10 years, and was the Financial Controller and Head of Corporate Planning & Compliance at CapitaLand China prior to joining ARTML. She was responsible for the corporate planning, financial reporting, forecasting, capital management and compliance functions of CapitaLand China. As a member of the senior management team, Ms Beh has been actively involved in deal analysis, investor relations, as well as private and institutional financing. In her 10 years with CapitaLand China, she has participated in the set-up of private equity funds, investment and divestment deals.

Before joining CapitaLand Group, Ms Beh held other finance and audit positions in SembCorp Industries Limited, Ernst & Young and Arthur Andersen.

She holds a Bachelor of Business (Accounting) from the University of Tasmania, Australia, and is also a Chartered Accountant of the Institute of Singapore Chartered Accountants.

KANG SIEW FONG

Vice President, Finance

Ms Kang Siew Fong heads the finance team and is responsible for the performance management and reporting functions at Ascott Reit. Ms Kang has more than 20 years' experience in the finance profession.

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

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

Ms Kang graduated from the National University of Singapore with a Bachelor of Accountancy degree. She is also a Chartered Accountant of the Institute of Singapore Chartered Accountants.

THE MANAGER

CHUA CHI BOON
Head, Investment and Asset Management

Mr Chua Chi Boon heads the investment and asset management functions at ARTML, and is responsible for overseeing all business development activities including investments, divestments and portfolio management. He also concurrently heads the investment and asset management of CapitaLand's Australia and New Zealand regions.

Mr Chua has more than 20 years of experience in the real estate industry and has been with The Ascott Limited (Ascott) for more than 10 years. He began his career in Newman & Goh Property Consultants where he was involved in various investment consultancy and property management functions. Prior to joining Ascott, Mr Chua spent six years in Amara Holdings Limited, heading its business development and property departments and was responsible for sourcing new investment deals in hotel, commercial and residential developments as well as developing new areas of growth, both locally and overseas.

Mr Chua graduated from Nanyang Technological University, Singapore, with a Bachelor of Business (Banking and Finance) degree, and holds a Master of Science (Real Estate) degree from the National University of Singapore.

KANG WEI LING
Vice President, Investor Relations and Asset Management

Ms Kang Wei Ling heads the investor relations function at ARTML, and is responsible for conducting effective and timely communications, as well as building and maintaining relations with Unitholders, potential investors and analysts. She also oversees the performance of Ascott Reit's properties and develops and implements asset plans and strategies for the portfolio.

Ms Kang has been with the CapitaLand Group for more than 15 years and was the Vice President of Finance with CapitaLand China, prior to joining ARTML. She was responsible for the finance function of the private equity funds investing in integrated mixed-used commercial properties in China, including all aspects of financial reporting, treasury matters, capital management and communication with investors. She was also involved in the origination of these private equity funds and participated in investment and divestment deals.

Ms Kang holds a Bachelor of Accountancy from Nanyang Technological University, Singapore, and is a Chartered Accountant of the Institute of Singapore Chartered Accountants.

CORPORATE GOVERNANCE

OUR ROLE

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

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

Our other functions and responsibilities as the Manager include:

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

The Manager also considers sustainability issues (including environmental and social factors) as part of its responsibilities. Ascott Reit's environmental sustainability and community outreach programmes are set out on pages 58 to 63 of this Annual Report.

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

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

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

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

CORPORATE GOVERNANCE

OUR CORPORATE GOVERNANCE CULTURE

The Manager embraces the tenets of good corporate governance, including accountability, transparency and sustainability. It is committed to enhancing long-term unitholder value and has appropriate people, processes and structure to direct and manage the business and affairs of the Manager. The policies and practices it has developed to meet the specific business needs of Ascott Reit provide a firm foundation for a trusted and respected business enterprise. The Manager remains focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2012 (Code) while achieving operational excellence and delivering Ascott Reit's long-term strategic objectives. The Board of Directors (Board) is responsible for the Manager's corporate governance standards and policies, underscoring their importance to the Manager.

The Manager has received accolades from the investment community for excellence in corporate governance. More details can be found in the Investor Relations section on page 55 of this Annual Report.

This corporate governance report (Report) sets out the corporate governance practices for financial year (FY) 2018 with reference to the principles of the Code. For FY 2018, save as stated in this Report, Ascott Reit has complied in all material aspects with the principles, guidelines and recommendations in the Code. Where there are deviations from any of the guidelines of the Code, an explanation has been provided within this Report. This Report also sets out additional policies and practices adopted by the Manager which are not provided in the Code.

(A) BOARD MATTERS

The Board's Conduct of Affairs
Principle 1:

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

The Manager is led by the Board, with non-executive independent directors (IDs) constituting more than half of the Board.

Board's Duties and Responsibilities

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

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

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

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

Board Committees

The Board has established various Board Committees to assist it in the discharge of its functions. These Board Committees are the Audit Committee (AC), the Corporate Disclosure Committee (CDC) and the Executive Committee (EC). Each of these Board Committees operates under the authority delegated from the Board, with the Board retaining overall oversight and has its own terms of reference. The composition of the various Board Committees is set out on page 50 of this Annual Report.

The Board may form other Board Committees from time to time. The composition of the Board Committees is also reviewed as and when there are changes to Board membership. The composition of the Board Committees is such that there is appropriate diversity of skills and experience. It fosters active participation and contributions from Board members and there is an equitable distribution of responsibilities among Board members.

Delegation of Authority

The Board has adopted a set of internal controls which establishes approval limits for capital expenditure, investments, divestments, bank borrowings and issuance of debt instruments. Apart from matters that specifically require the Board's approval, the Board delegates authority for transactions below those limits to Board Committees and Management.

Meetings of Board and Board Committees

The Board meets at least once every quarter, and as required by business imperatives. Board and Board Committee meetings are scheduled prior to the start of each financial year. The Constitution of the Manager permits the Directors to participate via audio or video conference. The Board and Board Committees may also make decisions by way of resolutions in writing. In each meeting where matters requiring the Board's approval are to be considered, all members of the Board participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval.

In line with the Manager's ongoing commitment to limit paper wastage and reduce its carbon footprint, the Manager does not provide printed copies of Board papers. Instead, Directors are provided with tablet devices to enable them to access and read Board and Board Committee papers prior to and during meetings. This initiative also enhances information security as the papers are downloaded to the tablet devices through an encrypted channel. Directors are also able to sign Board papers through the tablet devices.

At Board and Board Committee meetings, non-executive Directors review the performance of the business, the progress made by Management in achieving agreed goals and objectives and monitor the reporting of such performance. During the Board meeting to discuss strategies, non-executive Directors constructively challenge and help develop proposals on strategy. Directors attend and actively participate in Board and Board Committee meetings.

The Manager adopts and practises the principle of collective decisions. This ensures that no individual influences or dominates the decision making process.

A total of five Board meetings were held in FY 2018. A record of the Directors' attendance at Board and Board Committees meetings in FY 2018 is set out on page 50 of this Annual Report. The CEO who is also a Director attends all Board and Board Committee meetings. Other senior executives attend Board and Board Committee meetings as required to brief the Board on specific business matters.

CORPORATE GOVERNANCE

Directors' Development

In view of the increasingly demanding, complex and multi-dimensional role of a director, the Board recognises the importance of continual training and development for its Directors so as to equip them to discharge the responsibilities of their office as Directors to the best of their abilities. The Manager has in place a training framework to guide and support the Manager towards meeting the objective of having a Board which comprises individuals who are competent and possess up-to-date knowledge and skills necessary to discharge their responsibilities. The Manager also maintains a training record to track the Directors' attendance at training and professional development courses. The costs of training are borne by the Manager. Upon appointment, each Director is provided with a formal letter of appointment and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director). All Directors, upon appointment, undergo an induction programme which focuses on orientating the Director to Ascott Reit's business, operations, strategies, organisation structure, responsibilities of key management personnel, and financial and governance practices. Directors who have no prior experience as a director of an issuer listed on the SGX-ST will be provided with training on the roles and responsibilities of a director of a listed issuer in accordance with the listing rules of the SGX-ST.

Following their appointment, Directors are provided with opportunities for continuing education in areas such as director's duties and responsibilities, changes to regulations and accounting standards and industry-related matters, so as to be updated on matters that affect or may enhance their performance as Directors or Board Committee members. Directors may also propose training and development in relevant areas of interests to the Board. Directors also receive on-the-job training through being engaged in actual Board work. In FY 2018, the training and professional development programmes for Directors included forums and dialogues with experts and senior business leaders on issues facing boards and board practices. They also received on a regular basis reading materials on topical matters or subjects and regulatory updates and implications.

Board Composition and Guidance
Principle 2:

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

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

The Board has a strong independent element and it presently comprises seven Directors, four of whom (including the Chairman) are IDs. The recommendation in the Code for a lead independent director is therefore not applicable. Non-executive Directors also make up a majority of the Board. Profiles of the Directors are provided on pages 18 to 22 of this Annual Report.

The Board assesses the independence of each Director in accordance with the guidance in the Code, the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR) and the Listing Manual.

An ID is one who is independent in conduct, character and judgement and:

(a) has no relationship with the Manager, its related corporations and its shareholders who hold 10% or more of the voting shares of the Manager, or Unitholders who hold 10% or more of the Units in issue, or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his or her independent business judgement in the best interests of the Unitholders;
(b) is independent from the management of the Manager and Ascott Reit, from any business relationship with the Manager and Ascott Reit and from every substantial shareholder of the Manager and every substantial unitholder of Ascott Reit;
(c) is not a substantial shareholder of the Manager or a substantial unitholder of Ascott Reit;
(d) has not served on the Board for a continuous period of nine years or longer; and
(e) is not employed by the Manager or Ascott Reit or their related corporations in the current or any of the past three financial years and does not have an immediate family member who is employed or has been employed by the Manager or Ascott Reit or their related corporations for the past three financial years and whose remuneration is determined by the Board.

The Board has established a process for assessing the independence of its Directors. As part of the process:

(a) each relevant non-executive Director provides information on his or her business interests and confirms, upon appointment, as well as on an annual basis, that there are no relationships which interfere with the exercise of his or her independent business judgement in the best interests of the Unitholders; such information is then reviewed by the Board; and
(b) the Board also reflects on the respective Directors' conduct and contributions at Board and Board Committee meetings, specifically, if they have exercised independent judgement in discharging their responsibilities.

The Board has carried out the assessment of each of its Directors for FY 2018 and the paragraphs below set out the outcome of the assessment.

Mr Tan Beng Hai, Bob is a non-executive director of Singapore Post Limited (SingPost) which provides postal services to CapitaLand Group. In addition, SingPost engages CapitaLand Group to manage SingPost Centre and had also purchased CapitaVouchers from CapitaLand Group during the course of the year. The decision to procure or provide the services was made by the management of CapitaLand in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Tan's role in SingPost is non-executive in nature and he is not involved in the day-to-day conduct of business of SingPost.

Mr Tan also serves as a non-executive director of some related corporations of Temasek Holdings (Private) Limited (Temasek). Temasek is deemed to be a substantial unitholder through its direct and indirect interests in CapitaLand, which is a substantial unitholder of Ascott Reit. Mr Tan's role in these corporations is non-executive in nature and he is not involved in the day-to-day conduct of the business of these corporations.

Mr Tan is also a non-executive director of the Inland Revenue Authority of Singapore, a statutory board which functions as the tax collecting agency of Singapore. This role generates no conflict of interest in respect of his role as a Director of the Manager.

Mr Zulkifli Bin Baharudin is a non-executive director of a related corporation of Temasek. Mr Zulkifli's role in the corporation is non-executive in nature and he is not involved in the day-to-day conduct of the business of the corporation.

Mr Sim Juat Quee Michael Gabriel serves as a non-executive board member of JTC Corporation (JTC), a statutory board under the Ministry of Trade and Industry. CapitaLand Group made certain payments to JTC in respect of lease of space from JTC. Ascott Reit also acquired a 60-year leasehold site from JTC to build its first coliving property in Singapore – lyf one-north Singapore. The leases and the acquisition were in the ordinary course of business, on arm's length basis and based on normal commercial terms. Mr Sim's role in JTC is non-executive in nature and he is not involved in the day-to-day conduct of business of JTC. Mr Sim also recused himself from Board's discussion and decision on the acquisition of the leasehold site from JTC.

The Board also considered the conduct of Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin and Mr Sim Juat Quee Michael Gabriel in the discharge of their duties and responsibilities as directors and is of the view that the relationships set out above did not impair their ability to act with independent judgement in the discharge of their duties and responsibilities as directors and that as at the last day of FY 2018, Mr Tan, Mr Zulkifli and Mr Sim were able to act in the best interests of all the Unitholders in respect of FY 2018. Save for the relationships stated above, Mr Tan, Mr Zulkifli and Mr Sim do not have any other relationships and are not faced with any of the circumstances identified in the Code, the SFR and the Listing Manual, or any other relationships which may affect their independent judgement. Mr Tan, Mr Zulkifli and Mr Sim will recuse themselves from participating in any Board deliberation on any transactions that could potentially give rise to a conflict of interest.

Ms Elaine Carole Young does not have any relationships and is not faced with any of the circumstances identified in the Code, the SFR and the Listing Manual, or any other relationships which may affect her independent judgement. The Board considered whether Ms Young had demonstrated independence in character and judgement in the discharge of her duties and responsibilities as a director and concluded that she had acted with independent judgement.

It is noted that all of the Directors have served on the Board for fewer than nine years.

CORPORATE GOVERNANCE

On the bases of the declarations of independence provided by the relevant non-executive Directors, the guidance in the Code, the SFR and the Listing Manual, and the conduct of the Directors in the manner they discharged their duties and responsibilities as a Director in FY 2018, the Board arrived at the determination that each of Mr Tan Beng Hai, Bob, Mr Zulkifli Bin Baharudin, Mr Sim Juat Quee Michael Gabriel and Ms Elaine Carole Young is an independent director.

Each of the above Directors had recused himself or herself from the Board's deliberations on his or her independence.

At all times, the Directors as fiduciaries are collectively and individually obliged to act honestly and with diligence, and in the best interests of Ascott Reit. The Manager has established a policy that its Directors disclose their interests in transactions and recuse themselves from the deliberations on any matter in which they may have a conflict of interest. Every Director has complied with this policy. Compliance by the relevant Director is duly minuted in the proceedings of the relevant meeting.

Chairman and Chief Executive Officer

Principle 3:

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

The roles and responsibilities of the Chairman and the CEO are held by separate individuals, in keeping with the principles that there be a clear division of responsibilities between the leadership of the Board and Management and that no one individual has unfettered powers of decision making.

The non-executive independent Chairman is Mr Tan Beng Hai, Bob, whereas the CEO is Ms Beh Siew Kim. They do not share any family ties.

The Chairman provides leadership to the Board and facilitates the conditions for the overall effectiveness of the Board, Board Committees and individual Directors. This includes setting the agenda of the Board in consultation with the CEO, ensuring that there is sufficient information and time to address all agenda items and promoting open and constructive engagement among the Directors as well as between the Board and the CEO on strategic issues. The Chairman plays a significant leadership role by providing clear oversight, direction, advice and guidance to the CEO and Management on strategies. He also maintains open lines of communication, engages with other members of Management regularly and acts as a sounding board on strategic and operational matters.

Ms Beh Siew Kim has full executive responsibilities to manage Ascott Reit's business and to develop and implement Board approved policies. The separation of the roles of the Chairman and the CEO and the resulting clarity of roles provide a healthy professional relationship between the Board and Management, facilitate robust deliberations on the business activities of Ascott Reit and the exchange of ideas and views to help shape Ascott Reit's strategic process and ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. As the roles of the Chairman and CEO are held by separate individuals who are not related to each other and the Chairman is an ID, no Lead ID is required to be appointed.

Board Membership

Principle 4:

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

The Board undertakes the functions of a nominating committee and therefore, the Manager does not have a nominating committee. The Board performs the functions that such a committee would otherwise perform, namely, it administers nominations to the Board, reviews the structure, size and composition of the Board and reviews the performance and independence of Board members. The Board seeks to ensure that the Board is comprised of talented and dedicated directors with a diverse mix of expertise, experience, perspective, skills and backgrounds. Due consideration is also given to other diversity factors including but not limited to tenure, age and gender.

The current Board comprises individuals who are business leaders and professionals with financial, banking, funds management, real estate, investment, hospitality and accounting backgrounds. The Board believes in diversity and values the benefits diversity can bring to the Board. Diversity enhances decision making capability and ensures that the Manager has the opportunity to benefit from all available talent and perspectives. The Board is committed to diversity and will continue to consider the differences in skillsets and educational, business and professional backgrounds in determining the optimal composition of the Board in its Board renewal process.

In the year under review, no alternate directors were appointed. In keeping with the principle that a Director must be able to commit time to the affairs of the Manager, the Board has adopted the principle that it will, generally, not approve the appointment of alternate directors.

The Board is able to undertake the functions of a nominating committee because:

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

The SGX-ST has also issued a Practice Note which provides that the requirement for the establishment of nominating and remuneration committee under the Listing Manual does not apply to REITs if the REIT complies with regulations made under the SFA relating to board composition of a REIT manager. As the Manager complies with Regulation 13D of the SFR relating to the composition of the Board of the Manager, the Manager is of the opinion that the corporate governance requirements relating to the nominating and remuneration committee have been substantively addressed.

The Board has adopted the following criteria and process for selecting, appointing and reappointing Directors and for reviewing the performance of Directors:

(a) The Board carries out a proactive review of the Board composition on an annual basis as well as on each occasion that an existing ID gives notice of his or her intention to retire or resign. The review includes assessing the collective skills, knowledge and experience of Directors represented on the Board to determine whether the Board, as a whole, has the skills, knowledge and experience required to achieve the Manager's objectives for Ascott Reit. In carrying out this review, the Board takes in account the need for the Board composition to reflect balance in matters such as skills representation, tenure, experience, age spread and diversity (including gender diversity).
(b) The Board reviews the suitability of any candidates put forward by any director for appointment, having regard to the skills required and the skills represented on the Board and whether a candidate's skills, knowledge and experience will complement the existing Board and whether he or she has sufficient time available to commit to his or her responsibilities as a director, and whether he or she is a fit and proper person for the office in accordance with the Guidelines on Fit and Proper Criteria issued by MAS (which require the candidate to be, among other things, competent, honest, to have integrity and be financially sound).
(c) External consultants may be engaged from time to time to access a wide base of potential directors.
(d) No member of the Board is involved in any decision of the Board relating to his or her own appointment, reappointment or assessment of independence.
(e) A newly appointed Director receives a formal appointment letter and a copy of the Director's Manual (which includes information on a broad range of matters relating to the role and responsibilities of a director).
(f) All Directors undergo an induction programme on appointment to help familiarise them with matters relating to Ascott Reit's business and the Manager's strategy for Ascott Reit.

CORPORATE GOVERNANCE

(g) The performance of the Board, Board Committees and directors is reviewed annually.
(h) The Board proactively addresses any issues identified in the board performance evaluation.

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

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

As more than half of the Board comprises IDs, the Manager will not be voluntarily subjecting any appointment or reappointment of directors to voting by Unitholders. The Chairman of the Board is presently also an ID.

The Board seeks to refresh its membership progressively and in an orderly manner. In this regard, Board succession planning is carried out through the annual review of Board composition as well as when a Director gives notice of his or her intention to retire or resign. On the issue of Board renewal, the Manager supports the principle that Board renewal is a necessary and continual process, for good governance and ensuring that the Board has the skills, expertise and experience which are relevant to the evolving needs of Ascott Reit's business.

The Board also conducts a review of the commitments of each Director on an annual basis and as and when there is a change of circumstances involving a Director. Guideline 4.4 of the Code recommends that the Board determines the maximum number of listed company board appointments which any director may hold and discloses this in the annual report. In view of the responsibilities of a director, the Board is cognisant of the need for Directors to be able to devote sufficient time and attention to adequately perform their roles and diligently discharge their duties. However, the Board has not imposed any limit as it has taken the view that the limit on the number of listed company directorships that an individual may hold should be considered on a case-by-case basis, as a person's available time and attention may be affected by many different factors, such as whether he or she is in full-time employment and the nature of his or her other responsibilities. A director with multiple directorships is expected to ensure that he or she can devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of Ascott Reit for the benefit of Unitholders.

All Directors are required to confirm on an annual basis, and for FY 2018, had confirmed that they were able to devote sufficient time and attention to the affairs of the Manager in managing the assets and liabilities of Ascott Reit. The Board assessed each Director's ability to commit time to the affairs of Ascott Reit, taking into consideration their confirmation, their commitments, their attendance record at meetings of the Board and Board Committees as well as their conduct and contributions (including preparedness, participation and candour) at Board and Board Committee meetings. The Directors' listed company directorships and principal commitments are disclosed on pages 19 to 22 of this Annual Report and their attendance record for FY 2018 is set out on page 50 of this Annual Report. For FY 2018, the Directors achieved high attendance record and they contributed positively to Board discussions at Board and Board Committee meetings, based on which the Board has determined that each Director has been adequately carrying out his or her duties as a Director of the Manager.

Board Performance
Principle 5:

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

The Manager believes that oversight from a strong and effective board goes a long way towards guiding a business enterprise to achieving success.

The Board strives to ensure that there is an optimal blend in the Board of backgrounds, experience and knowledge in business and general management, expertise relevant to Ascott Reit's business and track record, and that each Director can bring to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made in the interests of Ascott Reit.

Whilst board performance is ultimately reflected in the long-term performance of Ascott Reit, the Board believes that engaging in a regular process of self-assessment and evaluation of board performance in order to identify key strengths and areas for improvement is essential to effective stewardship and to attaining success for Ascott Reit.

As part of the Manager's commitment towards improving corporate governance, the Board has approved and implemented a process to evaluate the effectiveness of the Board as a whole and the Board Committees annually. As part of the process, questionnaires were sent to the Directors and the results were aggregated and reported to the Chairman of the Board. The evaluation categories covered in the questionnaire include Board composition, Board processes, strategy, performance and governance, access to information and Board Committee effectiveness. As part of the questionnaire, the Board also considers whether the creation of value for Unitholders has been taken into account in the decision making process. The results of the survey were considered by the Board and follow up action is taken where necessary with a view to enhancing the effectiveness of the Board in the discharge of its duties and responsibilities. The outcome of the evaluation was satisfactory with positive ratings received for all the attributes in the evaluation categories.

The Board was also able to assess the Board Committees through their regular reports to the Board on their activities. In respect of individual Directors, their contributions can take different forms including providing objective perspectives on issues, facilitating business opportunities and strategic relationships and accessibility to Management outside of the formal environment of Board and/or Board Committee meetings.

The Manager further believes that collective Board performance and the contributions of individual Board members are also reflected in, and evidenced by, the synergistic performance of the Board in discharging its responsibilities as a whole by providing proper guidance, diligent oversight and able leadership, and lending support to Management in steering Ascott Reit in the appropriate direction, as well as the long-term performance of Ascott Reit whether under favourable or challenging market conditions.

Access to Information
Principle 6:

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

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

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

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

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

CORPORATE GOVERNANCE

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

The Board has unfettered access to any Management staff for any information that it may require at all times. It also has separate and independent access to the company secretary of the Manager (Company Secretary) at all times. The Company Secretary attends to corporate secretarial administration matters and is the corporate governance advisor on corporate matters to the Board and Management. The Company Secretary attends all Board meetings and assists the Chairman in ensuring that Board procedures are followed. The appointment and the removal of the Company Secretary is subject to the Board's approval. The Board, whether as individual Directors or as a group, is also entitled to have access to independent professional advice where required, with expenses borne by the Manager.

There were no separate meetings of the IDs without the presence of other Directors in FY 2018 because no Lead ID is required to be appointed.

The AC meets the internal and external auditors separately at least once a year, without the presence of the CEO and Management.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies
Principle 7:
There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Level and Mix of Remuneration
Principle 8:
The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Disclosure on Remuneration
Principle 9:
Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

The Board is able to undertake the functions of a remuneration committee because:

(a) the Manager is a dedicated manager to only Ascott Reit and in general, REITs (including Ascott Reit) have a more focused scope and scale of business compared to those of listed companies. For this reason, the Board's capacity would not be unduly stretched by reason of it undertaking the responsibilities of a remuneration committee and the Board would be able to give adequate attention to such issues relating to remuneration matters; and

(b) the IDs form at least half of the Board and the Chairman is an ID, which demonstrate that the IDs play a substantive role and assure the objectivity and independence of the decision making process concerning remuneration. This also mitigates any concerns of conflict which can be managed by having the conflicted directors abstain from the decision making process. Further, conflict situations are less likely to arise in matters of remuneration.

In undertaking this function, the Board oversees the design and implementation of the remuneration policy and the specific remuneration packages for each Director and senior executives including the CEO. No member of the Board, however, will be involved in any decision of the Board relating to his or her own remuneration.

The Board sets the remuneration policies in line with Ascott Reit Group's business strategy and approves the executive compensation framework based on the key principle of linking pay to performance. The Board has access to independent remuneration consultants for advice as required.

In terms of the process adopted by the Manager for developing and reviewing policies on remuneration and determining the remuneration packages for Directors and executive officers, the Manager, through an independent remuneration consultant, takes into account compensation benchmarks within the industry, as appropriate, so as to ensure that the remuneration packages payable to Directors and executive officers are in line with the objectives of the remuneration policies. It also considers the compensation framework of CapitaLand as a point of reference. The Manager is a subsidiary of CapitaLand which also holds a significant stake in Ascott Reit. The association with CapitaLand Group puts the Manager in a better position to attract and retain better qualified management talent; it provides an intangible benefit to the Manager such that it allows its employees to associate themselves with an established corporate group which can offer them the depth and breadth of experience and enhanced career development opportunities. In FY 2018, an independent remuneration consultant, Willis Towers Watson, was appointed to provide professional advice on Board and executive remuneration. Willis Towers Watson is a leading global advisory, broking and solutions company with over 40,000 employees serving more than 140 countries. The consultant is not related to the Manager, its controlling shareholder, its related corporations or any of its Directors.

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

Business Alignment

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

Motivate Right Behaviour

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

Fair & Appropriate

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

Effective Implementation

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

CORPORATE GOVERNANCE

Remuneration for Key Management Personnel

Remuneration for key management personnel comprises fixed components, variable cash components, unit-based components and employee benefits:

A. Fixed Components

The fixed components comprise the base salary, fixed allowances and compulsory employer contribution to an employee's Central Provident Fund.

B. Variable Cash Components

The variable cash components comprise the Balanced Scorecard Bonus Plan that is linked to the achievement of annual performance targets for each key management personnel as agreed at the beginning of the financial year with the Board.

Under the Balanced Scorecard framework, Ascott Reit Group's strategy and goals are translated to performance outcomes comprising both quantitative and qualitative targets in the dimensions of Financial, Execution and Sustainability; these are cascaded down throughout the organisation, thereby creating alignment across the Ascott Reit Group.

After the close of each year, the Board reviews Ascott Reit Group's achievements against the targets set in the Balanced Scorecard and determines the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends.

In determining the payout quantum for each key management personnel under the plan, the Board considers the overall business performance and individual performance as well as the affordability of the payout to the Manager.

C. Unit-based Components

Unit awards were granted in FY 2018 pursuant to the Ascott Residence Trust Management Limited Performance Unit Plan (PUP) and Ascott Residence Trust Management Limited Restricted Unit Plan (RUP) (together, the Unit Plans), approved by the Board. The Manager believes that the Unit-based Component of the remuneration for key management personnel serves to align the interests of such key management personnel with that of Unitholders and Ascott Reit's long-term growth and value.

The obligation to deliver the Units is expected to be satisfied out of the Units held by the Manager.

Ascott Residence Trust Management Limited Performance Unit Plan

In FY 2018, the Board granted awards which are conditional on targets set for a three-year performance period. A specified number of Units will only be released to the recipient at the end of the qualifying performance period, provided that minimally the threshold target is achieved. An initial number of Units (baseline award) is contingently allocated conditional on the achievement of a pre-determined target in respect of the Relative Total Unitholder Return (TUR) of Ascott Reit Group measured by the percentile ranking of Ascott Reit Group's TUR against the REITs in the FTSE ST REIT Index.

The above performance measure has been selected as a key measure of wealth creation for Unitholders. The final number of Units to be released will depend on Ascott Reit's performance against the pre-determined target which is measured over the three-year qualifying performance period. This serves to align Management's interests with that of Unitholders in the longer term and to deter short term risk taking. No Units will be released if the threshold target is not met at the end of the qualifying performance period. On the other hand, if the superior target is met, more Units than the baseline award can be delivered up to a maximum of 200.0% of the baseline award. Recipients will receive fully paid Units at no cost.

For the year under review, the relevant award for assessment of the performance achieved by Ascott Reit is the award granted in FY 2016 in respect of which the qualifying performance period was FY 2016 to FY 2018. Based on the Board's assessment that the performance achieved by Ascott Reit Group has not met the pre-determined performance targets for the three-year qualifying performance period of FY 2016 to FY 2018, no Unit has been released for the Unit award granted in FY 2016.

In respect of the Unit awards granted under the PUP in FY 2017 and FY 2018, the respective qualifying performance periods have not ended as at the date of this Report.

Ascott Reit Trust Management Limited Restricted Unit Plan

In FY 2018, the Board granted awards which are conditional on targets set for a one-year performance period. A specified number of Units will only be released to the recipients at the end of the qualifying performance period, provided that minimally the threshold targets are achieved. Under the RUP, an initial number of Units (baseline award) is contingently allocated conditional on the achievement of pre-determined targets in respect of the following performance conditions:

- Gross profit of Ascott Reit Group
- Distribution per Unit of Ascott Reit Group

The above performance measures have been selected as they are the key drivers of business performance and are aligned to unitholder value. The final number of Units to be released will depend on Ascott Reit's performance against the pre-determined targets at the end of the one-year qualifying performance period. The Units will be released progressively over a vesting period of three years, which serves to align Management's interests with that of Unitholders in the longer term, deter short-term risk taking, as well as to facilitate talent retention. No Units will be released if the threshold targets are not met at the end of the qualifying performance period. On the other hand, if superior targets are met, more Units than the baseline award can be delivered up to a maximum of 150.0% of the baseline award. Recipients will receive fully paid Units at no cost. This ensures alignment between remuneration and sustaining business performance in the longer term.

In respect of the Unit awards granted under the RUP in FY 2018, based on the Board's assessment that the performance achieved by the Ascott Reit Group has met the pre-determined performance targets for the qualifying performance period of FY 2018, the resulting number of Units released has been adjusted accordingly to reflect the performance level.

To further promote alignment of Management's interests with that of Unitholders in the longer term, the Board has approved unit ownership guidelines for senior management to instill stronger identification by senior executives with the longer-term performance and growth of Ascott Reit Group. Under these guidelines, senior management participants are required to retain a prescribed proportion of Ascott Reit's Units received under the Unit Plans.

D. Employee Benefits

The benefits provided are comparable with local market practices.

The remuneration for the CEO in bands of S$250,000 and a breakdown of the remuneration of the CEO and other key management personnel of the Manager in percentage terms are provided in the Key Management Personnel's Remuneration Table on page 51 of this Annual Report.

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At present, there are three key management personnel of the Manager (including the CEO). The Manager outsources various other services to a wholly owned subsidiary of CapitaLand (CapitaLand Subsidiary). The CapitaLand Subsidiary provides the services through its employees (Outsourced Personnel). This arrangement is put in place so as to provide flexibility and maximise efficiency in resource management to match the needs of Ascott Reit from time to time, as well as to leverage on economies of scale and tap on the management talent of an established corporate group which can offer enhanced depth and breadth of experience. However, notwithstanding the outsourcing arrangement, the responsibility for due diligence, oversight and accountability continues to reside with the Board and Management. In this regard, the remuneration of such Outsourced Personnel, being employees of the CapitaLand Subsidiary, is not included as part of the disclosure of remuneration of key management personnel of the Manager in this Report.

The Manager has decided (a) to disclose the CEO's remuneration in bands of S$250,000 (instead of on a quantum basis), and (b) not to disclose the remuneration of the other key management personnel of the Manager (whether in bands of S$250,000 or otherwise). In arriving at its decision, it took into account the commercial sensitivity and confidential nature of remuneration matters. The Manager is of the view that disclosure in such manner is not prejudicial to the interests of Unitholders as the indicative range for the CEO's remuneration, as well as the total remuneration for the CEO and other key management personnel of the Manager, is made known to Unitholders, and sufficient information is provided on the Manager's remuneration framework to enable Unitholders to understand the link between Ascott Reit's performance and the remuneration of the CEO and other key management personnel. In addition, the remuneration of the CEO and other key management personnel of the Manager is paid out of the fees that the Manager receives (of which the quantum and basis have been disclosed), rather than borne by Ascott Reit.

The Board seeks to ensure that the remuneration paid to the CEO and other key management personnel of the Manager are strongly linked to the achievement of business and individual performance targets. The performance targets approved by the Board are set at realistic yet stretched levels each year to motivate a high level of business performance with emphasis on both short and long term quantifiable objectives.

In FY 2018, there were no termination, retirement or post-employment benefits granted to Directors, the CEO and other key management personnel of the Manager. There was also no special retirement plan, 'golden parachute' or special severance package for any of the key management personnel of the Manager.

There were no employees of the Manager who were substantial shareholders of the Manager, substantial unitholders of Ascott Reit or immediate family members of a Director, the CEO or a shareholder of the Manager or substantial unitholder of Ascott Reit in FY 2018. "Immediate family member" refers to the spouse, child, adopted child, step-child, sibling or parent of the individual.

Non-executive Director Remuneration

The Directors' fees for FY 2018 are shown in the table below. The CEO who is also a Director is remunerated as part of the key management personnel of the Manager and therefore does not receive any Director's fees. The compensation policy for Directors is based on a scale fees divided into basic retainer fees for serving as Director and additional fees for attendance and serving on Board Committees. The framework for the Directors' fees remains unchanged from that for the previous financial year.

The compensation package is market benchmarked, taking into account the demanding responsibilities on the part of the Directors in light of the scope and nature of Ascott Reit Group's business.

Directors' fees of non-executive Directors (including the Chairman) will be paid in cash (about 80.0%) and in the form of Units (about 20.0%), save for fees paid to a non-executive director (not being employee of CapitaLand) who steps down from the board, which are paid entirely in cash. The Manager believes that the payment of a portion of the Directors' fees in Units will serve to align the interests of such Directors with that of Unitholders and Ascott Reit's long-term growth and value. In order to encourage the alignment of the interests of the non-executive Directors with the interests of Unitholders, a non-executive Director is required to hold Units worth at least one year of his or her basic retainer fee or the total number of Units awarded under the above policy, whichever is lower, at all times during his or her Board tenure.

DIRECTORS' FEES[1,2]

Board Members	FY 2018	FY 2017
Tan Beng Hai, Bob	S$131,000	S$116,000
Beh Siew Kim	N.A.	N.A.
Zulkifli Bin Baharudin	S$74,700	S$82,400
Sim Juat Quee Michael Gabriel	S$96,000	S$95,000
Elaine Carole Young	S$105,000	S$110,000
Lee Chee Koon	N.A.[3]	N.A.[3]
Lim Cho Pin Andrew Geoffrey[4]	N.A.[3]	N.A.[3]
Lim Ming Yan[5]	N.A.[3]	N.A.[3]

N.A.: Not Applicable.

1 Inclusive of attendance fees of (a) S$2,000 (local meeting) and S$5,000 (overseas meeting) per meeting attendance in person, (b) S$1,700 per meeting attendance via audio or video conference, (c) S$1,000 per meeting attendance in person at project and verification meetings and (d) S$500 per meeting attendance via audio or video conference at project and verification meetings. Attendance fees at project and verification meetings are subject to a maximum of S$10,000 per Director per annum.

2 Each non-executive Director shall receive up to 20.0% of his or her Director's fees in the form of Units (subject to truncation adjustments). The remainder of the Director's fees shall be paid in cash. No new Units will be issued for this purpose as these Units will be paid by the Manager from the Units it holds.

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

4 Mr Lim Cho Pin Andrew Geoffrey was appointed as a non-executive non-independent Director and a member of the Audit Committee and the Executive Committee with effect from 1 January 2018.

5 Mr Lim Ming Yan has retired as a non-executive non-independent Director, the Deputy Chairman of the Board and the Chairman of the Executive Committee with effect from 1 July 2018.

CORPORATE GOVERNANCE

(C) ACCOUNTABILITY AND AUDIT

Accountability
Principle 10:
The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Manager provides Unitholders with quarterly and annual financial statements within the relevant periods prescribed by the Listing Manual. These quarterly and annual financial statements are reviewed and approved by the Board prior to release to Unitholders by announcement on the SGXNet. These releases of quarterly and annual financial statements are accompanied by news releases issued to the media and which are also posted on the SGXNet. In presenting the quarterly and annual financial statements to Unitholders, the Board aims to provide Unitholders with a balanced, clear and understandable assessment of Ascott Reit's performance, position and prospects. In order to achieve this, Management provides the Board with management accounts on a monthly basis and such explanation and information as any Director may require, to enable the Directors to keep abreast, and make a balanced and informed assessment, of Ascott Reit's financial performance, position and prospects.

In addition to quarterly and annual financial statements, the Manager also keeps Unitholders, stakeholders and analysts informed of the performance and changes in Ascott Reit or its business which would likely materially affect the price or value of the Units on a timely and consistent basis to assist Unitholders and investors in their investment decisions.

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

Risk Management and Internal Controls
Principle 11:
The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

The Manager maintains an adequate and effective system of risk management and internal controls addressing material financial, operational, compliance and information technology (IT) risks to safeguard Unitholders' interests and Ascott Reit's assets.

The Board, assisted by the AC, has overall responsibility for the governance of risk and oversees the Manager in the design, implementation and monitoring of the risk management and internal controls systems.

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

(a) makes recommendations to the Board on Risk Appetite Statement (RAS) for Ascott Reit Group;
(b) assesses the adequacy and effectiveness of the risk management and internal controls systems established by the Manager to manage risks;
(c) oversees Management in the formulation, updating and maintenance of an adequate and effective risk management framework, policies and strategies for managing risks that are consistent with Ascott Reit Group's risk appetite and reports to the Board on its decisions on any material matters concerning the aforementioned;

(d) makes the necessary recommendations to the Board such that an opinion relating to the adequacy and effectiveness of the risk management and internal controls systems can be made by the Board in the annual report of Ascott Reit in accordance with the Listing Manual and the Code; and
(e) considers and advises on risk matters referred to it by Management or the Board including reviewing and reporting to the Board on any material breaches of the RAS, any material non-compliance with the approved framework and policies and the adequacy of any proposed action.

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

As part of the ERM Framework, the Manager, among other things, undertakes and performs a Risk and Control Self-Assessment (RCSA) annually in respect of Ascott Reit Group to identify material risks along with their mitigating measures. The systems of risk management and internal controls are reviewed regularly by the Manager, the AC and the Board, taking into account best practices and guidance in the Risk Governance Guidance for Listed Boards issued by the Corporate Governance Council, the Listing Manual and the Practice Guidance to the Code of Corporate Governance.

Ascott Reit Group's RAS, incorporating the risk limits, addresses the management of material risks faced by Ascott Reit Group. Alignment of Ascott Reit Group's risk profile to the RAS is achieved through various communication and monitoring mechanisms put in place across the various functions within the Manager.

More information on the Manager's ERM Framework can be found in the Enterprise Risk Management section on pages 52 to 54 of this Annual Report.

The internal and external auditors conduct reviews of the adequacy and effectiveness of the material internal controls (including financial, operational, compliance and IT controls) and risk management systems. This includes testing, where practicable, material internal controls in areas managed by external service providers. Any material non-compliance or lapses in internal controls together with corrective measures recommended by the internal and external auditors are reported to and reviewed by the AC. The AC also reviews the adequacy and effectiveness of the measures taken by the Manager on the recommendations made by the internal and external auditors in this respect.

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

(a) the financial records of Ascott Reit Group have been properly maintained and the financial statements for FY 2018 give a true and fair view of Ascott Reit Group's operations and finances; and
(b) the systems of risk management and internal controls in place for Ascott Reit Group are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Manager considers relevant and material to the current business environment.

The CEO and the VP Finance of the Manager have obtained similar assurances from the respective risk and control owners.

In addition, in FY 2018, the Board has received quarterly certification by Management on the integrity of financial reporting and the Board has provided a negative assurance confirmation to Unitholders as required by the Listing Manual.

Based on the ERM Framework established and the reviews conducted by Management and both the internal and external auditors, as well as the assurance from the CEO and the VP Finance of the Manager, the Board, is of the opinion, with the concurrence of the AC, that the systems of risk management and internal controls are adequate and effective to address the risks (including financial, operational, compliance and IT risks) which the Manager considers relevant and material to the current business environment as at 31 December 2018. No material weaknesses in the systems of risk management and internal controls were identified by the Board or the AC in the review for FY 2018.

CORPORATE GOVERNANCE

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

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

At present, the AC comprises four non-executive Directors, the majority of whom (including the Chairman of the AC) are IDs. The members bring with them invaluable recent and relevant managerial and professional expertise in accounting and related financial management domains; in particular the Chairman of the AC is a Fellow of the Institute of Chartered Accountants of Singapore, among other professional affiliations. The AC does not comprise members who were previously partners of the incumbent external auditors, KPMG LLP (KPMG), within the period of two years commencing on the date of their ceasing to be a partner of KPMG. The AC also does not comprise any member who has any financial interest in KPMG.

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

Under its terms of reference, the AC's scope of duties and responsibilities is as follows:

(a) reviews the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of Ascott Reit Group, and any announcements relating to Ascott Reit Group's financial performance;
(b) reviews and reports to the Board at least annually the adequacy and effectiveness of the Manager's internal controls, including financial, operational, compliance and IT controls, and risk management systems;
(c) reviews the adequacy and effectiveness of the Manager's internal audit and compliance functions;
(d) reviews the scope and results of the external audit and independence and objectivity of the external auditors;
(e) makes recommendations to the Board on the proposals to Unitholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration of the external auditors;
(f) reviews and approves processes to regulate transactions involving an Interested Person (as defined in Chapter 9 of the Listing Manual) and/or Interested Party (as defined in the Property Funds Appendix) (each, an Interested Person) and Ascott Reit and/or its subsidiaries (Interested Person Transactions), to ensure compliance with the applicable regulations. The regulations include the requirement that Interested Person Transactions are on normal commercial terms and are not prejudicial to the interests of Ascott Reit and its minority Unitholders. In respect of any property management agreement which is an Interested Person Transaction, the AC also carries out reviews at appropriate intervals to satisfy itself that the Manager has reviewed the relevant property manager's compliance with the terms of the property management agreement and has taken remedial actions where necessary; and
(g) reviews the whistle-blowing policy and arrangements by which employees of the Manager and any other persons may, in confidence, report suspected fraud or irregularity or suspected infringement of any laws or regulations or rules, or raise concerns about possible improprieties in matters of financial reporting or other matters with a view to ensuring that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken.

The AC has reviewed the nature and extent of non-audit services provided by the external auditors in FY 2018 and the fees paid for such services. The AC also undertook a review of the independence of the external auditors, taking into consideration, among other things, Ascott Reit's relationships with the external auditors in FY 2018, as well as the processes and safeguards adopted by the Manager and KPMG relating to audit independence. In particular, KPMG has confirmed that the teams which provided the audit services to Ascott Reit Group are separate from the teams which provided the non-audit services to Ascott Reit Group. Based on the review, the AC is satisfied that the independence of the external auditors has not been impaired by the provision of those services. The external auditors have also provided confirmation of their independence to the AC. The aggregate amount of fees paid and payable to the external auditors for FY 2018 was approximately S$2,458,000, of which audit and audit-related fees amounted to approximately S$2,398,000 and non-audit fees amounted to approximately S$60,000.

In FY 2018, the AC also met with the internal and external auditors, separately and without Management's presence, to discuss the reasonableness of the financial reporting process, the system of internal controls, and the significant comments and recommendations by the auditors. Where relevant, the AC makes reference to best practices and guidance for Audit Committees in Singapore including practice directions issued from time to time in relation to the Financial Reporting Surveillance Programme administered by the Accounting and Corporate Regulatory Authority of Singapore.

In its review of the financial statements of Ascott Reit Group for FY 2018, the AC has discussed with Management the accounting principles that were applied and their judgement of items that might affect the integrity of the financial statements and also considered the clarity of key disclosures in the financial statements. The AC reviewed, among other matters, the valuation of serviced residence properties, being the key audit matter identified by the external auditors for FY 2018.

The AC reviewed the outcomes of the half-yearly valuation process and discussed the details of the valuation with Management, focusing on properties which registered higher fair value gains/losses during the period under review. The AC considered the findings of the external auditor, including their assessment of the appropriateness of valuation methodologies and the underlying key assumptions applied in the valuation of serviced residence properties.

The AC was satisfied with the valuation process, the methodologies used and the valuation for serviced residence properties as adopted and disclosed in the financial statements.

Changes to the accounting standards and accounting issues which have a direct impact on the financial statements were reported to and discussed with the AC in its meetings.

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

Internal Audit
Principle 13:

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

The Manager has in place an internal audit function supported by CapitaLand's Internal Audit Department (CapitaLand IA). The primary reporting line of CapitaLand IA is to the AC. The AC has carried out a review and is of the view that the internal audit function performed by CapitaLand IA is adequate, effective and independent. CapitaLand IA plans its internal audit schedules in consultation with, but independently of, Management and its plan is submitted to the AC for approval prior to the beginning of each year. The AC also meets with CapitaLand IA at least once a year without the presence of Management. CapitaLand IA has unfettered access to the Manager's documents, records, properties and employees, including access to the AC, and has appropriate standing with Ascott Reit Group.

CORPORATE GOVERNANCE

CapitaLand IA is adequately resourced and staffed with persons with the relevant qualifications and experience. CapitaLand IA is a corporate member of the Singapore branch of the Institute of Internal Auditors Inc. (IIA), which has its headquarters in the United States of America. CapitaLand IA subscribes to, and is guided by, the International Standards for the Professional Practice of Internal Auditing (Standards) developed by the IIA and has incorporated these Standards into its audit practices. With respect to FY 2018, the AC has reviewed and is satisfied as to the adequacy and effectiveness of the IA function.

To ensure that internal audits are performed by competent professionals, CapitaLand IA recruits and employs suitably qualified professional staff with the requisite skill sets and experience. For instance, CapitaLand IA staff who are involved in IT audits are Certified Information System Auditors and members of the Information System Audit and Control Association (ISACA) in the USA. The ISACA Information System Auditing Standards provide guidance on the standards and procedures to be applied in IT audits.

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

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights
Principle 14:

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

The Manager is committed to treating all Unitholders fairly and equitably. All Unitholders enjoy specific rights under the Trust Deed and the relevant laws and regulations. These rights include, among other things, the right to participate in profit distributions. They are also entitled to attend general meetings and are accorded the opportunity to participate effectively and vote at general meetings (including through the appointment of up to two proxies, if they are unable to attend in person or in the case of a corporate unitholder, through its appointed representative). Unitholders such as nominee companies which provide custodial services for securities are not constrained by the two-proxy limitation and are able to appoint more than two proxies to attend, speak and vote at general meetings of Ascott Reit.

More information on unitholder participation in general meetings can be found in the section on Principle 16: Conduct of Shareholder Meetings of this Report.

Communication with Shareholders
Principle 15:

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

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

The Manager has in place an Investor Relations team and a Group Communications team, both of which facilitate effective communication with Unitholders, analysts, fund managers and the media.

The Manager actively engages with Unitholders and has put in place an Investor Relations Policy (Policy) to promote regular, effective and fair communications with Unitholders. The Policy is available on Ascott Reit's website at www.ascottreit.com, and contains the mechanism through which Unitholders may contact Ascott Reit with questions and through which Ascott Reit may respond.

The Board has established the CDC which assists the Board in the discharge of its function to meet the obligations required under the laws and regulations of Singapore and to conform to best practices in the corporate disclosure and compliance process. The views and approval of the CDC were sought throughout the year through emails on various announcements and news releases.

More information on the Manager's investor relations efforts can be found in the Investor Relations section on pages 55 to 57 of this Annual Report and the Policy which is available on Ascott Reit's website.

Ascott Reit's distribution policy is to distribute at least 90.0% of its taxable income (other than gains from the sale of real estate properties by Ascott Reit which are determined to be trading gains) and net overseas income, with the actual level of distribution to be determined at the Manager's discretion. Distributions are generally paid within 35 market days after the relevant books closure date.

Conduct of Shareholder Meetings
Principle 16:

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

The Manager supports the principle of encouraging Unitholders' participation and voting at general meetings. Unitholders will receive a copy of the notice of the general meeting and may download the Annual Report (printed copies of the Annual Report are available upon request) from Ascott Reit's website at www.ascottreit.com. Notices of the general meetings are also advertised in the press and issued on SGXNet. More than the requisite notice period for general meetings is generally provided. All Unitholders are given the opportunity to participate effectively in and vote at general meetings.

At general meetings, Management makes a presentation to Unitholders to update them on Ascott Reit's performance, position and prospects. The presentation materials are made available to Unitholders on Ascott Reit's website and SGXNet. Unitholders are given the opportunity to communicate their views and discuss with the Board and Management matters affecting Ascott Reit. Unitholders are informed of the rules governing general meetings. Representatives of the Trustee, Directors (including the chairpersons of the respective Board Committees), the Manager's senior management and the external auditors of Ascott Reit, are present for the entire duration of general meetings to address any queries that Unitholders may have. Directors and Management also interact with Unitholders after the general meetings.

All the Directors attended the general meeting held during their tenure in FY 2018. A record of the Directors' attendance at the general meetings can be found in the records of their attendance of meetings set out on page 50 of this Annual Report.

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

Minutes of the general meetings recording the substantial and relevant comments made and questions raised, are prepared and are available to Unitholders for their inspection upon request. Minutes of the annual general meetings are also uploaded to Ascott Reit's website.

CORPORATE GOVERNANCE

(E) ADDITIONAL INFORMATION

Executive Committee

In addition to the AC and CDC, the Board has also established an EC.

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

(a) reviews, endorses and approves strategic directions and management policies of the Manager in respect of Ascott Reit;
(b) oversees operational, investment and divestment matters within the approved financial limits; and
(c) reviews management reports and operating budgets.

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

Dealings with Interested Persons

Review Procedures for Interested Person Transactions

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

In particular, the procedures in place include the following:

INTERESTED PERSON TRANSACTIONS[1]	Approving Authority, Procedures and Disclosure
S$100,000 and above per transaction (which singly, or when aggregated with other transactions[2] with the same Interested Person in the same financial year is less than 3.0% of Ascott Reit's latest audited net tangible assets/net asset value)	› Audit Committee
Transaction[2] which: (a) is equal to or exceeds 3.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2] with the same Interested Person in the same financial year is equal to or exceeds 3.0% of Ascott Reit's latest audited net tangible assets/ net asset value	› Audit Committee › Immediate announcement
Transaction[2] which: (a) is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value; or (b) when aggregated with other transactions[2,3] with the same Interested Person in the same financial year is equal to or exceeds 5.0% of Ascott Reit's latest audited net tangible assets/net asset value	› Audit Committee › Immediate announcement › Unitholders[3]

1 This table does not include the procedures applicable to interested person transactions falling under the exceptions set out in Rule 915 and Rule 916 of the Listing Manual.
2 Any transaction of less than S$100,000 in value is disregarded.
3 In relation to approval by Unitholders for transactions that are equal to or exceed 5.0% of Ascott Reit's latest audited net tangible assets/net asset value (whether singly or aggregated), any transaction which has been approved by Unitholders, or is the subject of aggregation with another transaction that has been approved by Unitholders, need not be included in any subsequent aggregation.

Role of the Audit Committee for Interested Person Transactions

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

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

Details of all Interested Person Transactions (equal to or exceeding S$100,000 each in value) entered into by Ascott Reit in FY 2018 are disclosed on page 229 of this Annual Report.

Dealing with Conflicts of Interest

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

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

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

CORPORATE GOVERNANCE

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

Dealings in Securities

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

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

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

Dealings by the Directors are disclosed in accordance with the requirements in the SFA and the Listing Manual.

(F) CODE OF BUSINESS CONDUCT

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

The policies and guidelines are published on CapitaLand's intranet, which is accessible by all employees of the Manager.

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

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

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

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

Bribery and Corruption Prevention Policy

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

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

Whistle-Blowing Policy

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

Anti-Money Laundering and Countering the Financing of Terrorism Measures

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

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

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

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

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

CORPORATE GOVERNANCE

COMPOSITION AND ATTENDANCE RECORD OF MEETINGS

Board Members	Composition			Attendance Record of Meetings in FY 2018		
	Audit Committee	Corporate Disclosure Committee[1]	Executive Committee[1]	Board Number of Meetings Held: 5	Audit Committee Number of Meetings Held: 4	General Meeting Number of Meeting Held: 1
Tan Beng Hai, Bob Chairman	–	Chairman	–	5 out of 5	N.A	1 out of 1
Beh Siew Kim CEO	–	Member	Member	5 out of 5	N.A	1 out of 1
Zulkifli Bin Baharudin	Member	–	–	3 out of 5	3 out of 4	1 out of 1
Sim Juat Quee Michael Gabriel	Chairman	–	–	5 out of 5	4 out of 4	1 out of 1
Elaine Carole Young	Member	–	–	5 out of 5	4 out of 4	1 out of 1
Lee Chee Koon[2]	–	Member	Chairman	5 out of 5	N.A.	1 out of 1
Lim Cho Pin Andrew Geoffrey[3]	Member	–	Member	3 out of 5	2 out of 4	1 out of 1
Lim Ming Yan[4] Deputy Chairman	–	–	Chairman	2 out of 2	N.A	1 out of 1

N.A.: Not Applicable.

1 Given the nature and scope of the work of Corporate Disclosure Committee and Executive Committee, their business was discussed/transacted primarily through conference call, correspondence and informal meeting.
2 Mr Lee Chee Koon was appointed as the Chairman of the Executive Committee with effect from 1 July 2018.
3 Mr Lim Cho Pin Andrew Geoffrey was appointed as a non-executive non-independent Director and a member of the Audit Committee and the Executive Committee with effect from 1 January 2018.
4 Mr Lim Ming Yan has retired as a non-executive non-independent Director, the Deputy Chairman of the Board and the Chairman of the Executive Committee with effect from 1 July 2018.

KEY MANAGEMENT PERSONNEL'S REMUNERATION TABLE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Total Remuneration Bands	Salary inclusive of AWS and employer's CPF	Bonus and Other Benefits inclusive of employer's CPF[1]	Award of Units[2]	Total
Above S$750,000 to S$1,000,000				
Beh Siew Kim	39%	42%	19%	100%
Key Officers[3]				
Kang Siew Fong Kang Wei Ling *(for the period from 1 June 2018 to 31 December 2018)* Leng Tong Yan *(for the period from 1 January 2018 to 1 June 2018)*	58%	35%	7%	100%
Total for CEO and Key Officers	S$1,630,385			

1 The amounts disclosed include bonuses earned and the other incentive plans which have been accrued for in FY 2018.
2 The proportion of value of Unit awards is based on the fair value of the Units comprised in the contingent awards under the Ascott Residence Trust Management Limited Restricted Unit Plan (RUP) and the Ascott Residence Trust Management Limited Performance Unit Plan (PUP) at the time of grant in FY 2018. The final number of Units released under the contingent awards of Units for RUP and PUP will depend on the achievement of pre-determined targets and subject to the respective vesting period under the RUP and the PUP.
3 The remuneration of Mr Chua Chi Boon as Head, Investment and Asset Management, was borne by CaptiaLand and/or its subsidiaries (other than the Manager), to which the Manager outsources the Investment and Asset Management functions, among other things. Ms Kang Wei Ling was appointed as Vice President, Investor Relations & Asset Management with effect from 1 June 2018.

ENTERPRISE RISK MANAGEMENT

The manager of Ascott Reit (Manager) takes a proactive approach to risk management, making it an integral part of Ascott Reit's business - both strategically and operationally. The objective is not risk minimisation, but rather the optimisation of opportunities within the known and agreed risk appetite levels set by the Board of Directors of the Manager (Board). In short, we take measured risks in a prudent manner for justifiable reasons.

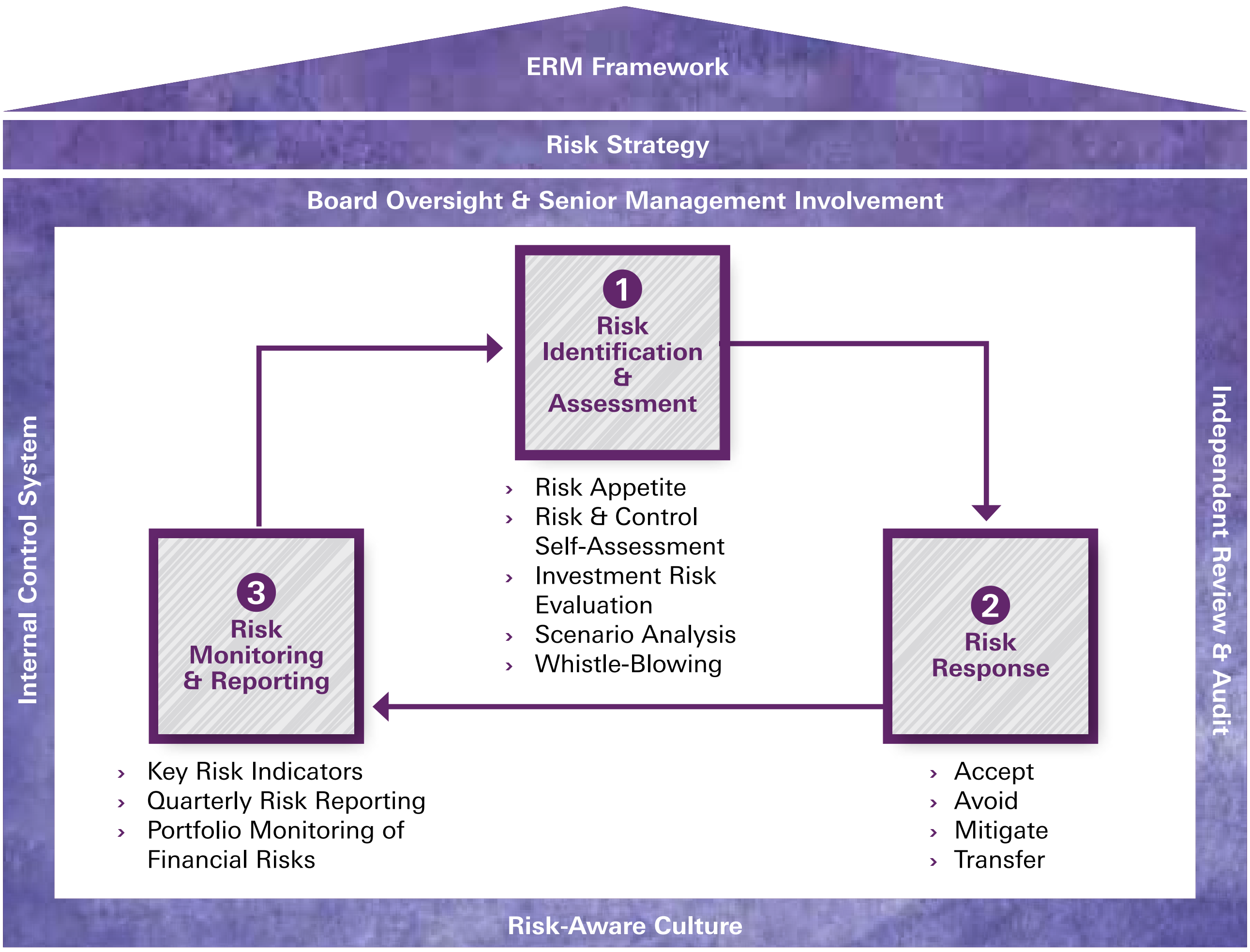
GOVERNANCE

The Board is responsible for the governance of risk across Ascott Reit. It falls to them to determine Ascott Reit's risk appetite; oversee the Manager's Enterprise Risk Management (ERM) Framework; regularly review Ascott Reit's risk profile, material risks and mitigation strategies; and ensure the adequacy and effectiveness of the risk management framework and policies. For these purposes, it is assisted by the Audit Committee (AC) which provides oversight of risk management at the Board level.

The AC, which is made up of three independent and one non-independent board members, meets quarterly. The meetings are attended by the Chief Executive Officer (CEO) as well as other key management staff of the Manager.

The Board approves Ascott Reit's risk appetite, which determines the nature and extent of material risks that the Manager is willing to take to achieve Ascott Reit's strategic and business objectives. Ascott Reit's Risk Appetite Statement (RAS) is expressed via formal, high-level and overarching statements and accompanying risk limits which determine specific risk boundaries established at an operational level. Taking the interests of key stakeholders into consideration, the RAS sets out explicit and forward-looking views of Ascott Reit's desired risk profile and ensures it is aligned with Ascott Reit's strategy and business plans.

ENTERPRISE RISK MANAGEMENT FRAMEWORK



The Manager's ERM Framework is adapted from the International Organization for Standardization (ISO) 31000 International Risk Management Standards. It is also guided by the Committee of Sponsoring Organizations of the Threadway Commission (COSO) Internal Control-Integrated Framework and other relevant best practices and guidelines. It specifies the required environmental and organisational components needed to manage risks in an integrated, systematic and consistent manner. The ERM Framework and related risk management policies are reviewed annually.

A robust internal control system and an effective, independent review and audit process underpins the Manager's ERM Framework. While the line management is responsible for the design and implementation of effective internal controls using a risk-based approach, the outsourced Internal Audit function from CapitaLand Limited (CapitaLand) reviews such design and implementation to provide reasonable assurance to the AC on the adequacy and effectiveness of the risk management and internal control systems.

Ascott Reit's successful ERM programme is based on fostering the right risk culture. The Manager works closely with CapitaLand's Risk Assessment Group to conduct regular workshops for all levels and functions to enhance risk management knowledge and promote a culture of risk awareness. Risk management principles are embedded in all our decision-making and business processes.

Once a year, the Manager coordinates the Ascott Reit's Risk and Control Self-Assessment (RCSA) exercise. This requires respective risk and control owners to identify, assess and document material risks along their key controls and mitigating measures. Material risks and their associated controls are consolidated and reviewed by the Manager before they are presented to the AC and the Board.

MANAGING MATERIAL RISKS

The Manager takes a comprehensive, iterative approach to identifying, managing, monitoring and reporting material risks across Ascott Reit. These material risks include:

Acts Of God and Pandemic Events

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

Competition Risk

Facing keen competition from other established players, investors and managers of real estate assets and new market entrants in the serviced residence market, the Manager strengthens its competitive position by delivering exceptional products and services. Ongoing brand building helps to differentiate us in the marketplace. The Manager also adopts active asset management to improve the profitability of Ascott Reit.

Economic Risk

Ascott Reit is exposed to event risks in major economies as well as in key financial and property markets. These event risks may reduce revenue, increase costs and result in downward revaluation of Ascott Reit's assets. Market illiquidity during a financial crisis makes asset divestment challenging and can affect Ascott Reit's investment and strategic objectives. The Manager manages these economic risks through a disciplined approach to financial management. Our portfolio is diversified across geographies, and we focus on cities where Ascott Reit or our Sponsor, The Ascott Limited (Ascott), has operational scale and where underlying economic fundamentals are more robust.

Financial Risks

Ascott Reit is exposed to financial risks relating to liquidity, foreign currency and interest rates. The Manager measures and evaluates these financial risks, and continues to focus on instilling financial discipline and maintaining a strong balance sheet to invest in suitable opportunities. For more information on Ascott Reit's Financial Risk Management, please refer to the "Financial Risk Management" section on page 188 of this Annual Report.

Fraud and Corruption Risk

Integrity is one of the Manager's core values. The Manager has adopted a zero tolerance for any fraud, bribery and corruption in the conduct of our business activities. Consistent with this commitment, the Manager has established policies and guidelines, which include a series of Ethics and Code of Business Conduct Policies, Fraud, Bribery & Corruption (FBC) Risk Management Policy, and a

ENTERPRISE RISK MANAGEMENT

Whistle-Blowing Policy. The FBC Risk Management Policy echoes the tone at the top and sets appropriate standards in managing risks from fraud, bribery and corruption. The Manager also has a whistle-blowing policy to encourage the reporting of suspected misconduct by establishing a clearly defined process through which reports can be made in confidence and without fear of reprisal. Annually, all employees sign a pledge to renew their commitment to uphold Ascott Reit's core values.

Information Technology Risk
With increased reliance on information technology (IT) as a business enabler, the outsourced IT team from CapitaLand has in place policies and procedures which set out the governance and controls of IT risks, including cyber risks. Appropriate measures are in place to ensure the confidentiality, integrity and availability of Ascott Reit's information assets. This includes implementing access controls, enhancing data security and raising employees' IT security awareness through phishing campaigns and other activities. In addition, we conduct an IT disaster recovery exercise annually to ensure business recovery objectives are met.

Investment and Divestment Risk
The Manager establishes procedures for making investment and divestment decisions. To ensure potential returns of new investments commensurate with the risks undertaken, the investment and divestment proposals are weighed against a rigorous set of criteria which includes potential for value creation and distribution per unit (DPU) accretion.

All major investment and divestment decisions are reviewed and approved by the Board. The Manager conducts due diligence reviews in relation to any investment or divestment proposal. Where necessary, third-party consultants with the requisite expertise are engaged to assist in the due diligence review. Key financial assumptions are reviewed, and sensitivity analysis are performed on key variables. Potential risks associated with proposed projects and the issues that may prevent smooth implementation or attainment of projected outcomes are identified at the evaluation stage.

Physical Security and Business Interruption Risks
Global terrorism has become a growing threat for Ascott Reit's business operations. Inadequate physical security controls could cause serious loss or damage to Ascott Reit's properties or compromise the safety of Ascott Reit's guests and operations staff. In addition to the standard operating procedures for crisis management that are in place at each property, security safety measures at the properties are being reviewed and enhanced on a regular basis. The properties also embark on heightening anti-terrorism awareness among its operations staff.

Ascott Reit is also exposed to business interruption risk arising from sudden and major disaster events such as terrorists attacks, fire, prolonged power outages or other major infrastructure or equipment failures which may significantly disrupt operations at the properties. The Manager manages such risks by having a crisis management standard operating procedures and adequate property damage and business interruption insurance coverage. In addition, the outsourced IT team from CapitaLand has a defined disaster recovery plan which is reviewed and tested annually.

Political and Policy Risks
Ascott Reit is exposed to various levels of political and policy risks, such as political leadership uncertainty, inconsistent public policies, social unrest, change in property-related regulations and other events in the markets that it operates in. Such risks may threaten the economic and sociopolitical environment which may, in turn, affect the financial viability of Ascott Reit's investments. To mitigate these risks, investments are diversified geographically. Overseas operations are managed by experienced managers and teams familiar with local conditions and cultures. In addition, Ascott Reit's portfolio includes properties operating under master lease arrangement, which helps to mitigate this risk exposure.

Regulatory and Compliance Risk
Ascott Reit's global operations are subject to the applicable laws and regulations in the markets in which we operate, such as listing, data privacy, anti-corruption and tax laws and regulations. The Manager has put in place a robust framework that proactively identifies applicable laws and regulatory obligations, and embeds compliance into the day-to-day operations.

Risk management supports the achievement of business objectives and corporate strategy of Ascott Reit, hence creating and preserving value.

INVESTOR RELATIONS

The Manager is committed to adopting a proactive approach towards timely, consistent and transparent communication to our stakeholders, which includes the Unitholders, the media and the investment community. The investment community consists of potential retail and institutional investors as well as analysts who reviews Ascott Reit's performance.

Our Investor Relations Policy states the guiding principles of our approach and can be found on Ascott Reit's corporate website (https://investor.ascottreit.com/investor_relations_policy.html).

Disclosures are made on an immediate basis as required under the Listing Manual, or as soon as possible where immediate disclosure is not practicable. All announcements, press releases and presentation slides relating to Ascott Reit's latest corporate developments are disclosed promptly through SGXNet. These information are also archived on Ascott Reit's corporate website (www.ascottreit.com) and are made available and accessible to all stakeholders and the public.

The website also includes a dedicated 'Investor Relations' section providing regularly updated information such as Ascott Reit's stock data, factsheet, publications including circular and annual reports, tax refund procedures and a list of frequently asked questions.

The Manager communicates regularly with the various stakeholders through organised group meetings, one-on-one meetings, telephone conference calls, seminars, conferences and roadshows. These events provide further clarity on Ascott Reit's business strategies, latest performance and perspectives on the market outlook. These meetings provide an avenue for various stakeholders to reach out to the Manager, which forms a crucial feedback channel in improving disclosures. The Manager seeks to maintain engagement with existing stakeholders and foster new ties with prospective investors.

In 2018, Ascott Reit participated in various meetings, conferences and roadshows held in cities such as Singapore, Bangkok, Hong Kong, Kuala Lumpur and Tokyo. The list of events, which is tabled under the 2018 Investor Relations Calendar, includes:-

- post-results briefing sessions for analysts and media and investor luncheon meetings, as part of regular and continuous interaction with the investment community on Ascott Reit's performance, outlook and overall business strategy;
- non-deal roadshows, where the Manager takes the opportunity to engage existing and potential institutional investors, from both the equity and fixed income markets;
- the Annual General Meeting held in April at The Star Gallery, where senior management and the Board of the Manager reported on Ascott Reit's FY 2017 financial results and addressed queries and concerns of Unitholders;
- familiarisation property visits to Ascott Orchard Singapore, an initiative aimed at deepening the investment community's understanding of the serviced residence operations and Ascott Reit's properties; and
- participation as partakers or panelists in seminars and conferences organised by the various bodies and associations, including the inaugural Real Estate Investment Trust Association of Singapore (REITAS) Conference in July 2018 and the REITs Symposium 2018 which was attended by 1200 retail investors.

Accolades

In 2018, Ascott Reit bagged the "Best Hospitality REIT (Platinum award)" in the Asia Pacific Best of the Breeds REITs Awards™ 2018, for the second year in a row. As a testament of our continuous effort towards accountability and transparency, Ascott Reit was ranked third in the REIT and Business Trust Category of the Singapore Governance and Transparency Index 2018. This is an improvement from last year's ranking of sixth position.

INVESTOR AND MEDIA ENQUIRES

For enquires or more information about Ascott Reit, please contact

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INVESTOR RELATIONS

2018 INVESTOR RELATIONS CALENDAR

	Events	Location	2018
1st Quarter Events	FY 2017 post-results briefing to media and analysts	Singapore	26 January
	FY 2017 post-results investor luncheon hosted by Macquarie	Singapore	26 January
	PhillipCapital Trading Representative presentation	Singapore	9 February
2nd Quarter Events	Annual General Meeting	Singapore	16 April
	1Q 2018 post-results luncheon hosted by DBS	Singapore	18 April
	Property tour of Ascott Orchard Singapore jointly organised by REITAS and SGX	Singapore	12 May
	SGX-PhillipCapital Seminar	Singapore	12 May
	South East Asia Hotel Investors' Summit 2018	Bangkok	15 May
	REITs Symposium 2018 jointly organised by REITAS and ShareInvestor	Singapore	19 May
	SGX-Credit Suisse Singapore Corporate Day	Hong Kong	13 June
3rd Quarter Events	REITAS Conference 2018	Singapore	3 July
	Property tour of Ascott Orchard Singapore jointly organised by REITAS and SGX	Singapore	7 July
	2Q 2018 post-results briefing to media and analysts	Singapore	24 July
	2Q 2018 post-results luncheon hosted by Daiwa	Singapore	24 July
	CapitaLand & REITs Corporate Day hosted by DBS	Bangkok	17 August
	Citi-REITAS-SGX C-Suite Singapore REITs and Sponsors Forum 2018	Singapore	23 August
4th Quarter Events	3Q 2018 post-results luncheon hosted by BNP Paribas	Singapore	1 November
	Non-deal roadshow hosted by Daiwa	Tokyo	14-15 November
	Non-deal roadshow	Kuala Lumpur	4 December

FINANCIAL CALENDAR

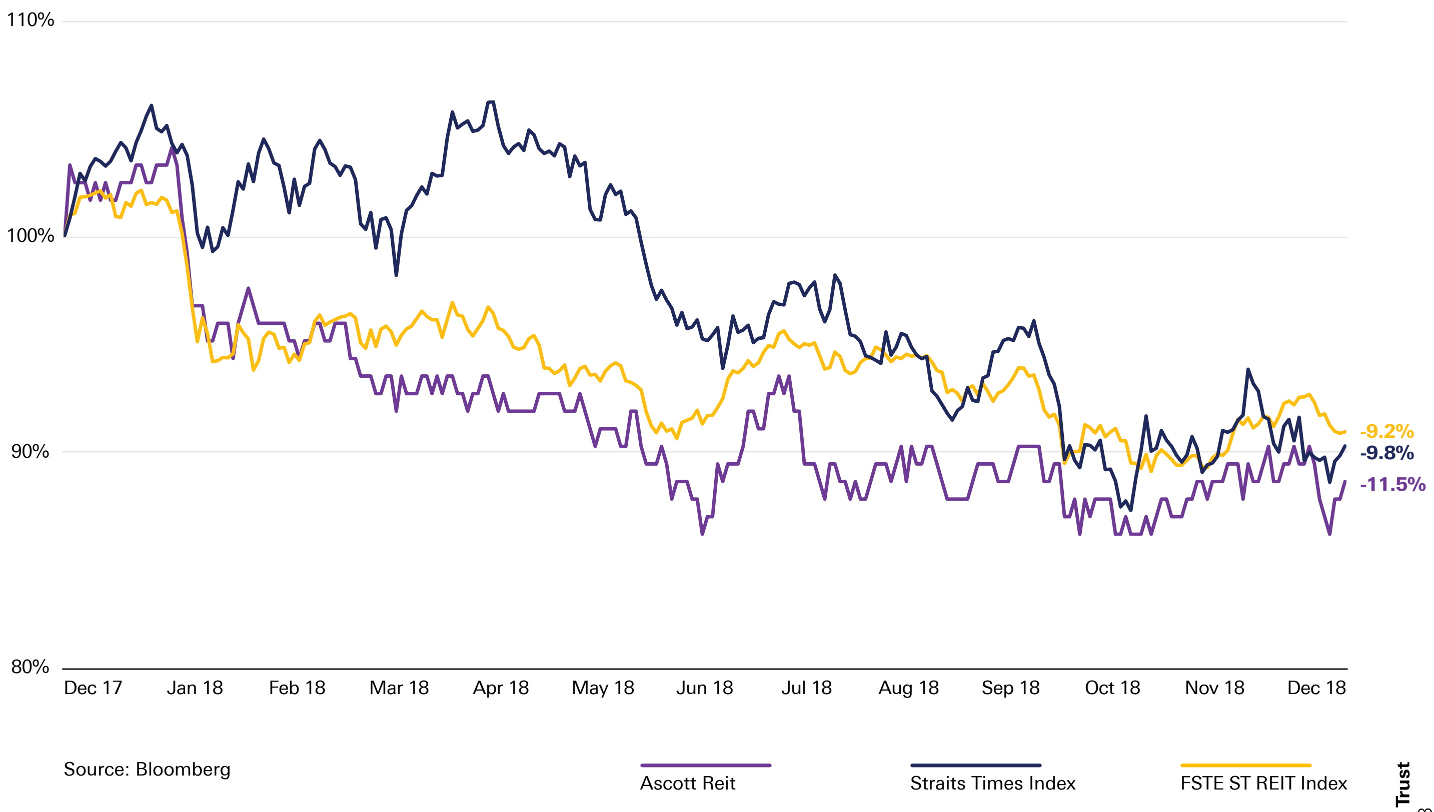
	FY 2018	FY 2019 (Tentative)
First Quarter Results Announcement	18 April 2018	April 2019
Second Quarter Results Announcement	24 July 2018	July 2019
Payment of Distribution to Unitholders (six months ending 30 June)	27 August 2018	August 2019
Third Quarter Results Announcement	1 November 2018	October 2019
Full Year Results Announcement	29 January 2019	January 2020
Payment of Distribution to Unitholders (six months ending 31 December)	28 February 2019	February 2020
Annual General Meeting	10 April 2019	April 2020

UNIT PRICE PERFORMANCE

	2018	2017
Opening price on the first trading day of the year (S$)	1.23	1.14
Closing price on the last trading day of the year (S$)	1.08	1.22
Highest closing price (S$)	1.27	1.23
Lowest closing price (S$)	1.05	1.06
Average closing price (S$)	1.12	1.16
Average daily trading volume (units)	2,408,748	2,887,514
Total trading volume (units)	604,595,635	721,878,546

Source: Bloomberg

COMPARATIVE TRADING PERFORMANCE FOR FY2018



Source: Bloomberg

SUSTAINABILITY MANAGEMENT

SUSTAINABILITY COMMITMENT

The Manager, ARTML, is part of the CapitaLand Group and our sustainability strategy is aligned to that of CapitaLand. Details can be found in the upcoming CapitaLand Limited Global Sustainability Report 2018.

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

Ascott Reit upholds high standards of corporate governance and transparency to safeguard Unitholders' interests. We have in place an adequate and effective Enterprise Risk Management framework to enhance our business resilience and agility. Ascott Reit's proactive approach towards environmental, health and safety (EHS) management, which incorporates universal design into our developments, ensures that our properties are sustainable and future-proof. Policies and guidelines are put in place to ensure the efficient use of energy, water and other resources.

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

CapitaLand was one of the first companies in Singapore to voluntarily publish an annual Global Sustainability Report and externally assure the entire report. Benchmarking against an international standard and framework that is externally validated helps CapitaLand to overcome the challenges in sustainability reporting that arise from its diversified asset types and geographical presence. CapitaLand is a signatory to the United Nations (UN) Global Compact and its Global Sustainability Report serves as its Communication on Progress, which will be made available at www.unglobalcompact.org when published.

For its efforts, CapitaLand is listed in the Sustainability Yearbook, Global 100 Most Sustainable Corporates, Dow Jones Sustainability World Index and Asia Pacific Index, Global Real Estate Sustainability Benchmark (5 Star), FTSE4Good Index Series, MSCI Global Sustainability Indexes, Euronext VigeoEiris Indices World 120, STOXX® Global ESG Leaders Indices.

CapitaLand's Global Sustainability Report 2018 will be published by 31 May 2019 and will continue to be prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option and will also continue to apply the Guiding Principles of the International Integrated Reporting Framework and ISO 26000:2010 Guidance on Social Responsibility and reference the UN Sustainable Development Goals and the Taskforce on Climate Related Financial Disclosure. It will cover CapitaLand's global portfolio and employees, as well as its listed real estate investment trusts (REITS), including Ascott Reit, unless otherwise indicated. The report will be externally assured to AA1000 Assurance Standard.

CAPITADNA (VISION, MISSION, CREDO AND CORE VALUES)

Respect at all levels

Pursue **Excellence**

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

Integrity at all levels

Creativity to enhance value

This sustainability chapter references selected GRI Standards[1] to report specific information and covers Ascott Reit's properties from 1 January to 31 December 2018 unless otherwise indicated. The teams behind the Manager and property managers responsible for property and portfolio operations are identified as employees of Ascott Reit.

BOARD STATEMENT

Ascott Reit is committed to sustainability and incorporates the key principles of environment, social and governance (ESG) in setting its business strategies and operations.

The Manager's Board of Directors (Board) sets the risk appetite, which determines the nature and extent of material risks that Ascott Reit is willing to take to achieve our strategic and business objectives. The risk appetite incorporates ESG factors such as fraud, corruption and bribery, environment, health and safety.

The Board also approves the executive compensation framework based on the principle of linking pay to performance. Business plans are translated to both quantitative and qualitative performance targets including sustainable corporate practices and are cascaded throughout the organisation.

TOP MANAGEMENT COMMITMENT AND STAFF INVOLVEMENT

CapitaLand's sustainability management comes under the purview of the Sustainability Council, comprising CapitaLand's top management. It is supported by a Sustainability Steering Committee which oversees various work teams to ensure CapitaLand's continued progress and improvement in the areas of ESG. The Sustainability Steering Committee comprises the CEOs of the business units and REIT managers, and the work teams comprise representatives from all business units.

The Board is updated regularly on matters relating to sustainability risks and business malpractice incidents. The Board is also updated on the sustainability management performance of Ascott Reit, key material issues identified by stakeholders and the planned follow up measures.

SUSTAINABILITY MANAGEMENT STRUCTURE

1 This material references Disclosure 302-1 from GRI 302: Energy 2016, Disclosure 303-1 from GRI 303: Water 2016, Disclosure 305-1 and Disclosure 305-2 from GRI 305: Emissions 2016, Disclosure 205-1 and Disclosure 205-2 from GRI 205: Anti-Corruption 2016, Disclosure 403-1 from GRI 403: Occupational health & injury 2016 and Disclosure 405-1 from GRI 405: Diversity 2016.

SUSTAINABILITY MANAGEMENT

MATERIALITY

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

Environment	› Regular dialogue/feedback sessions with government agencies (e.g. Building and Construction Authority, National Environment Agency) › Active participation in Singapore Green Building Council › Participate in engagement sessions with key sustainability indices
Social	› Regular dialogue with government agencies and unions › Active participation in Singapore Workplace Safety and Health Council › Regular employee engagement survey › Participate in engagement sessions with key sustainability indices
Governance	› Engagement with Securities Investors Association (Singapore) (SIAS) periodically and the annual Corporate Governance Conference › Engagement where appropriate with Singapore Exchange and Monetary Authority of Singapore › Participate in engagement sessions with key sustainability indices

We identified and reviewed material issues that are most relevant and significant to Ascott Reit and our stakeholders. These are prioritised based on the likelihood and potential impact of issues affecting business continuity and development. For external stakeholders, priority is given to issues important to the society and applicable to Ascott Reit. We therefore prioritise our sustainability efforts and reporting on issues that are most material to our business and stakeholders. For more information on stakeholder engagement, please refer to the Social and Relationship Capital, Human Capital and Environmental Capital chapters in the upcoming CapitaLand Global Sustainability Report 2018. The report covers CapitaLand's international portfolio in over 20 countries unless otherwise indicated.

PRIORITISATION OF ESG MATERIAL ISSUES

Environment	Social/Labour Practices	Governance
Critical		
› Energy efficiency › Climate change and emissions reduction › Water management	› Occupational health & safety › Employment › Stakeholder engagement › Supply chain management	› Compliance › Business ethics › Product and services[1]
Moderate and emerging		
› Building materials › Construction and operational waste › Biodiversity	› Diversity › Human rights	

1 This includes customer health and safety.

STAKEHOLDER ENGAGEMENT

Stakeholders are groups that Ascott Reit's business has a significant impact on and those with a vested interest in our operations. Key stakeholders include employees, customers, business associates, builders and suppliers, and the local community. Other groups include regulators and key government agencies, non-governmental organisations (NGOs), representatives of the capital market and the media. They are mapped into groups based on their impact on Ascott Reit.

Through the various engagement channels, we seek to understand our stakeholders' views, communicate effectively with them and respond to their concerns.

Stakeholder	Engagement Channel	Issues/Purpose	Sustainability Report[1]
Customers - residents	› Various programmes with independent assessments of the individual properties' customer satisfaction levels to benchmark its customer satisfaction performance and respond accordingly by making the necessary operational and service improvements for better customer experience	› Track, monitor and improve on customer satisfaction	Social and Relationship Capital, Environmental Capital
Investors, analysts and media	› Annual General Meetings › Quarterly financial results announcements › Media releases and interviews › Annual reports and sustainability reports › Corporate website › Regular analyst and investor meetings › Responses to sustainability surveys	› Operational efficiency, monetary savings, cost avoidance › DPU yield, earnings, business strategy, market outlook › ESG risks and opportunities	Financial Capital, Social and Relationship Capital
Employees	› Regular dialogue sessions with senior management › Regular employee engagement survey › Volunteer programmes › Recreation club activities › Regular staff engagement initiatives, such as the global LIFE Heartware Awards to recognise staff who consistently provide exemplary service	› Work-life balance › Remuneration and benefits › Employee welfare › Enhance customer experience by promoting a culture of service excellence	Human Capital, Social and Relationship Capital
Supply chain – main contractors, vendors, suppliers, creditors	› CapitaLand Supply Chain Code of Conduct › Environmental, Health and Safety (EHS) guidelines › Policy and quarterly EHS monitoring › Vendor evaluation, including events, meetings and trainings	› Design and quality › Occupational health and safety practices › Workers welfare and well-being › Environmental compliance › Timely payment	Human Capital, Social and Relationship Capital, Environmental Capital
Government/ national agencies/ community and non-governmental organisations (NGOs)	› Regulatory readiness to the Singapore Government's commitment to manage carbon emissions › Longstanding partner of various national programmes › Sustainability reports › Participation in external conferences/forums › Corporate advertisements › Consultation and sharing with academics, NGOs and business associations › Senior management representation on boards of various industry bodies and sustainability related public discussions	› Sustainable building developments › Stakeholder programmes to advocate sustainable tenant/resident/customer behaviours › Advocating best practices	Social and Relationship Capital

1 For more information on key stakeholders' issues of interest, please refer to CapitaLand Global Sustainability Report 2018 – to be published by 31 May 2019.

SUSTAINABILITY MANAGEMENT

CREATING VALUE AND ALIGNMENT TO UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS (UN SDGS[1])

CapitaLand referenced the Guiding Principles of the International Integrated Reporting Council (IIRC) Framework and grouped its material ESG issues into six Capitals – Financial, Organisational, Manufactured, Environmental, Human, and Social and Relationship. This is also mapped against some of CapitaLand's key efforts and programmes in relation to the key UN SDGs. For more information, please refer to CapitaLand Global Sustainability Report 2018 which will be published by 31 May 2019.

Capitals	What We Do (UN SDGs supported)	2018 Value Created
Financial › Earnings › Equity › Investments › Assets	› Combination of master lease contracts and management contracts, for portfolio of stable and growth income › Active asset management › Diversified geographies › Disciplined capital and debt management	› Refer to the Financial Review and Portfolio Overview sections on pages 96 to 100 and 101 to 104 respectively of this Annual Report
Organisational › Leadership & culture › Corporate governance › Risk management	› Ascott Reit adopts a strong stance against bribery and corruption › All employees are required to make an annual declaration to uphold CapitaLand's core values and to not engage in any corrupt or unethical practices › Require certain agreements with third-party service providers and vendors to incorporate anti-bribery and anti-corruption provisions › Require main contractor to ensure no child labour and forced labour at CapitaLand's project sites › Supply Chain Code of Conduct to influence our supply chain to operate responsibly in the areas of anti-corruption, human rights, health and safety, as well as environmental management › CapitaLand is a signatory to UN Global Compact (SDG 16)	› Refer to the Corporate Governance section on pages 25 to 51 of this Annual Report › No reported incident relating to discrimination, child labour or forced labour › Ascott Reit supports the ethical marketing of our products and services and practice fair competition, including room sales. We adhere to the Singapore Code of Advertising Practice (SCAP) and any other rules and regulations that apply. The SCAP was formulated against the background of national law, international law and practice, including the International Code of Advertising Practice published by the International Chamber of Commerce.
Social and relationship › Stakeholder relations › Social licence to operate › Community development	CapitaLand Hope Foundation (CHF), CapitaLand's philanthropic arm, believes in investing in the fundamental needs of education, healthcare and shelter of underprivileged children to relieve them of hardship and help them to eventually break the poverty cycle. CHF also strives to improve the quality of life for the vulnerable elderly in Singapore through healthcare, deeper social integration and better living conditions[2]. (SDG 1, 2, 4)	› Ascott Reit's global team participated in various charitable activities during the year, including: • partnering a local NGO from the Philippines to provide meals to over 600 children, raising over S$23,000 in support for other food distribution programme • partnering CapitaLand Vietnam to raise funds for underprivileged primary school students in Bu Dang Town, Binh Phuoc Province, Vietnam • visitation to Go Vap Orphanage Centre, home to over 240 orphans. Our team donated food and general supplies to the orphanage as well as carry out repairs, cleaning works and engaged the children over performances and activities • spearheading the "Charity Bazaar for Lombok" drive where donated items from staff and residents were sold and proceeds donated to Save the Children foundation

1 The UN SDGs call on companies everywhere to advance sustainable development through the investments they make, the solutions they develop, and the business practices they adopt. In doing so, the goals encourage companies to reduce their negative impacts while enhancing their positive contribution to the sustainable development agenda.

2 SDG1 No Poverty includes targets such as ensuring equal rights to economic resources. SDG2 Zero Hunger includes targets such as ending all forms of malnutrition. Both targets are in line with CHF's work to provide education, healthcare and shelter for underprivileged children.

Capitals	What We Do (UN SDGs supported)	2018 Value Created
Manufactured › Environmentally sustainable, healthy, safe and accessible quality buildings › Innovative and sustainable construction methods and technologies **Environmental** › Carbon emissions › Energy management › Water stewardship › Waste and resource management	CapitaLand is committed to: › reduce energy consumption through energy efficiency and encourage renewable energy sources › reduce water consumption, reuse water and prevent water pollution, especially in countries where the availability of clean water and sanitation are of concern › green its operational portfolio by 2030 › actively embrace innovation to ensure commercial viability without compromising the environment for future generations › future-proof its developments by addressing the risks of climate change right from the design stage › preserve the biodiversity of its sites as well as the wider area where possible Occupational health and safety is of utmost importance to Ascott Reit, including all our employees, residents, contractors, suppliers and the communities who use our properties. CapitaLand EHS Management System is externally audited to receive the International Organization for Standardization (ISO) 14001 and Occupational Health and Safety Assessment Series (OHSAS) 18001 certification across 15 countries. CapitaLand continues to participate in Carbon Disclosure Project (CDP). Its footprint is calculated in accordance with the Greenhouse Gas (GHG) Protocol[1]. (SDG 3, 6, 7, 9, 11, 13, 15)	› Green Building Ratings: In 2018, Ascott Reit obtained two green building ratings[2] › Consumption[3]: For the first nine months of 2018, Ascott Reit's operational properties' total energy consumption was 76,198 MWh. Indirect energy consumption accounted for about 86% (65,675 MWh) and direct energy consumption from gas, diesel and other fuels accounted for about 14% (10,523 MWh) of total energy consumption. Approximately 918 MWh of our electricity consumption was from renewable sources. Direct (Scope 1) and indirect (Scope 2) carbon emissions were approximately 2,080 tonnes CO_2e and 29,228 tonnes CO_2e respectively. Ascott Reit's operating properties' total water consumption was about 749,881m^3. This includes the use of 8,490m^3 of recycled water. › Reduction[4]: For the first nine months of 2018, our reduction in energy usage in kWh/m^2 was 14% and our reduction in water usage in m^3/m^2 was 36% from the 2008 baseline. Our reduction in carbon intensity (kg/m^2) was 33% from the 2008 baseline. Ascott Reit will continue to implement energy and water conservation measures to ensure efficient operations and minimise resource wastage. › More than 280 CapitaLand properties across Asia and Europe participated in the World Wide Fund for Nature Earth Hour initiative. More than 70% of Ascott Reit's properties participated in this event.
Human › Health and safety › Job creation and security › Learning and development › Benefits and remuneration	Ascott Reit believes that regardless of ethnicity, age or gender, employees can make a significant contribution based on their talent, expertise and experience. We adopt consistent, equitable, and fair labour policies and practices in rewarding as well as developing our employees. Ascott Reit aims to provide a work environment that is safe and contributes to the general well-being of our employees. CapitaLand is a signatory to the UN Global Compact. (SDG 3, 8, 10)	› Zero Fatality/Permanent Disability: In 2018, there was no staff fatality or permanent disability reported › Global workforce[5] • more than 70 nationalities • almost equal proportion of males and females, at ratio of 48:52 • 61% of global workforce aged between 30 and 50 • average training hours per staff of approximately 54 hours

1 This was developed by the World Resources Institute and World Business Council for Sustainable Development, which sets the global standard on how to measure, manage and report greenhouse gas emissions.
2 Somerset Ho Chi Minh City was awarded the Green Mark Gold[Plus] and Ascott Makati was awarded the first green building certification in the serviced residences category by International Finance Corporation as a part of their Excellence in Design for Greater Efficiencies (EDGE) system.
3 Computation of footprint data excluded third-party operated properties.
4 Computation of intensity data excluded new properties which are in operation for less than 12 months, properties undergoing asset enhancement programmes and third-party operated properties.
5 Computation of global workforce statistics are based on employees of Ascott Reit (including our subsidiaries) and ARTML.

REACHING FOR **THE SKY**

Ascott Reit has our eyes on elevating our game and enhancing our differentiation. In addition to delivering exceptional services and facilities in our properties, Ascott Reit aspires to be at the forefront of innovating well-connected, digitally-enabled residences that foster a sense of community and a well-balanced life.

RECORD HIGH ACHIEVEMENT

S$514.3 million **Revenue**	**S$154.8** million **Unitholders' Distribution**

OPERATIONS REVIEW

AUSTRALIA

Citadines on Bourke Melbourne

Australia is one of the Ascott Reit's key markets, contributing 8% of total gross profit for FY 2018. Ascott Reit owns one leasehold and four freehold serviced residences in Australia. The 140-unit Quest Sydney Olympic Park is a 99-year leasehold property located within Sydney Olympic Park, near ANZ Stadium and Qudos Bank Arena, a large entertainment and sporting complex. The 81-unit Quest Campbelltown is well-located in south-west Sydney's urban hub, an established residential, commercial and industrial area with numerous restaurants near the property while the 91-unit Quest Mascot is a five-minute drive from Sydney Airport. Quest Sydney Olympic Park, Quest Campbelltown and Quest Mascot (collectively known as the 'Quest properties') are operating under master lease arrangements, with remaining lease terms of over 20 years[1].

The 380-unit Citadines on Bourke Melbourne is situated in the heart of Melbourne's central business district (CBD), close to the Parliament House and 101 Collins Street while the 85-unit Citadines St Georges Terrace Perth is conveniently located in Perth's CBD, along St Georges Terrace. These two properties operate under management contracts, with an average length of stay of less than one month.

2018 REVIEW

The International Monetary Fund (IMF) recorded an estimated GDP growth of 3.2%[2] for Australia in 2018, underpinned by household consumption and government spending to spur demand. With jobs

S$35.4m
Total Revenue
(FY 2018)

S$18.9m
Total Gross Profit
(FY 2018)

S$269.1m
Valuation
(as at 31 December 2018)

growth, Australia's unemployment rate has declined to 5.3% and is expected to fall further over time[3].

In 2018, new hotel supply of approximately 6,000 units[4] was injected into Australia. Citadines on Bourke Melbourne, the main contributor of the Australian portfolio performance, achieved an increase in RevPAU by 2% YoY in local currency terms. This was due to growth in corporate accounts and government related businesses in Melbourne, which more than offset the slight decline in leisure business. Despite the decline in RevPAU for Citadines St Georges Terrace Perth in 2018, its performance remained better than the broader market, due to an increase in corporate stays from the mining resource sector in Perth.

While growth in the Australian economy and improvement in our Melbourne property led to a stronger performance of our Australian portfolio, RevPAU in SGD terms declined 4% from S$156 to S$150 due to a weaker Australian Dollar.

2019 OUTLOOK

The Australian economy is projected to grow 2.8%[2] for 2019 with new capacity in the resource sector, which will support exports and business investments[5]. Wages and prices are expected to increase gradually while unemployment is expected to decline further in 2019. It is projected that hotel supply will increase by approximately 8,000 units in 2019[4], which is likely to put pressure on room rates especially in Perth. However, due to its good location, our Perth property is expected to benefit from the various entertainment concerts and sporting events to be held in 2019. The Melbourne market is expected to achieve a stable RevPAU in spite of soft demand. This is attributed to Melbourne's strong long term fundamentals with growth from inbound segments[6].

The Quest properties, operating under master lease arrangements with fixed rents and annual indexation, will provide income stability to Ascott Reit's Australian portfolio.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Citadines on Bourke Melbourne	22,417	23,435	167.6
Citadines St Georges Terrace Perth	3,742	4,114	36.1
Quest Campbelltown	1,774	1,785	21.3
Quest Mascot	2,226	2,381	26.9
Quest Sydney Olympic Park	3,596	3,644	44.8

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Citadines on Bourke Melbourne	158	162
Citadines St Georges Terrace Perth	117	129

Source:
1 Including extension period at lessees' option
2 International Monetary Fund (2018)
3 Deloitte (2018)
4 Tourism Australia (2018)
5 Organisation for Economic Cooperation and Development (2018)
6 Colliers International (2018)

OPERATIONS REVIEW

BELGIUM

Citadines Toison d'Or Brussels

2 Properties

323 Units

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

Both properties in Belgium operate under management contracts with minimum guaranteed income, with an average length of stay of less than one month.

S$14.8m
Total Revenue
(FY 2018)

S$4.4m
Total Gross Profit
(FY 2018)

S$63.3m
Valuation
(as at 31 December 2018)

2018 REVIEW

According to the IMF, the Belgium economy registered an estimated growth of 1.5%[1] in 2018 , a downward revision from its initial growth forecast, as the Eurozone lost its momentum in the first half of 2018 due to higher oil prices and a decline in consumer and manufacturer confidence. Furthermore, trade tensions and the lack of clarity surrounding Brexit resulted in a slowdown in exports[2].

International tourist arrivals, on the other hand, increased 8.6% YoY for the first half of 2018[3]. Stronger market demand, proactive yield management and the prime location of our properties had boosted both occupancy and average room rates, resulting in better performance of our Belgium properties. In 2018, the overall RevPAU increased 15% YoY from S$98 to S$113.

2019 OUTLOOK

Economic growth in Belgium has slowed down in 2018 and is projected to remain at around 1.5%[1] in 2019. Domestic demand will be the main driver of growth. Private investment will also support growth in the coming two years. Underlying price inflation will pick up gradually due to increasing wage growth in a tight labour market[4].

Several events such as Le Tour de France, Busworld and Labelexpo scheduled in the second half of 2019 could drive accommodation demand in Brussels. As our Belgium properties are under management contracts with minimum guaranteed income, Ascott Reit enjoys protection of income from downside risks.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Citadines Sainte-Catherine Brussels	7,196	6,023	26.7
Citadines Toison d'Or Brussels	6,263	5,739	23.5

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Citadines Sainte-Catherine Brussels	117	97
Citadines Toison d'Or Brussels	109	100

Source:
1 International Monetary Fund (2018)
2 The Brussels Times (2018)
3 European Travel Commission (2018)
4 Organisation for Economic Cooperation and Development (2018)

OPERATIONS REVIEW

CHINA

1,441 Units

7 Properties

Somerset Xu Hui Shanghai

As one of Ascott Reit's key markets, China contributed 9% of total gross profit for FY 2018. Ascott Reit owns seven leasehold serviced residences across China in Dalian, Guangzhou, Shanghai, Shenyang, Suzhou, Tianjin and Wuhan. The 168-unit Somerset Xu Hui Shanghai is in the exclusive Xu Hui residential district; the 185-unit Somerset Olympic Tower Property Tianjin is situated in Heping district, the city's prime commercial, entertainment and residential area; the 207-unit Ascott Guangzhou lies within the Tianhe CBD; the 270-unit Somerset Heping Shenyang lies within Heping district, the heart of Shenyang's main commercial and shopping district; the 167-unit Citadines Xinghai Suzhou is located in the West Jinji Lake CBD of Suzhou Industrial Park; the 195-unit Somerset Grand Central Dalian is situated in Dalian Development Area; and the 249-unit Citadines Zhuankou Wuhan is situated in the Wuhan Economic and Technological Development Zone.

All of our properties in China operate under management contracts. The average length of stay at our properties in China is more than seven months.

2018 REVIEW

According to China's National Bureau of Statistics, the country's economic growth slowed to 6.6%[1] in 2018. In addition to the ongoing trade tensions, China is facing a deteriorating global trade environment, falling export growth and currency depreciation[2]. In 2018, new hotel openings surged over 100,000 units[3].

Despite a slowing macro-environment with increased hotel supply, Ascott Reit's China portfolio performed better with 13% growth in overall RevPAU YoY from S$85 to S$96, on the back of both higher occupancy and average room rates for 2018. This was also contributed by the reconstitution of the China portfolio through the divestment of Citadines Biyun Shanghai and Citadines Gaoxin Xi'an, which had relatively lower RevPAU against other properties. Strong performance from our properties located in first-tier cities was attributed to strong domestic demand and long stay accounts offering stability. Weaker performances observed in Suzhou and Shenyang were due to softer market demand and keen competition respectively.

S$54.2m	S$20.8m	S$502.2m
Total Revenue *(FY 2018)*	Total Gross Profit *(FY 2018)*	Valuation *(as at 31 December 2018)*

2019 OUTLOOK

China's economic growth is projected to weaken to 6.2%[4] in 2019. Coupled with a cutback in infrastructure investment, the slowdown stems from weakening industrial production, profits and revenues and loss of momentum of foreign trade flows arising from the trade tensions. However, fiscal policy is expected to remain supportive, to counteract the weakening growth[5].

China's hospitality pipeline is still at an all-time high with major international hotel groups expanding across the cities. For the next two years, more than 1,000 hotels are expected to open across China with a larger average quantity of rooms[3]. The first-tier cities - Shanghai and Guangzhou - are at the forefront, with over 50,000 units collectively expected to enter the market.

Suzhou is also expecting an influx of approximately 14,000 units[3]. The huge on-coming supply may put pressure on room rates of Ascott Reit's properties in our bid to maintain market share.

Despite trade tensions, the first-tier cities of the populous country remain attractive destinations for multinational corporations to establish their roots.

China's plan to impose a minimum requirement on production of new-energy vehicles in 2019[6] is expected to benefit the automotive industry and its suppliers. These positive effects may spillover to Ascott Reit's properties as we have a significant number of corporate clients from the automotive industry. In addition to being a popular choice for new and returning Japanese expatriates, our Guangzhou and Tianjin properties may stand to benefit from Toyota's plans to expand its production in both markets[2]. Nissan and BMW also have plans to scale up their operations in Wuhan[2] and Shenyang[7] respectively. Panasonic's production facility in Dalian will be experiencing an uplift in its production of lithium-ion batteries[6].

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Ascott Guangzhou	9,562	9,131	85.7
Citadines Biyun Shanghai[8]	16	5,509	63.2
Citadines Gaoxin Xi'an[8]	62	2,183	55.1
Citadines Xinghai Suzhou	4,229	4,316	23.2
Citadines Zhuankou Wuhan	5,363	5,075	51.4
Fortune Garden Apartments[9]	–	18	52.8
Somerset Grand Central Dalian	8,096	8,336	118.6
Somerset Heping Shenyang	7,030	7,232	86.2
Somerset Olympic Tower Property Tianjin	9,037	8,394	76.8
Somerset Xu Hui Shanghai	9,207	8,875	51.5

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Ascott Guangzhou	123	117
Citadines Biyun Shanghai[8]	–	78
Citadines Gaoxin Xi'an[8]	–	29
Citadines Xinghai Suzhou	69	70
Citadines Zhuankou Wuhan	56	53
Somerset Grand Central Dalian	108	106
Somerset Heping Shenyang	71	73
Somerset Olympic Tower Property Tianjin	117	109
Somerset Xu Hui Shanghai	150	145

1 Source: National Bureau of Statistics, China (2019)
2 Source: Reuters (2018)
3 Source: Hotel Management (2018)
4 Source: International Monetary Fund (2019)
5 Source: Organisation for Economic Cooperation and Development (2018)
6 Source: Nikkei Asian Review (2018)
7 Source: China Daily (2018)
8 The properties were divested on 5 January 2018.
9 As at 31 December 2017, the property completed its strata sale.

OPERATIONS REVIEW

FRANCE

17
Properties

1,672
Units

La Clef Louvre Paris

France is one of Ascott Reit's key markets, contributing 14% of total gross profit for FY 2018. Ascott Reit has 17 freehold serviced residences in France. 10 properties are located in the French capital of Paris, while seven are based in the regional cities of Cannes, Grenoble, Lille, Lyon, Marseille and Montpellier. Our properties in Paris are in prime areas near iconic landmarks such as the Louvre, Eiffel Tower, Notre Dame and the Seine River. The remaining seven properties are all conveniently located in the central districts of their respective cities. The asset enhancement initiative at Citadines Trocadéro Paris which commenced in 2017 was completed in the fourth quarter of 2018.

All 17 properties are operating under master lease arrangements. The remaining lease terms vary between less than one year and three years.

2018 REVIEW

According to the Bank of France, the French economy grew 1.5%[1] in 2018. This was despite the slowdown from transport strikes and inflation-curbed consumption[2]. Towards the end of 2018, the French economy was impacted by the "Yellow Vests" protests and terrorist attacks, and the country's private sector contracted for the first time in two and a half years[3].

S$35.8m
Total Revenue
(FY 2018)

S$33.1m
Total Gross Profit
(FY 2018)

S$514.1m
Valuation
(as at 31 December 2018)

France remains one of the largest European economies and the most visited country in the world, with approximately 90 million international tourists in 2018[4]. Visitor arrivals was propelled by the government's push towards accelerating visa procedures and reduced waiting times at airports. Paris continues to top the chart with the highest RevPAU amongst the European cities[5].

All our properties in France are underpinned by stable rental income, subject to indexation, from master leases and are not exposed to operational risks including terrorism and protests. During the year, six master leases were renewed at lower aggregated rates due to changes in market environment since the lease was first signed a decade ago, resulting in a fall in contribution for 2018.

2019 OUTLOOK

The French economy's expansion is expected to continue in 2019, at a forecasted rate of 1.5%[6]. Improving labour market and increased household spending are the main contributors to the growth. Supportive financing conditions and business tax cuts will further boost business investment, despite slowing external demand[2].

According to PricewaterhouseCoopers, with a target to attract 100 million tourists by 2020 to the country, tourism remains a key cornerstone in the growth of the French economy. Paris has always been an attractive destination for both business and leisure travellers as the city plays host to leading international conferences and trade shows. Moreover, Paris continues to be a haven for shopping and cultural landmarks. With the upcoming Paris Air Show in June 2019 and the opening of Pinault-Paris Museum, tourist arrivals are expected to increase in the upcoming year[5].

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Citadines Antigone Montpellier	832	799	13.8
Citadines Austerlitz Paris	510	491	9.6
Citadines Castellane Marseille	568	547	10.7
Citadines City Centre Grenoble	1,360	1,521	16.7
Citadines City Centre Lille	1,534	1,591	16.2
Citadines Croisette Cannes	496	476	8.4
Citadines Didot Montparnasse Paris	1,860	1,803	25.7
Citadines Les Halles Paris	5,327	5,098	88.2
Citadines Maine Montparnasse Paris	1,505	1,449	20.6
Citadines Montmartre Paris	2,937	3,040	40.4
Citadines Place d'Italie Paris	3,195	4,166	56.3
Citadines Prado Chanot Marseille	469	390	9.4
Citadines Presqu'île Lyon	1,645	1,216	21.4
Citadines République Paris	1,593	1,533	21.2
Citadines Tour Eiffel Paris	3,744	3,357	59.2
Citadines Trocadéro Paris	3,148	3,199	51.3
La Clef Louvre Paris	2,623	2,381	40.3

Source:
1 Bank of France (2019)
2 Organisation for Economic Cooperation and Development (2018)
3 Channel NewsAsia (2018)
4 Ministry of Foreign Affairs, France (2019)
5 PricewaterhouseCoopers (2018)
6 International Monetary Fund (2019)

OPERATIONS REVIEW

GERMANY

5
Properties

721
Units

Citadines Kurfürstendamm Berlin

Ascott Reit owns five serviced residences in Germany. The 127-unit leasehold Citadines Michel Hamburg and the other four freehold properties, namely the 117-unit Citadines Kurfürstendamm Berlin, the 146-unit Citadines Arnulfpark Munich, the 166-unit The Madison Hamburg and the 165-unit Citadines City Centre Frankfurt are all conveniently located in the cities' central districts. All five properties in Germany are operating under master lease arrangements, with the remaining lease terms varying between 13 and 21 years[1]. The renovation of the apartment units and public areas at Citadines Arnulfpark Munich was completed in the first half of 2018.

S$15.6m
Total Revenue
(FY 2018)

S$14.3m
Total Gross Profit
(FY 2018)

S$249.4m
Valuation
(as at 31 December 2018)

2018 REVIEW

According to Germany's Federal Statistics Office, the growth of Germany's economy slowed to 1.5%[2] in 2018. The subdued growth was attributed to a weaker global economy and a slowdown in the automotive industry, on the back of changes to emission standards[2]. Despite slower growth, tourist arrivals increased 4% YoY from January to November 2018[2].

With the acquisition of the Citadines City Centre Frankfurt and the Citadines Michel Hamburg in May 2017, the enlarged Germany portfolio registered a 24% increase YoY in revenue and gross profit.

2019 OUTLOOK

According to the IMF, the German economy's growth is projected to decline to 1.3%[3] in 2019. Private consumption is expected to increase due to strong job creation, wage growth and fiscal stimulus. Low interest rates will support business investment, but the current account surplus is expected to fall as stronger domestic demand fuels imports. Moreover, trade-related uncertainties and moderating world demand will weigh on exports[4].

With approximately 46,000 units expected to enter into the German market[5] , the large increase in hotel supply is expected to put pressure on room rates. Berlin remains an attractive tourist destination and a magnet for new hotel and business conferences. As Germany's financial and business centre, Frankfurt's hospitality market is expected to benefit from the country's economic growth and spillovers from Brexit. Hamburg will continue to be a popular destination among corporate travellers given its strategic location as Germany's largest universal port and Europe's third largest container port, making it the ideal national as well as international logistic center. Special fairs to be hosted in Munich is expected to support the local hospitality industry.

With the five properties operating under master lease arrangements, where Ascott Reit receives a fixed rental, subject to annual indexation, the German properties enhance income stability of our portfolio.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Citadines Kurfürstendamm Berlin	1,690	1,622	21.1
Citadines Arnulfpark Munich	2,207	2,122	34.0
Citadines City Centre Frankfurt[6]	3,234	2,073	55.6
Citadines Michel Hamburg[6]	2,700	1,731	46.4
The Madison Hamburg	5,122	4,536	59.4

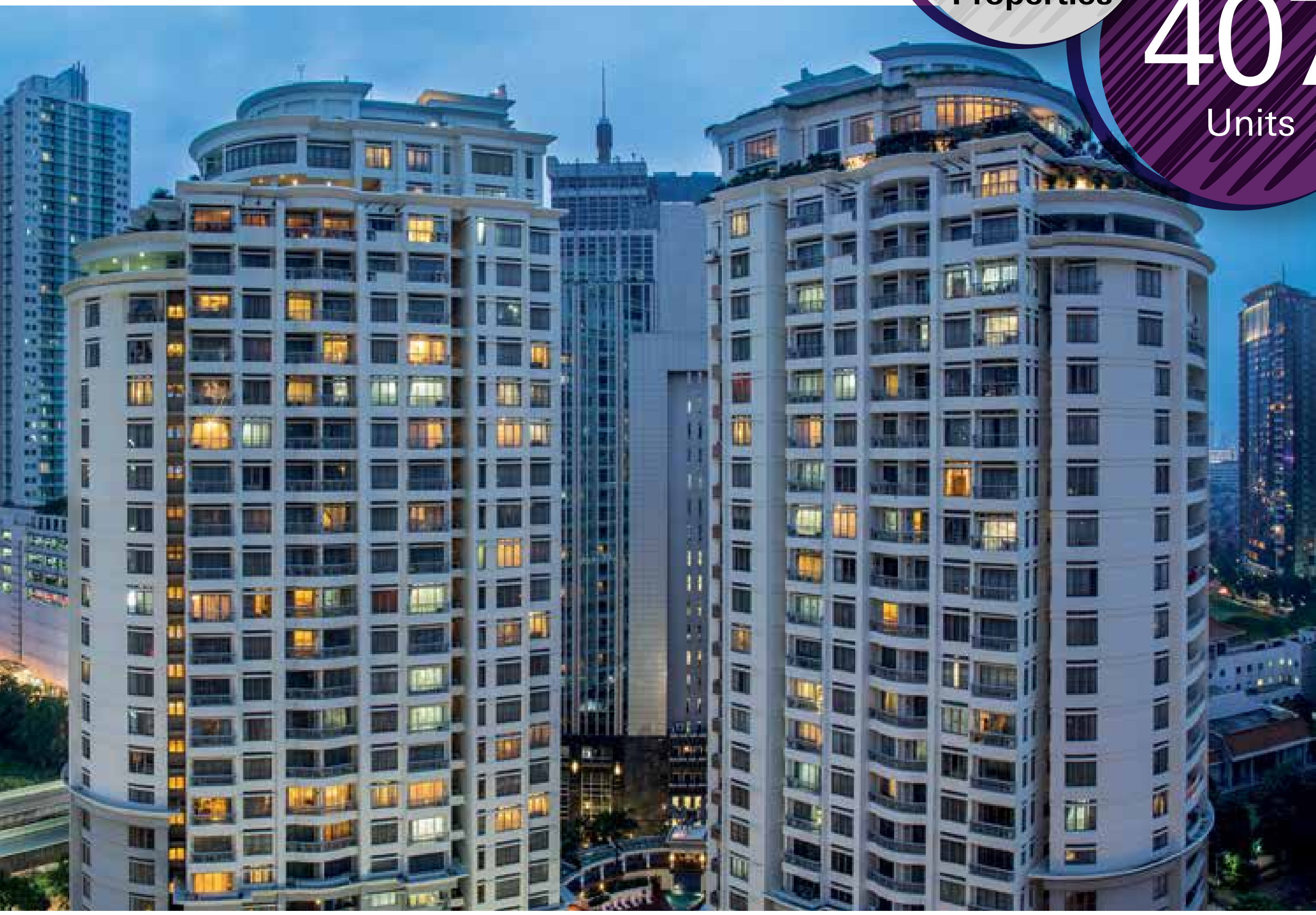
Source:
1 Including extension period at lessees' option
2 Source: Federal Statistical Office of Germany (2019)
3 Source: International Monetary Fund (2019)
4 Source: Organisation for Economic Cooperation and Development (2018)
5 Source: STR (2019)
6 The properties were acquired on 2 May 2017 with an effective interest of 93%.

OPERATIONS REVIEW

INDONESIA

2
Properties

407
Units



Somerset Grand Citra Jakarta

Ascott Reit owns two leasehold properties in Indonesia. The 204-unit Ascott Jakarta and 203-unit Somerset Grand Citra Jakarta are both located in Central Jakarta's Golden Triangle business and shopping district.

Both properties operate under management contracts and the average length of stay is about six months. Somerset Grand Citra Jakarta commenced refurbishment of its apartment units during the year and completed the renovation of 44 units by end of 2018. Another 40 units are undergoing renovations and are expected to be completed by mid 2019.

S$15.5m
Total Revenue
(FY 2018)

S$5.7m
Total Gross Profit
(FY 2018)

S$102.8m
Valuation
(as at 31 December 2018)

2018 REVIEW

The Indonesian economy grew by 5.1%[1] in 2018, according to Statistics Indonesia. This was largely driven by domestic demand and investments, especially in the mining and infrastructure sectors[2]. Indonesia's hospitality market continued to experience a slight oversupply, with approximately 2,000 rooms injected into Jakarta in 2018. With corporations mainly contributing to the overall room demand, hospitality players were more focused on the corporate rather than leisure segment[3]. However, with ample accommodation options, corporate clients became more price sensitive, causing average room rates to fall[3].

In line with the market and on the back of a weaker USD, Ascott Reit's properties saw a decline in overall RevPAU of 8% from S$107 to S$99. Average room rates were impacted by the oversupply of new hotels, and the decline more than offset the increase in occupancy. Furthermore, the ongoing renovations at Somerset Grand Citra Jakarta put further pressure on the Indonesian portfolio's performance.

2019 OUTLOOK

According to IMF, Indonesia's economic growth is expected to remain at 5.1%[4] for 2019. The growth is underpinned by a lift in private consumption from rising incomes and ongoing infrastructure investment[5]. Hotel supply is expected to taper off to 1,800 rooms[3], which may alleviate some pressure on room rates. With the government's emphasis on promoting Indonesia as a top tourist spot, tourist arrivals are expected to grow 18% YoY to 20 million[6]. Moreover, the upcoming general election is expected to boost accommodation demand[3].

With the positive market forecast and recent completion of refurbishments of 44 units at Somerset Grand Citra Jakarta, average room rates are expected to increase. Our Indonesian team will also continue to drive sales and marketing efforts, boosting the performance of the properties.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Ascott Jakarta	8,376	8,616	43.0
Somerset Grand Citra Jakarta	6,581	7,452	54.6

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Ascott Jakarta	111	114
Somerset Grand Citra Jakarta	84	98

Source:
1 Statistics Indonesia (2019)
2 The World Bank (2018)
3 Colliers International (2018)
4 International Monetary Fund (2018)
5 Organisation for Economic Cooperation and Development (2018)
6 Ministry of Tourism, the Republic of Indonesia (2018)

OPERATIONS REVIEW

JAPAN

Citadines Shinjuku Tokyo

15 Properties

2,086 Units

Japan is one of Ascott Reit's key markets, contributing 13% to total gross profit for FY 2018. Ascott Reit has four freehold serviced residences and 11 freehold rental housing properties in Japan. The 79-unit Somerset Azabu East Tokyo, 160-unit Citadines Shinjuku Tokyo and the 206-unit Citadines Central Shinjuku Tokyo have prime locations in central Tokyo with easy access to business and leisure districts. The 124-unit Citadines Karasuma-Gojo Kyoto is located close to the Gojo subway station, retail and food and beverage outlets. One of the rental housing properties is centrally located in the CBD of Tokyo's Minato ward, while the remaining properties are located across the four cities of Fukuoka, Hiroshima, Osaka and Sapporo. All of them are conveniently located close to public transportation, supermarkets and other lifestyle amenities.

S$55.6m	**S$30.6m**	**S$633.8m**
Total Revenue	Total Gross Profit	Valuation
(FY 2018)	*(FY 2018)*	*(as at 31 December 2018)*

All of the Japan properties are operating under management contracts. The average length of stay for the serviced residences and rental housing properties are more than one month and more than a year respectively.

2018 REVIEW

According to Japan's Cabinet Office, Japan's economy registered a modest expansion of 0.7%[1] in 2018. Growth was driven by personal consumption and private investments[2], but the series of natural disasters such as floods and earthquakes in the third quarter of 2018 and the fall in exports offset some of the growth[3].

According to the Japan National Tourism Organisation, the tourism industry saw a record number of approximately 31.1 million international visitors in 2018[4]. The growth was largely attributed to the relaxation of visa requirements for travellers from Russia, India, and other countries, as well as promotions overseas[5].

All of Ascott Reit's serviced residence properties in Tokyo performed better in 2018 due to an increase in leisure business and better revenue management. Moreover, the *minpaku* regulations that were enacted in June 2018 helped to create a level playing field between the private accommodation sector and hospitality players. The implementation of restrictions on short-term vacation rental had reduced the supply of the private accommodation listings throughout the year[6].

The weaker performance of Citadines Karasuma-Gojo Kyoto was a result of keen competition and oversupply in the market. Coupled with a weaker JPY, overall RevPAU of the Japan serviced residence portfolio experienced a slight YoY decline of 2% from S$145 to S$142. The Japan portfolio remained stable as a whole, however, as the rental housing portfolio with longer average stays provided a lift.

2019 OUTLOOK

Japan's economic growth is projected to increase slightly to 1.1%[2] in 2019. The growth is largely driven by investments and pick-up in personal consumption with expected record-high corporate profits and higher wages. However, growth is dampened in the short term by labour shortages and the impending consumption tax hike effective in October 2019.

These factors will temporarily reduce demand but is expected to recover in early 2020, buoyed by labour imports, additional government spending and the upcoming 2020 Olympic Games in Tokyo[7].

2019 will continue to see a growth in international visitors with arrivals expected to reach 40 million by 2020, in line with the upcoming catalytic events such as the 2019 Rugby World Cup and the 2020 Olympic Games[8]. However, new supply in Tokyo, Osaka and Kyoto is expected to increase by approximately 30% to 60% between 2017 to 2020[9], in preparation for the Olympics, which may put downward pressure on room rates.

Source:
1 Japan's Cabinet Office (2019)
2 International Monetary Fund (2019)
3 Bloomberg (2018)
4 Japan National Tourism Organisation (2019)
5 The Japan Times (2019) UBS Report (2018)
6 UBS (2018)
7 Organisation for Economic Cooperation and Development (2018)
8 Savills (2018)
9 CBRE (2018)

OPERATIONS REVIEW

JAPAN

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Citadines Central Shinjuku Tokyo	12,384	12,252	95.2
Citadines Karasuma-Gojo Kyoto	5,259	6,395	39.9[1]
Citadines Shinjuku Tokyo	9,529	9,039	84.3[2]
Somerset Azabu East Tokyo	3,407	3,350	79.8
Actus Hakata V-Tower	2,957	3,043	39.5
Asyl Court Nakano Sakaue Tokyo[3]	–	283	20.3
Big Palace Kita 14jo	1,320	1,335	17.3
Gala Hachimanyama I Tokyo[3]	–	312	20.1
Gala Hachimanyama II Tokyo[3]	–	60	3.9
Gravis Court Kakomachi	575	581	6.7
Gravis Court Kokutaiji	430	439	5.0
Gravis Court Nishiharaekimae	339	348	4.2
Infini Garden	6,436	6,577	95.2
Joy City Koishikawa Shokubutsuen Tokyo[3]	–	173	12.8
Joy City Kuramae Tokyo[3]	–	279	19.1
Roppongi Residences Tokyo	2,146	2,155	57.1
S-Residence Fukushima Luxe	2,063	2,086	31.1
S-Residence Hommachi Marks	1,112	1,129	17.3
S-Residence Midoribashi Serio	1,000	1,055	14.5
S-Residence Tanimachi 9 chome	1,217	1,230	18.1
Zesty Akebonobashi Tokyo[3]	–	56	4.8
Zesty Gotokuji, Tokyo[3]	–	57	4.2
Zesty Higashi Shinjuku Tokyo[3]	–	86	6.2
Zesty Kagurazaka I Tokyo[3]	–	86	6.0
Zesty Kagurazaka II Tokyo[3]	–	83	5.6
Zesty Kasugacho Tokyo[3]	–	110	8.0
Zesty Koishikawa Tokyo[3]	–	53	3.5
Zesty Komazawa Daigaku II Tokyo[3]	–	164	11.5
Zesty Nishi Shinjuku III Tokyo[3]	–	145	10.5
Zesty Sakura Shinmachi Tokyo[3]	–	86	7.0
Zesty Shin Ekoda Tokyo[3]	–	68	4.7
Zesty Shoin Jinja Tokyo[3]	–	69	4.7
Zesty Shoin Jinja II Tokyo[3]	–	83	5.7

Serviced Residences Revenue Per Available Unit (S$)	FY 2018	FY 2017
Citadines Central Shinjuku Tokyo	153	151
Citadines Karasuma-Gojo Kyoto	116	141
Citadines Shinjuku Tokyo	163	155
Somerset Azabu East Tokyo	116	113

Rental Housing Rental Per Square Metre (S$)	FY 2018	FY 2017
Actus Hakata V-Tower	29	30
Asyl Court Nakano Sakaue Tokyo[3]	–	47
Big Palace Kita 14jo	26	26
Gala Hachimanyama I Tokyo[3]	–	42
Gala Hachimanyama II Tokyo[3]	–	43
Gravis Court Kakomachi	27	25
Gravis Court Kokutaiji	26	26
Gravis Court Nishiharaekimae	23	27
Infini Garden[4]	17	–
Joy City Koishikawa Shokubutsuen Tokyo[3]	–	43
Joy City Kuramae Tokyo[3]	–	42
Roppongi Residences Tokyo	50	50
S-Residence Fukushima Luxe	37	38
S-Residence Hommachi Marks	33	33
S-Residence Midoribashi Serio	32	33
S-Residence Tanimachi 9 chome	35	36
Zesty Akebonobashi Tokyo[3]	–	45
Zesty Gotokuji, Tokyo[3]	–	41
Zesty Higashi Shinjuku Tokyo[3]	–	50
Zesty Kagurazaka I Tokyo[3]	–	47
Zesty Kagurazaka II Tokyo[3]	–	48
Zesty Kasugacho Tokyo[3]	–	36
Zesty Koishikawa Tokyo[3]	–	42
Zesty Komazawa Daigaku II Tokyo[3]	–	46
Zesty Nishi Shinjuku III Tokyo[3]	–	48
Zesty Sakura Shinmachi Tokyo[3]	–	40
Zesty Shin Ekoda Tokyo[3]	–	38
Zesty Shoin Jinja Tokyo[3]	–	40
Zesty Shoin Jinja II Tokyo[3]	–	41

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

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

3 The properties were divested on 26 April 2017.

4 Upon the expiry of the master lease arrangement, the property is operated under a management contract with effect from 1 July 2018. The rental per square metre relates to the second half of 2018.

OPERATIONS REVIEW

MALAYSIA

Somerset Ampang Kuala Lumpur

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

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

2018 REVIEW

According to the Central Bank of Malaysia, the Malaysian economy grew by 4.7%[1] in 2018. The growth was underpinned by continued expansion in

S$5.0m	S$1.4m	S$51.7m
Total Revenue	Total Gross Profit	Valuation
(FY 2018)	*(FY 2018)*	*(as at 31 December 2018)*

domestic demand, driven by private sector spending in the manufacturing and service sectors. Personal consumption increased following the zerorisation of the Goods & Service Tax rate on some durable goods[1]. Tourist arrivals totalled 25.8 million in 2018[2], stable from the previous year.

New supply outstripped demand for accommodation in 2018, as the number of rooms in the market grew by 5.4% YoY[3]. This has placed pressure on Ascott Reit's only Malaysian property in Ampang for both room rates and occupancy, resulting in a decline in overall RevPAU by 8% YoY from S$72 to S$66. While the decline is in line with the market, Somerset Ampang Kuala Lumpur performed better operationally against our peers.

2019 OUTLOOK

The Malaysian economy is expected to grow by 4.6%[4] in 2019, largely supported by domestic demand and private sector expenditure, which is expected to be channeled into the services and manufacturing sectors[5]. Tourist arrivals are expected to cross 28.0 million[6] in 2019.

While Malaysia remains a challenging market with supply projected to increase by approximately 9% YoY, which puts pressure on room rates[3], our Malaysian team will continue to drive sales and marketing efforts to boost the performance of our property. As Ascott Reit only has one property in Malaysia, contributing less than 1% of total gross profit in FY 2018, our property's performance is not expected to have a significant impact on Ascott Reit's overall portfolio performance.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Somerset Ampang Kuala Lumpur	4,961	5,362	67.4

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Somerset Ampang Kuala Lumpur	66	72

Source:
1 Bank Negara Malaysia (2019)
2 Tourism Malaysia (2018)
3 Horwath HTL (2018)
4 International Monetary Fund (2018)
5 Ministry of Finance Malaysia (2018)
6 The Edge Market (2018)

OPERATIONS REVIEW

THE PHILIPPINES

2 Properties

495 Units

Ascott Makati

Ascott Reit has two serviced residences in the Philippines operating under management contracts. The 362-unit Ascott Makati, a leasehold property, and the 133-unit Somerset Millennium Makati, a freehold property, are both located in the heart of Makati City's central business and commercial district. Ascott Makati has undergone a complete renovation of all apartments and public areas, which was completed in July 2018.

2018 REVIEW

According to the IMF, the Philippine economy registered an estimated growth of 6.5%[1] in 2018. The strong growth stemmed from President Duterte's 'build, build, build' campaign, which focuses on improving infrastructure in the Philippines. The campaign resulted in robust public investment such as targeted social spending and investment in

S$22.4m	S$6.3m	S$141.0m
Total Revenue *(FY 2018)*	Total Gross Profit *(FY 2018)*	Valuation *(as at 31 December 2018)*

infrastructure to raise living standards and reduce poverty[1]. Other growth sectors included services, manufacturing and industrials. During the year, the Philippines' central bank raised interest rates five times to combat inflation, in attempts to steady inflation expectations and stabilise the Peso[2].

According to the Philippines' Department of Tourism, tourist arrivals increased 7.6% YoY despite the closure of the popular island destination, Boracay[3]. Growing gateway cities of the Philippines have seen strong occupancies and growth in room rates for 2018. Bonifacio Global City continues to compete heavily with Makati to be the next financial district of Manila by 2020, with more multi-national companies setting up offices in the area. The hospitality market for Manila saw another 1,000 rooms added in 2018.

Ascott Makati completed its asset enhancement works in 2018 and has captured higher occupancy and room rates on available rooms.

Overall, Ascott Reit's properties in the Philippines have delivered better operational performance but RevPAU in SGD terms has fallen by 5% from S$118 to S$112 due to a weakened Peso.

2019 OUTLOOK

The Philippine economy is expected to grow by 6.6%[1] in 2019. This is largely backed by the government's plans to scale up investments to improve the state of infrastructure[1]. Other growth areas include construction, manufacturing and call centres.

The Philippines' Department of Tourism has set a tourist arrival target of 8.2 million for 2019[3], in anticipation of the upcoming South-East Asian Games to be held in the Philippines. Hotel room supply into the market is expected to continue for the next few years, especially in Metro Manila. We expect contributions from our Philippines' portfolio to improve in 2019 with the full inventory of Ascott Makati being available post the completion of its refurbishment works.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Ascott Makati	17,149	18,471	87.5
Somerset Millennium Makati	4,101	3,918	12.7

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Ascott Makati	123	133
Somerset Millennium Makati	81	78

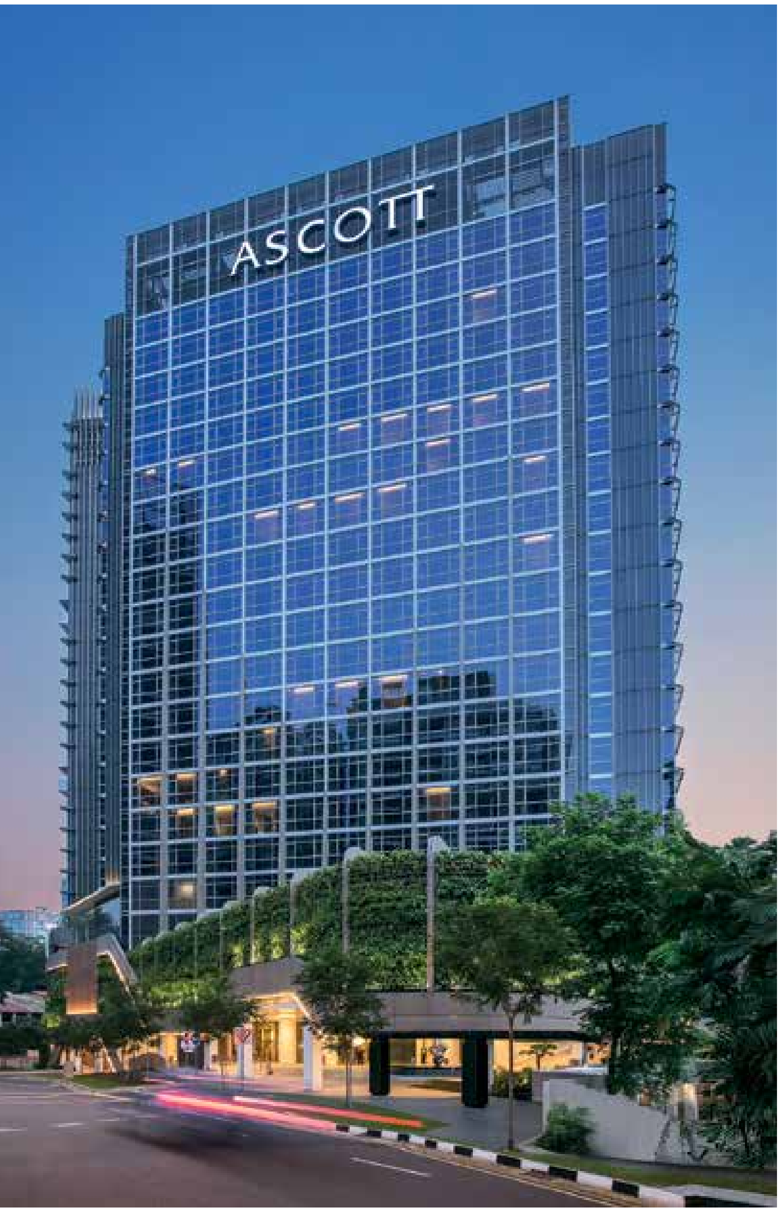
Source:
1 International Monetary Fund (2018)
2 Nikkei Asian Review (2018)
3 The Philippines' Department of Tourism (2019)

OPERATIONS REVIEW

SINGAPORE

4 Properties

717 Units



Ascott Orchard Singapore

Singapore remains a key market in Ascott Reit's portfolio, contributing 12% of total gross profit for FY 2018. Ascott Reit owns four leasehold properties in Singapore. The 146-unit Ascott Raffles Place Singapore, which has a 999-year lease, remains a popular choice property with the corporate guests in the CBD. Together with the 220-unit Ascott Orchard Singapore, which is strategically located in the prime Orchard entertainment and commercial district, both these properties operate under master lease arrangements. As at 31 December 2018, the remaining master lease terms of Ascott Raffles Place Singapore and Ascott Orchard Singapore are one year and four years respectively. In January 2019, Ascott Reit announced the divestment of Ascott Raffles Place Singapore and the transaction is expected to be completed by May 2019.

The 197-unit Somerset Liang Court Property Singapore, located close to the lively dining and entertainment hub of Clarke Quay, is a choice accommodation for families and corporate groups alike. The 154-unit Citadines Mount Sophia Property Singapore is a short walk away from the bustling Little India and a vibrant art community, a great location for travellers looking for a balance of tradition amidst modernity. These two properties operate under management contracts. The average length of stay at these properties is approximately three months.

S$46.7m
Total Revenue
(FY 2018)

S$29.0m
Total Gross Profit
(FY 2018)

S$965.0m
Valuation
(as at 31 December 2018)

2018 REVIEW

According to the Ministry of Trade and Industry Singapore, the economy grew by 3.2%[1] in 2018. The growth was driven by an uplift in the infocomms, manufacturing, finance and insurance industries[1]. The World Economic Forum recently ranked Singapore second in its latest Global Competitiveness Index, highlighting openness as the country's defining feature and a main driver of its economic success. This was in addition to Singapore having world-class transport infrastructure, services and connectivity[2].

In 2018, visitor arrivals grew 6.2% YoY to 18.5 million[3]. Singapore was ranked fifth in the Mastercard's Global Destination Cities Index 2018, which looks at metrics such as visitor volume and spend, surpassing cities such as Tokyo and Seoul[4]. Hotel supply plunged to a 10 year low, with less than 300 rooms opened in 2018[5]. As such, the overall RevPAU for Ascott Reit's Singapore properties under management contracts increased by 4% from S$185 to S$192. The Singapore properties showed a significant improvement through effective yield management, striking a good balance between occupancy and room rates. An influx of leisure customers more than offset the decline in corporate bookings in 2018.

In 2018, Ascott Reit acquired a maiden development site at one-north, a prominent research hub and business centre in Singapore. This leasehold site was put up by the JTC Corporation for sale in a tender, which Ascott Reit won at a price of S$62.4 million[6]. Expected to achieve Temporary Occupation Permit in 2020, lyf one-north Singapore will contribute to the operational performance of Ascott Reit after it opens in 2021.

2019 OUTLOOK

The IMF has projected a growth of 2.5%[7] for the Singapore economy in 2019. Despite the vulnerabilities of Singapore to the trade cycle and the ongoing trade tensions, Singapore is well-positioned after spending two decades securing bilateral Free Trade Agreements (FTA) and participating actively on several regional trade agreements. Coupled with Singapore's political stability, the quality FTAs fortify Singapore's strength as a strategic investment destination especially for companies looking to relocate their value chains or diversify operations in Southeast Asia[8].

With the upcoming opening of Jewel Changi Airport and the recent commencement of Seletar Airport Terminal, it is probable that visitor arrivals will see a projected increase in 2019. Despite new hotel supply increasing by approximately 1,700 rooms in 2019, the projected compounded annual growth rate for 2017-2020 has sharply declined to 1.3% from 5.5% across 2014-2017[9]. Corporations from various industries such as automotive, fintech and oil and gas have announced projects that can largely support the demand for long term accommodation in Singapore. Thus, Singapore's hospitality sector could brace itself for a RevPAU uplift in 2019[9].

With the divestment of Ascott Raffles Place Singapore expected to complete in May 2019, Ascott Reit expects the performance of the other three properties to remain strong in 2019 with effective sales efforts, yield and revenue management. A two-pronged approach in attracting the corporate extended stay guests alongside leisure travellers in Singapore shall be adopted to sustain the operational performance of the properties.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Ascott Orchard Singapore[10]	13,667	2,972	405.0
Ascott Raffles Place Singapore	8,202	7,780	220.0
Citadines Mount Sophia Property Singapore	8,448	8,582	107.0
Somerset Liang Court Property Singapore	16,206	15,055	127.5

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Citadines Mount Sophia Property Singapore	150	153
Somerset Liang Court Property Singapore	225	209

Note: The Singapore Operations Review excludes lyf one-north Singapore (under development).

1 Source: Ministry of Trade and Industry Singapore (2018, 2019)
2 Source: World Economic Forum (2018)
3 Source: The Business Times (2019)
4 Source: Mastercard (2018)
5 Source: CIMB Research (2018)
6 Supported by independent valuation using the residual land value method
7 Source: International Monetary Fund (2018)
8 Source: DBS (2018)
9 Source: Singapore Business Review (2018)
10 The property was acquired on 10 October 2017.

OPERATIONS REVIEW

SPAIN

Citadines Ramblas Barcelona

1 Property

131 Units

Ascott Reit owns one freehold serviced residence in Barcelona which operates under management contract with minimum guaranteed income. The 131-unit Citadines Ramblas Barcelona is located on the famous Las Ramblas boulevard, a top tourist and entertainment district in downtown Barcelona.

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

2018 REVIEW

According to Spain's National Statistics Institute, Spain's economy grew 2.4%[1] in 2018, well-above the Eurozone average. The economic performance was a result of sustained growth in household spending and rising contribution of the construction sector[2]. Contributing 12% of the country's GDP, tourism was a pivotal sector for the domestic economy[3].

S$8.7m	S$4.1m	S$72.4m
Total Revenue *(FY 2018)*	Total Gross Profit *(FY 2018)*	Valuation *(as at 31 December 2018)*

In 2018, growth in tourist arrivals to Spain slowed to 0.9%[3]. Coupled with new supply of approximately 6,000 hotel rooms[4], some hospitality players lowered room rates to remain competitive[3].

Despite these conditions, our Barcelona property enjoyed a 1% increase in RevPAU from S$155 to S$156. The uplift was driven by higher occupancy and favourable foreign exchange rate movements offsetting the decline in average room rates.

2019 OUTLOOK

For 2019, Spain's economy is forecasted to expand at 2.2%[5]. Domestic demand, low interest rates and strong employment growth will remain the main drivers of growth[6].

The government's goal of attracting tourists with higher spending power may affect the dynamics of the leisure market. Approximately 3,300 rooms are in the pipeline to be injected into the Spanish market in 2019[4]. Nonetheless, with our only property in Spain operating under the management contract with minimum guaranteed income and contributing less than 2% of total gross profit in FY 2018, Ascott Reit is not expected to be significantly affected by the performance of this property.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Citadines Ramblas Barcelona	8,282	8,215	56.7

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Citadines Ramblas Barcelona	156	155

Source:
1 National Statistics Institute, Spain (2019)
2 BBVA Research (2018)
3 Reuters (2018)
4 Deloitte (2018)
5 International Monetary Fund (2018)
6 Organisation for Economic Cooperation and Development (2018)

OPERATIONS REVIEW

THE UNITED KINGDOM

Citadines Barbican London

4 Properties

600 Units

The United Kingdom (UK) is one of Ascott Reit's key markets, contributing 10% of total gross profit for FY 2018. Ascott Reit owns four freehold serviced residences in London operating under management contracts with minimum guaranteed income. The 192-unit Citadines Holborn-Covent Garden London is located close to the financial district and West End; the 187-unit Citadines Trafalgar Square London commands a prime location near the River Thames, Trafalgar Square and Buckingham Palace; the 129-unit Citadines Barbican London is situated in the Square Mile; and the 92-unit Citadines South Kensington London is conveniently located close to embassies and popular tourist attractions in the fashionable residential area of Kensington.

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

S$53.6m	**S$23.1m**	**S$486.6m**
Total Revenue *(FY 2018)*	Total Gross Profit *(FY 2018)*	Valuation *(as at 31 December 2018)*

2018 REVIEW

According to the UK's Office for National Statistics, the economy expanded by 1.4%[1] in 2018. The expansion was underpinned by growth in household consumption and the services sector[2] while investments suffered from the uncertainties surrounding Brexit[1]. The weaker British Pound (GBP) aided the leisure tourism scene alongside key events such as the Royal Wedding and FA Cup. As compared to some other European cities, London ranked first with highest occupancy registered in 2018, in spite of 5,000 rooms being injected into the market within the year. While occupancy remained largely unaffected by the new supply, the increase in inventory added some pressure on room rates[3].

In 2018, Ascott Reit's properties in the UK performed better with a 9% increase YoY in overall RevPAU from S$211 to S$229. This was due to the full inventory contribution from Citadines Barbican London after the completion of its renovation works in 2017. Effective yield management also aided in the higher occupancy and average room rates achieved.

2019 OUTLOOK

IMF has forecasted the UK economy to expand at 1.5%[2] for 2019 on the assumption of a smooth exit from the European Union. Brexit-related uncertainties are affecting trade arrangements and resulting in labour shortages[4]. Despite this, planned increase in public investment will help to support growth.

Tourism demand in London is expected to be supported by a forecasted weaker GBP, domestic travellers and key events hosted by the country such as the Cricket World Cup and NBA London Games. The outlook for business travel remains uncertain with the ongoing Brexit negotiations but international conferences, meetings and corporate events should support demand. In 2019, approximately 4,300 rooms are expected to enter the market. While there is still growth in the hospitality segment, overall RevPAU growth is expected to weaken to 0.3% in 2019 on the back of the new supply[3]. Nonetheless, with Ascott Reit's UK properties operating under management contracts with minimum guaranteed income, our rental income is protected from downside risks.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Citadines Barbican London	8,739	6,951	75.0
Citadines Trafalgar Square London	19,297	18,184	130.9
Citadines South Kensington London	8,090	7,578	71.1
Citadines Holborn-Covent Garden London	16,494	15,991	127.5

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Citadines Barbican London	182	144
Citadines Trafalgar Square London	272	255
Citadines South Kensington London	230	213
Citadines Holborn-Covent Garden London	219	212

Source:
1 Office for National Statistics, the United Kingdom (2019)
2 International Monetary Fund (2019)
3 PricewaterhouseCoopers (2018)
4 Organisation for Economic Cooperation and Development (2018)

OPERATIONS REVIEW

THE UNITED STATES OF AMERICA

3 Properties

1,004 Units

Sheraton Tribeca New York Hotel

The United States of America (US) is one of Ascott Reit's key markets, contributing 11% of the total gross profit for FY 2018. Ascott Reit made its foray into the US in 2015 through the acquisition of Element New York Times Square West, a 411-unit leasehold property. With a prime address on 39th Street between Eighth and Ninth Avenues in New York, the property is strategically located near 15 subway lines, three major commuter hubs, 50 million square feet of office space and 2.7 million square feet of retail space, catering to both leisure and corporate segments. The second property, the 369-unit leasehold Sheraton Tribeca New York Hotel is located in the heart of Tribeca, adjacent to SoHo, a premier retail district and within proximity to the financial district. The last property, the 224-unit freehold DoubleTree by Hilton Hotel New York – Times Square South is strategically located in midtown Manhattan, and a stone's throw away from Times Square – the cultural and commercial epicentre of Manhattan and one of the world's most popular tourist attractions.

All three US properties operate under management contracts, with an average length of stay of less than a month.

S$110.4m Total Revenue *(FY 2018)*	**S$26.1m** Total Gross Profit *(FY 2018)*	**S$608.2m** Valuation *(as at 31 December 2018)*

2018 REVIEW

According to the Bureau of Economic Analysis, the US economy grew 2.9%[1] in 2018. This was driven by higher consumer spending and increased federal spending[1]. While tax cuts boosted consumer spending, businesses remained hesitant to increase spending due to economic uncertainty[2].

With signs of a rebound in New York City, demand growth of the hospitality industry surpassed supply growth[3]. This arose from a supportive macroeconomy as well as an increase in visitor arrivals of 2.4 million YoY[4].

During the year, Sheraton Tribeca New York Hotel underwent asset enhancement works to its apartment units and public areas. Overall, the US properties delivered a stable operating performance in USD terms. However, the portfolio RevPAU in SGD terms fell 3% from S$302 to S$294 due to a weaker USD.

2019 OUTLOOK

The IMF has projected the US economic growth to decrease to 2.5%[5] in 2019. Whilst favourable growth factors such as solid consumption growth, tightening labour market and wage growth will propel the US forward, the tapering fiscal policy is expected to weigh on growth[6].

STR and Tourism Economics projected a 2.3% lift in average room rates and a 2.3% increase in RevPAU for 2019[7]. We expect our US properties to perform in line with the market in view of a supportive environment and higher rental income from the recently renovated Sheraton Tribeca New York Hotel.

In January 2019, we have commenced the asset enhancement initiative at Element New York Times Square West, which is expected to be completed by the first half of 2019.

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
DoubleTree by Hilton Hotel New York – Times Square South[8]	22,149	9,825	148.4
Element New York Times Square West	44,845	45,919	220.7
Sheraton Tribeca New York Hotel	41,711	40,562	218.0

Revenue Per Available Unit (S$)	FY 2018	FY 2017
DoubleTree by Hilton Hotel New York – Times Square South[8]	270	317
Element New York Times Square West	299	306
Sheraton Tribeca New York Hotel	303	294

1 Source: Bureau of Economic Analysis (2019)
2 Source: The New York Times (2019)
3 Source: CBRE (2018)
4 Source: NYC & Company (2019)
5 Source: International Monetary Fund (2019)
6 Source: Organisation for Economic Cooperation and Development (2018)
7 Source: STR and Tourism Economics (2019)
8 The property was acquired on 17 August 2017.

OPERATIONS REVIEW

VIETNAM

Somerset Chancellor Court Ho Chi Minh City

5 Properties

851 Units

Vietnam is one of Ascott Reit's key markets, contributing 9% of its total gross profit for FY 2018. Ascott Reit owns five leasehold properties operating under management contracts, three in Hanoi and two in Ho Chi Minh City. The 185-unit Somerset Grand Hanoi is located in the CBD; the 90-unit Somerset West Lake Hanoi is situated in the scenic West Lake; and the 206-unit Somerset Hoa Binh Hanoi is well-positioned next to the business and financial districts as well as the flourishing Hoa Lac high technology development zone. The 172-unit Somerset Chancellor Court Ho Chi Minh City is located in the CBD that attracts expatriates working for large MNC offices within the vicinity. The 198-unit Somerset Ho Chi Minh City is also strategically located in District 1, a prime commercial, diplomatic and shopping district.

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

S$40.6m	S$21.6m	S$283.5m
Total Revenue *(FY 2018)*	Total Gross Profit *(FY 2018)*	Valuation *(as at 31 December 2018)*

2018 REVIEW

According to the General Statistics Office of Vietnam, the country's 2018 GDP growth rate of 7.1%[1] was the highest in the past 11 years. This was driven by agriculture, industry and construction, and services, particularly wholesale and retail, transport, banking and finance, education and healthcare[2].

International visitor arrivals reached 15.5 million in 2018, a 19.9% increase YoY[3]. However, fewer project groups in Hanoi as compared to the prior year coupled with intensifying competition arising from new supply resulted in a decline in portfolio occupancy for Ascott Reit's Vietnam properties in 2018. While average room rates increased on a portfolio basis, the overall RevPAU declined 9% YoY from S$100 to S$91 due to the fall in occupancy which more than offset the increase in average room rates.

The asset enhancement works on the apartment units and public area of Somerset Grand Hanoi which commenced in 2017 was completed in 2018. The commercial component of Somerset Grand Hanoi has remained stable, consistently outperforming other Grade A office buildings in the city and has achieved close to full occupancy.

2019 OUTLOOK

According to IMF, Vietnam's economy is expected to grow by 6.5%[4] in 2019, driven largely by the processing-manufacturing and services sector[5]. Vietnam is poised to be a beneficiary of the ongoing trade tensions between US and China as companies reassess their global supply chains in the medium term[6]. In addition, Vietnam's investment in infrastructure will increase due to its maiden Formula 1 Grand Prix Project in 2020.

The Vietnam hospitality market remains challenging as competition is expected to further intensify with new supply expected in 2019 - approximately 3,000 units in Ho Chi Minh City and 1,700 units for Hanoi[7].

	Gross Rental Income (S$'000)		Agreed Property Value at Acquisition (S$'million)
	FY 2018	FY 2017	
Somerset Chancellor Court Ho Chi Minh City	8,471	8,871	69.3
Somerset Grand Hanoi	14,023	14,972	105.7
Somerset Ho Chi Minh City	8,270	8,542	66.8
Somerset Hoa Binh Hanoi	5,451	6,656	54.9
Somerset West Lake Hanoi	2,493	2,801	29.4

Revenue Per Available Unit (S$)	FY 2018	FY 2017
Somerset Chancellor Court Ho Chi Minh City	99	106
Somerset Grand Hanoi	107	116
Somerset Ho Chi Minh City	108	113
Somerset Hoa Binh Hanoi	63	78
Somerset West Lake Hanoi	72	82

Source:
1 General Statistics Office of Vietnam (2018)
2 The Business Times (2019)
3 Vietnam Tourism (2019)
4 International Monetary Fund (2018)
5 Vietnam News (2018)
6 DBS (2018)
7 Savills (2018)

FINANCIAL REVIEW

REVENUE

Ascott Reit's revenue of S$514.3 million for the financial year ended 31 December 2018 (FY 2018) comprised S$80.9 million (16% of total revenue) from serviced residences on master leases, S$77.1 million (15%) from serviced residences on management contracts with minimum guaranteed income and S$356.3 million (69%) from serviced residences on management contracts.

Revenue for FY 2018 increased by S$18.0 million or 4% as compared to the previous financial year ended 31 December 2017 (FY 2017). The increase in revenue was mainly due to the additional revenue of S$25.8 million from the acquisition of Citadines City Centre Frankfurt, Citadines Michel Hamburg, DoubleTree by Hilton Hotel New York – Times Square South and Ascott Orchard Singapore acquired during FY 2017.

The increase was partially offset by the decrease in revenue of S$10.2 million from the divestment of 18 rental housing properties in Tokyo, Japan in April 2017 and the divestment of Citadines Gaoxin Xi'an and Citadines Biyun Shanghai (which was completed on 5 January 2018). Operations at Citadines Gaoxin Xi'an and Citadines Biyun Shanghai had ceased in September 2017 and December 2017 respectively.

	Local Currency	FY 2018 Revenue million	FY 2018 Gross Profit million	FY 2017 Revenue million	FY 2017 Gross Profit million
Master Leases					
Australia	AUD	7.5	7.0	7.3	6.9
France	EUR	22.4	20.7	23.1	21.1
Germany	EUR	9.8	9.0	8.1	7.5
Singapore	S$	21.9	18.7	10.8	9.4
Management Contracts with Minimum Guaranteed Income					
Belgium	EUR	9.3	2.7	8.5	2.7
Spain	EUR	5.3	2.6	5.5	2.8
The United Kingdom	GBP	29.9	12.8	27.8	12.4
Management Contracts					
Australia	AUD	27.6	11.6	27.5	11.3
China	RMB	265.6	101.9	297.8	104.1
Indonesia	USD	11.5	4.2	12.0	4.3
Japan	JPY	4,561.4	2,511.8	4,708.6	2,586.5
Malaysia	MYR	14.8	4.4	16.8	5.5
The Philippines	PHP	873.6	245.2	867.0	271.2
Singapore	S$	24.8	10.3	23.8	10.0
The United States of America	USD	82.0	19.4	70.1	15.6
Vietnam[1]	VND	687.5	365.6	712.3	389.4

1 Revenue and gross profit figures for Vietnam are stated in billions.

On a same store basis, revenue increased by S$2.4 million mainly due to higher revenue from the properties in the United Kingdom and Belgium, partially offset by lower revenue from the properties in Vietnam.

Ascott Reit's portfolio occupancy increased from 82% in FY 2017 to 84% in FY 2018. Revenue Per Available Unit (RevPAU) increased by S$7, or 5%, from S$144 in FY 2017 to S$151 in FY 2018.

GROSS PROFIT

Ascott Reit's gross profit of S$239.4 million for FY 2018 comprised S$73.2 million (31% of total gross profit) from serviced residences on master leases, S$31.6 million (13%) from serviced residences on management contracts with minimum guaranteed income and S$134.6 million (56%) from serviced residences on management contracts.

In line with the increase in revenue, gross profit for FY 2018 increased by S$12.5 million or 5% as compared to FY 2017.

Ascott Reit's FY 2018 earnings before interest, taxes, depreciation and amortisation (EBITDA) breakdown (excluding corporate expenses) according to the FTSE classification of markets is approximately 75% for developed markets and 25% for the rest of the markets in the portfolio.

	FY 2018		FY 2017	
	Revenue (S$'million)	Gross Profit (S$'million)	Revenue (S$'million)	Gross Profit (S$'million)
Australia	7.6	7.1	7.8	7.4
France	35.8	33.1	35.7	32.7
Germany	15.6	14.3	12.6	11.5
Singapore	21.9	18.7	10.8	9.4
Master Leases	**80.9**	**73.2**	**66.9**	**61.0**
Belgium	14.8	4.4	13.1	4.2
Spain	8.7	4.1	8.6	4.1
The United Kingdom	53.6	23.1	49.4	22.0
Management Contracts with Minimum Guaranteed Income	**77.1**	**31.6**	**71.1**	**30.3**
Australia	27.8	11.8	29.0	11.9
China	54.2	20.8	60.8	21.3
Indonesia	15.5	5.7	16.8	5.9
Japan	55.6	30.6	58.1	31.9
Malaysia	5.0	1.4	5.4	1.7
The Philippines	22.4	6.3	23.8	7.5
Singapore	24.8	10.3	23.8	10.0
The United States of America	110.4	26.1	97.2	21.6
Vietnam	40.6	21.6	43.4	23.8
Management Contracts	**356.3**	**134.6**	**358.3**	**135.6**
Ascott Reit	**514.3**	**239.4**	**496.3**	**226.9**

FINANCIAL REVIEW

DISTRIBUTIONS

Ascott Reit achieved Unitholders' distribution of S$154.8 million for FY 2018, S$2.6 million or 2% higher as compared to FY 2017. DPU for FY 2018 was 7.16 cents, 1% higher than FY 2017.

Unitholders' distribution for FY 2018 included a partial distribution of the divestment gain of S$6.5 million and realised exchange gain of S$1.6 million arising from the receipt of divestment proceeds from the divestment of the two properties in China and repayment of foreign currency bank loans with the divestment proceeds.

In April 2017, Ascott Reit issued new units from an underwritten and renounceable rights issue. Unitholders' distribution for FY 2017 included a partial distribution of the divestment gain of S$6.5 million and realised exchange gain of S$11.9 million arising from repayment of foreign currency bank loans with the rights issue proceeds (pending the deployment of funds for their intended use to part finance the acquisition of Ascott Orchard Singapore).

Excluding the realised exchange gain and divestment gain, adjusted DPU for FY 2018 would have been 6.79 cents and 9% higher than the adjusted DPU of 6.23 cents for FY 2017.

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

Breakdown of total Unitholders' distribution for FY 2018 is as follows:

Distribution	1 January 2018 to 30 June 2018	1 July 2018 to 31 December 2018	1 January 2018 to 31 December 2018
Distribution rate per Unit	**3.192 cents**	**3.966 cents**	**7.158 cents**
Payment Date	27 August 2018	28 February 2019	

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

ASSETS

Ascott Reit's total assets as at 31 December 2018 was S$5,309.1 million, compared to S$5,493.1 million as at 31 December 2017. The decrease of S$184.0 million was mainly due to utilisation of the divestment proceeds from the divestment of the two China properties to repay bank loans, partially offset by the acquisition of the greenfield site to develop our first coliving property, lyf one-north Singapore.

CHANGE IN VALUE OF SERVICED RESIDENCE PROPERTIES[1] AND ASSETS HELD FOR SALE

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

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

As at 31 December 2018, independent full valuations for Ascott Reit's portfolio were carried out by Colliers International. In determining the fair value of the Ascott Reit's portfolio, the discounted cash flow approach was used. The valuation method used was consistent with that used for the 31 December 2017 valuation and prior years.

Ascott Reit's portfolio of serviced residence properties (including assets held for sale) was revalued at S$4,894.3 million, resulting in a surplus of S$35.5 million which was recognised in the Consolidated Statement of Total Return in FY 2018. The surplus was mainly due to higher valuation of Ascott Reit's properties in the United Kingdom, France, Belgium and Vietnam. The net impact on the Consolidated Statement of Total Return was S$15.5 million (net of tax and non-controlling interests).

1 Serviced residence properties comprise serviced residences, rental housing properties and other hospitality assets.

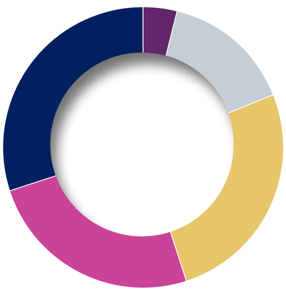
FUNDING AND BORROWINGS

As at year end, 59% of Ascott Reit's total debt was funded by bank borrowings and the balance 41% was tapped from the debt capital market. Ascott Reit adopts a prudent and disciplined approach towards capital management to ensure financial flexibility in our funding structure and mitigate concentration risk.

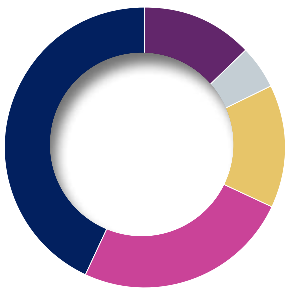
As at 31 December 2018, Ascott Reit's outstanding borrowings was S$1,905.5 million (2017: S$1,945.4 million) with an effective interest rate at 2.3% per annum (2017: 2.4% per annum). Approximately 80% of the total borrowings are on fixed interest rates to hedge against rising interest rates. The gearing of Ascott Reit as at 31 December 2018 was 36.7% (2017: 36.2%), below the 45.0% gearing limit allowed by the Monetary Authority of Singapore.

Ascott Reit holds derivative financial instruments to hedge our currency and interest rate risk exposures. The fair value of derivatives for FY 2018, which was included in the financial statements as financial derivative assets and financial derivative liabilities were S$8.3 million and S$7.1 million respectively. The net financial derivative asset of S$1.2 million represented 0.04% of the net assets of Ascott Reit as at 31 December 2018.

Debt Maturity Profile



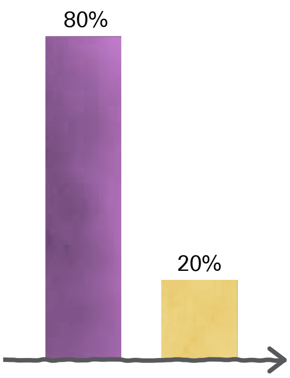
Maturity	S$'million	%
		2018
2019	70.1	4
2020	282.3	15
2021	497.2	26
2022	481.1	25
2023 & after	574.8	30
Total	**1,905.5[1]**	**100**



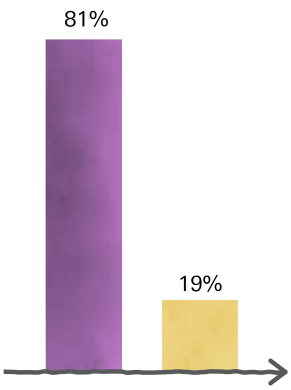
Maturity	S$'million	%
		2017
2018	264.3	13
2019	96.9	5
2020	274.6	14
2021	478.8	25
2022 & after	830.8	43
Total	**1,945.4[1]**	**100**

Out of Ascott Reit's total borrowings, 4% falls due in 2019, 15% falls due in 2020, 26% falls due in 2021, 25% falls due in 2022 and the balance falls due after 2022. The Manager has commenced discussions to refinance the loan facilities due in 2019, ahead of their maturity dates.

Fixed versus Floating Rate Profile



Maturity	S$'million	%
		2018
Fixed Rate	1,518.6	80
Floating Rate	386.9	20
Total	**1,905.5[1]**	**100**



Maturity	S$'million	%
		2017
Fixed Rate	1,578.9	81
Floating Rate	366.5	19
Total	**1,945.4[1]**	**100**

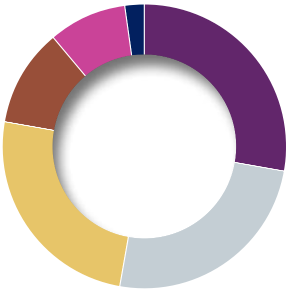
Fixed Rate Loans

This has taken into account the interest rate swaps entered into to convert floating rate loans to fixed rate loans. As at 31 December 2018, S$1,518.6 million[1] or 80% of Ascott Reit's borrowings are on fixed interest rates, including S$58.3 million[1] due for refinancing in 2019, in line with the maturity dates of the underlying loans.

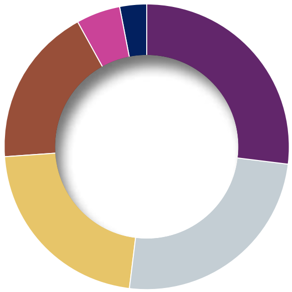
1 Net of unamortised transaction costs.

FINANCIAL REVIEW

Debt by Currency Profile



		2018
Currency	S$'million	%
JPY	521.3	28
USD	483.0	25
SGD	478.9	25
EUR	212.3	11
GBP	173.1	9
RMB	36.9	2
Total	1,905.5[1]	100



		2017
Currency	S$'million	%
JPY	534.5	27
USD	480.0	25
SGD	419.1	22
EUR	351.8	18
GBP	105.4	5
RMB	54.6	3
Total	1,945.4[1]	100

1 Net of unamortised transaction costs.

CASH FLOW

As at 31 December 2018, Ascott Reit's cash and cash equivalents was S$227.8 million, a decrease of S$29.5 million over last year. The major cash flow movements are as follows:

	S$'million
Cash generated from operations	246.4
Net proceeds on disposal of assets held for sale	85.5
Distributions to Unitholders and perpetual securities holders	(168.3)
Acquisition of serviced residence property under development	(65.0)
Payment of interest and income tax	(63.2)
Net repayment of bank borrowings	(35.0)
Acquisition of plant and equipment	(14.2)
Capital expenditure on serviced residence properties	(13.3)

PORTFOLIO OVERVIEW

LOCATION

Ascott Reit's 73[1] properties are predominantly serviced residences located in key gateway cities across Australia, Belgium, China, France, Germany, Indonesia, Japan, Malaysia, the Philippines, Singapore, Spain, the United Kingdom, the United States of America and Vietnam. The properties are well-served by public transportation and within walking distance to amenities such as restaurants and supermarkets. Included in these 73 properties are 11 rental housing properties in Japan. One of the rental housing properties is located in Tokyo while the remaining 10 are located in cities outside of Tokyo, namely Fukuoka, Hiroshima, Osaka, and Sapporo.

BRANDS

Ascott Reit's serviced residences are mostly operated under a portfolio of established brands owned by our Sponsor, The Ascott Limited (Ascott). Five serviced residences are managed under the Ascott brand, 14 are managed under the Somerset brand while 35 are managed under the Citadines brand. Additionally, La Clef Louvre Paris is managed under The Crest Collection brand and three Australian properties are managed under the Quest brand. In 2018, Ascott Reit acquired a site to develop our first coliving property to be operated under our Sponsor's new brand, lyf. Separately, Ascott Reit's remaining properties - DoubleTree by Hilton Hotel New York – Times Square South, Element New York Times Square West, Sheraton Tribeca New York Hotel, The Madison Hamburg and the Japan rental housing properties - are managed by third-party operators.

SCALE

Through a combination of hospitality products including serviced residence and rental housing, Ascott Reit's portfolio of 11,430[1] apartment units cater to a wide range of customer needs. Apartment types include studio, one to three-bedrooms, and penthouse units. With a geographically diversified and well-balanced portfolio of stable and growth income streams, Ascott Reit is not subjected to concentration risk from any single market.

AWARDS

Our award-winning properties continue to enjoy worldwide recognition as the preferred accommodation for business and leisure travellers alike. Citadines Arnulfpark Munich, Citadines Sainte-Catherine Brussels, Citadines Ramblas Barcelona and Citadines Shinjuku Tokyo were conferred "Leading Serviced Apartments" awards for their respective countries at the World Travel Awards 2018. Eight of our properties won the "Travellers' Choice Award 2018"[2], with another 24 being conferred the "Certificate of Excellence Award 2018"[2].

OUR EXTENDED-STAY BUSINESS MODEL

A significant portion of our guest base comprises of expatriates' relocation, corporate assignments, project groups and extended-stay. Corporate travel, which is driven by long-term macroeconomic factors such as GDP growth and FDI, is generally more stable than the seasonal nature of tourism travel. Our flexible business model provides short to long-term accommodation. The average length of stay for properties on management contracts is approximately three months, while rental housing properties with leases averaging more than one year offer greater income stability to the portfolio. Shorter-term stay, on the other hand, presents opportunities for yield growth. For Ascott Reit, income stability is also supported by master leases and management contracts with minimum guaranteed income.

MASTER LEASES

27 of our properties, 17 in France, five in Germany, three in Australia and two in Singapore, are on master leases. The master lessees pay fixed net rental to Ascott Reit, with the exception of Ascott Orchard Singapore and Ascott Raffles Place Singapore paying an additional variable component. The master leases in Europe are subject to annual rental revisions pegged to indices representing construction cost, inflation or commercial rental prices. The master leases in Australia are subject to annual indexation until the next market review. The weighted average remaining tenure of the master leases is around six years.

For master leases which were renewed in FY 2018, the weighted average lease expiry based on the date of commencement of the leases is approximately six years and accounts for 3.0% of the gross revenue.

MANAGEMENT CONTRACTS

46 of our properties are on management contracts, comprising seven properties on management contracts with minimum guaranteed income and 39 properties on management contracts without minimum guaranteed income. Management contracts are entered into between Ascott Reit and the operators which provide property management services to Ascott Reit. Unlike the properties under master lease arrangements, guests will lease the units directly from Ascott Reit, including our subsidiaries (for properties outside of Japan) or other entities acting on behalf of Ascott Reit (for properties within Japan[3]). Therefore, the Manager of Ascott Reit has obtained a waiver from the Monetary Authority of Singapore in relation to paragraphs 11.1(c)(iv) and (v) of the Property Funds Appendix regarding the disclosures of lease maturity profile and weighted average lease expiry for properties under management contracts, subject to the following disclosures:

1 Excluding lyf one-north Singapore (under development)

2 Awarded by TripAdvisor. For the full list of properties, please see https://www.the-ascott.com/en/tripadvisor_awards_2018.html

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

PORTFOLIO OVERVIEW

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

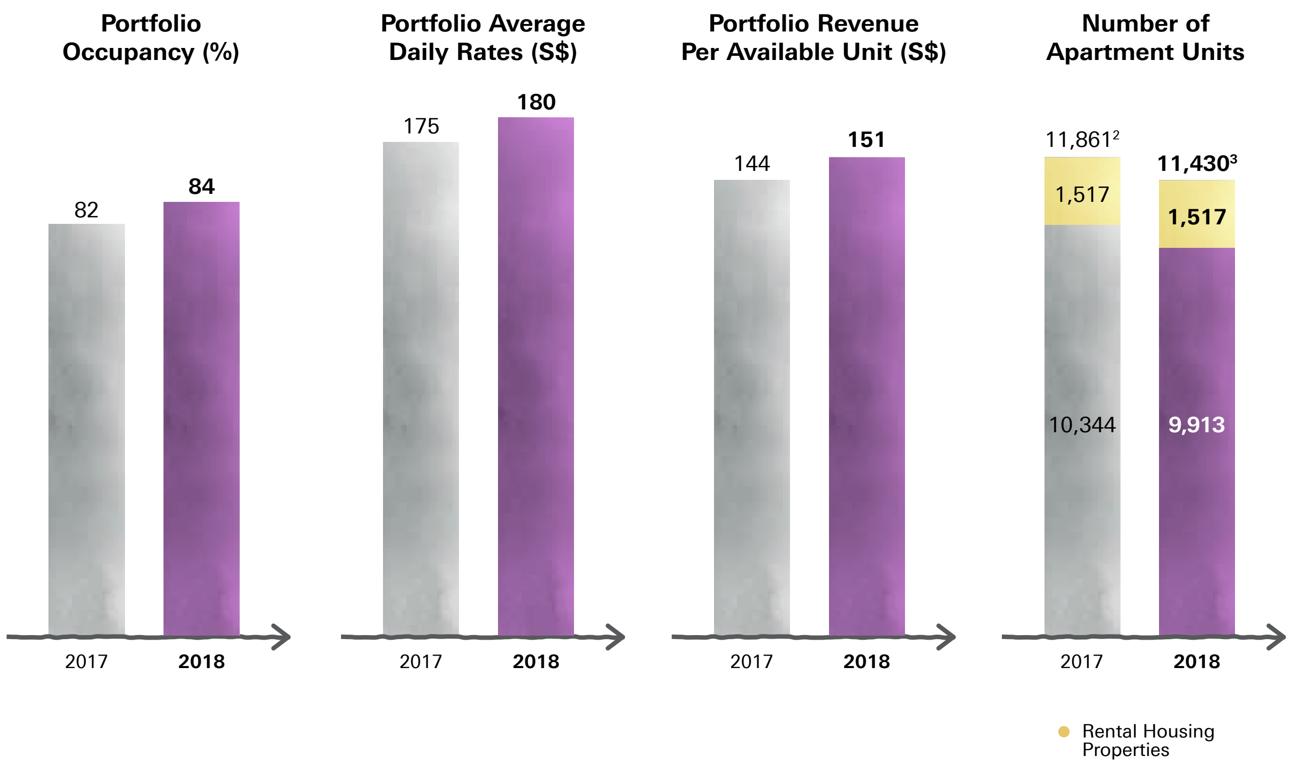
Management Contracts with Minimum Guaranteed Income

Seven of our properties across Belgium, Spain and the United Kingdom are on MCMGI. Under the MCMGI arrangement, the property operators have provided a minimum income guarantee to Ascott Reit over the term of such management contracts which helps to ensure a stable income stream for Ascott Reit in the event that the properties under such management contracts do not generate the minimum income. The weighted average remaining term of these management contracts is around three years.

Management Contracts without Minimum Guaranteed Income

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

Key Statistics of Ascott Reit's Portfolio[1]



1 Portfolio Occupancy, Portfolio Average Daily Rates and Portfolio Revenue Per Available Unit information do not include statistics of the rental housing properties and properties on master leases.
2 Including Citadines Biyun Shanghai and Citadines Gaoxin Xi'an. Ascott Reit completed the divestment of these properties on 5 January 2018.
3 Excluding lyf one-north Singapore (under development)

FY 2018 Portfolio Information by Industry[1]

	%
Industrial	21
Consumers	17
Government & NGOs	14
Financial Institutions	13
Manufacturing	8
Information Technology	7
Real Estate/Lodging	4
Energy & Utilities	4
Healthcare	4
Others	4
Media & Telecommunications	4
Total	**100**

1 Based on apartment rental income for corporate accounts only.

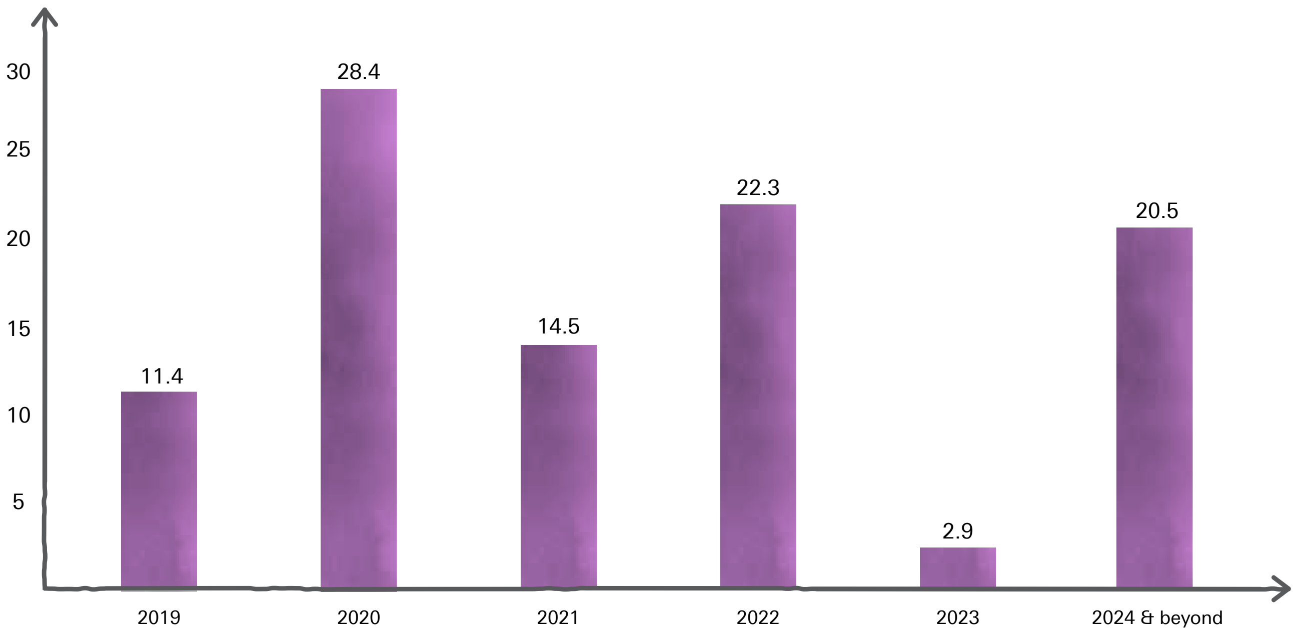
Top 10 Corporate Clients of Ascott Reit by Apartment Rental Income

Corporate Client	Industry[1]	% of Total Apartment Rental Income
Embassies of various countries	Government & NGOs	1.6%
Qantas Airways	Consumers	0.7%
Mitsubishi/Bank of Tokyo	Industrial	0.6%
Toyota Motor Asia Pacific	Manufacturing	0.5%
Accenture	Consumers	0.5%
BNP Paribas	Financial Institutions	0.5%
Honda	Manufacturing	0.4%
Samsung	Industrial	0.4%
Sanofi Aventis Groupe	Healthcare	0.3%
Airbus	Industrial	0.3%
Total		**5.8%**

1 Refers to the largest contributing industry for corporate clients with multiple business operations.

PORTFOLIO OVERVIEW

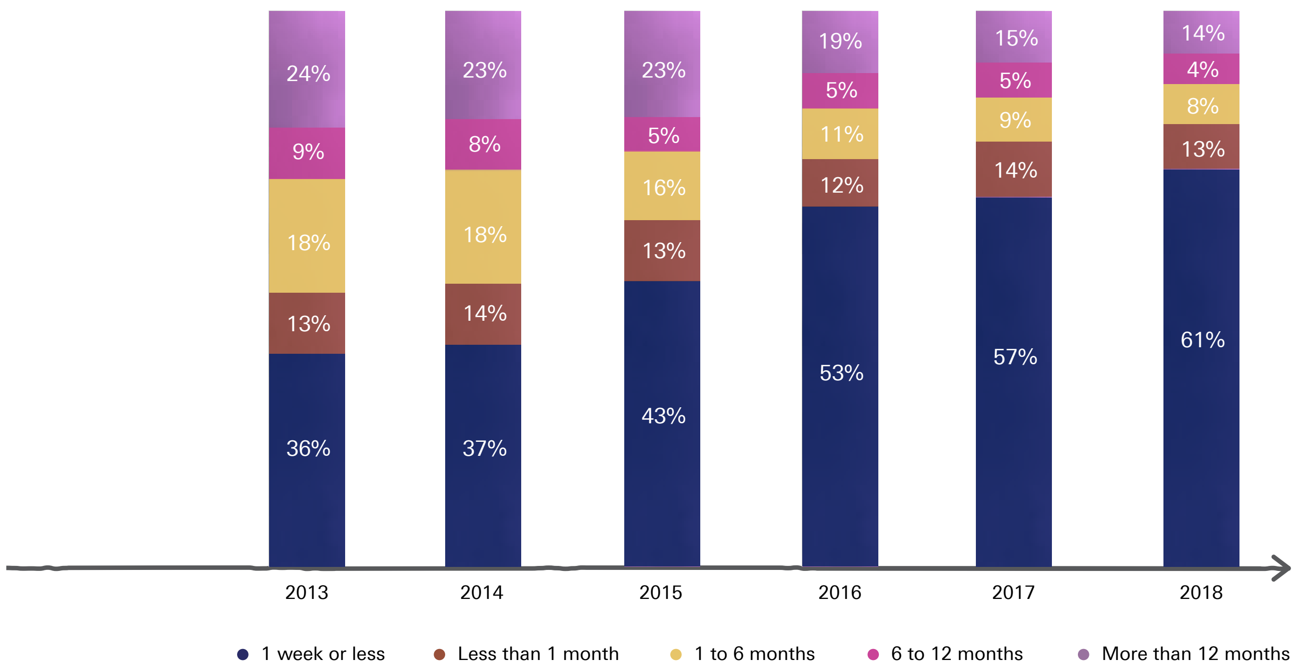
Lease Expiry for Master Leases[1] (%)



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

Portfolio Information by Length of Stay[1]
(Portfolio Apartment Rental Income)

	2013	2014	2015	2016	2017	2018[2]
Average Length of stay	5 Months	4 Months	4 Months	3 Months	3 Months	3 Months



1 Historical information is prepared for illustrative purposes only and are not guarantees of future performance. Portfolio information excludes properties on master leases.
2 Excluding lyf one-north Singapore (under development)

PORTFOLIO LISTING

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
Australia				
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000, Australia	380	Freehold	–
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth, WA 6000, Australia	85	Freehold	–
Quest Campbelltown	1 Rennie Road, Woodbine, NSW 2560, Australia	81	Freehold	–
Quest Mascot	108-114 Robey Road, Mascot, NSW 2020, Australia	91	Freehold	–
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127, Australia	140	99	2111
Belgium				
Citadines Sainte-Catherine Brussels	51, quai au Bois à Brûler, 1000 Brussels, Belgium	169	Freehold	–
Citadines Toison d'Or Brussels	61-63, avenue de la Toison d'Or, 1060 Brussels, Belgium	154	Freehold	–
China				
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630, China	207	70	2074
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens, 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021, China	167	70	2066
Citadines Zhuankou Wuhan	159 Dongfeng Avenue (Xianglong Business Centre Zone C) Wuhan Economic and Technological Development Zone, Wuhan 430056, China	249	40	2043
Somerset Grand Central Dalian	128-2 Jinma Road, Dalian Development Area, Dalian 116600, China	195	50	2056
Somerset Heping Shenyang	80 Taiyuan North Street, Heping District, Shenyang 110000, China	270	40	2046
Somerset Olympic Tower Property Tianjin	126, Chengdu Road, Heping District, Tianjin 300051, China	185	70	2062
Somerset Xu Hui Shanghai	888, Shaanxi Nan Road, Xu Hui District, Shanghai 200031, China	168	70	2066
France				
Citadines Antigone Montpellier	588, boulevard d'Antigone, 34000 Montpellier, France	122	Freehold	–
Citadines Austerlitz Paris	27, rue Esquirol, 75013 Paris, France	50	Freehold	–
Citadines Castellane Marseille	60, rue du Rouet, 13006 Marseille, France	97	Freehold	–

PORTFOLIO LISTING

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
France				
Citadines City Centre Grenoble	9-11, rue de Strasbourg 38000 Grenoble, France	107	Freehold	–
Citadines City Centre Lille	Avenue Willy Brandt-Euralille, 59777 Lille, France	101	Freehold	–
Citadines Croisette Cannes	1, rue le Poussin, 06400 Cannes, France	58	Freehold	–
Citadines Didot Montparnasse Paris	94, rue Didot, 75014 Paris, France	80	Freehold	–
Citadines Les Halles Paris	4, rue des Innocents, 75001 Paris, France	189	Freehold	–
Citadines Maine Montparnasse Paris	67, avenue du Maine, 75014 Paris, France	67	Freehold	–
Citadines Montmartre Paris	16, avenue Rachel, 75018 Paris, France	111	Freehold	–
Citadines Place d’Italie Paris	18, place d’Italie, 75013 Paris, France	169	Freehold	–
Citadines Prado Chanot Marseille	9-11, boulevard de Louvain, 13008 Marseille, France	77	Freehold	–
Citadines Presqu’île Lyon	2 rue Thomassin, 69002 Lyon, France	116	Freehold	–
Citadines République Paris	75 bis, avenue Parmentier, 75011 Paris, France	76	Freehold	–
Citadines Tour Eiffel Paris	132, Boulevard de Grenelle, 75015 Paris, France	104	Freehold	–
Citadines Trocadéro Paris	29 bis, rue Saint-Didier, 75116 Paris, France	97	Freehold	–
La Clef Louvre Paris	8, rue de Richelieu, 75001 Paris, France	51	Freehold	–
Germany				
Citadines City Centre Frankfurt	Europa-Allee 23, 60327 Frankfurt am Main, Germany	165	Freehold	–
Citadines Arnulfpark Munich	Arnulfstrasse 51, 80636 München, Germany	146	Freehold	–
Citadines Kurfürstendamm Berlin	Olivaer Platz 1, 10707 Berlin-Wilmersdorf, Germany	117	Freehold	–
Citadines Michel Hamburg	Ludwig-Erhard-Straße 7, 20459 Hamburg, Germany	127	99	2111
The Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg, Germany	166	Freehold	–
Indonesia				
Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230, Indonesia	204	26	2024
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav 1, Jakarta 12940, Indonesia	203	30	2024

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
Japan				
Citadines Central Shinjuku Tokyo	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo 1600021, Japan	206	Freehold	–
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105, Japan	124	Freehold	–
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 1600022, Japan	160	Freehold	–
Somerset Azabu East Tokyo	1-9-11, Higashi Azabu, Minato-ku, Tokyo 106-0044, Japan	79	Freehold	–
Japan Rental Housing				
Actus Hakata V-Tower	3-15-10, Hakata Ekimae, Hakata-ku, Fukuoka, Japan	296	Freehold	–
Big Palace Kita 14jo	4-1-6, Kita14jo Nishi, Kita-ku, Sapporo, Japan	140	Freehold	–
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima, Japan	63	Freehold	–
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima, Japan	48	Freehold	–
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima, Japan	29	Freehold	–
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka, Japan	389	Freehold	–
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032, Japan	64	Freehold	–
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka, Japan	178	Freehold	–
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka, Japan	110	Freehold	–
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka, Japan	98	Freehold	–
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka, Japan	102	Freehold	–
Malaysia				
Somerset Ampang Kuala Lumpur	187, Jalan Ampang 50450, Kuala Lumpur, Malaysia	205	Freehold	–
The Philippines				
Ascott Makati	Glorietta 4, Ayala Center, Makati City 1224, The Philippines	362	48	2044
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229, The Philippines	133	Freehold	–

PORTFOLIO LISTING

Property Name	Address	Number of Apartment Units	Tenure (Years)	Tenure Expiry Date (Year)
Singapore[1]				
Ascott Orchard Singapore	11 Cairnhill Road, Singapore 229724	220	99	2113
Ascott Raffles Place Singapore	2 Finlayson Green, Singapore 049247	146	999	2890 – 2892
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	154	96	2105
Somerset Liang Court Property Singapore	177B, River Valley Road, Singapore 179032	197	97	2077
Spain				
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona, Spain	131	Freehold	–
The United Kingdom				
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH, United Kingdom	129	Freehold	–
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF, United Kingdom	192	Freehold	–
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL, United Kingdom	92	Freehold	–
Citadines Trafalgar Square London	18/21 Northumberland Avenue, London WC2N 5EA, United Kingdom	187	Freehold	–
The United States of America				
DoubleTree by Hilton Hotel New York - Times Square South	341 West 36th Street, New York, New York 10018, The United States of America	224	Freehold	–
Element New York Times Square West	311 West 39th Street, New York, New York 10018, The United States of America	411	99	2112
Sheraton Tribeca New York Hotel	370 Canal Street, New York, New York 10013, The United States of America	369	99	2112
Vietnam				
Somerset Chancellor Court Ho Chi Minh City	21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City, Vietnam	172	48	2041
Somerset Grand Hanoi	49, Hai Ba Trung Street, Hanoi, Vietnam	185	45	2038
Somerset Ho Chi Minh City	8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City, Vietnam	198	45	2039
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Cau Giay, Hanoi, Vietnam	206	36	2042
Somerset West Lake Hanoi	254D Thuy Khue Road, Hanoi, Vietnam	90	49	2041

1 Excluding lyf one-north Singapore (under development)

FINANCIAL CONTENTS

REPORT OF THE TRUSTEE

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

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust and its subsidiaries (the "Group") during the year covered by these financial statements, set out on pages 116 to 228 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
26 February 2019

STATEMENT BY THE MANAGER

In the opinion of the directors of Ascott Residence Trust Management Limited, the accompanying financial statements of Ascott Residence Trust (the "Trust") and its subsidiaries (the "Group") set out on pages 116 to 228 comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds and Portfolio Statements of the Group and of the Trust, the Consolidated Statement of Cash Flows of the Group and Notes to the Financial Statements have been drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2018, and the total return, distributable income and movements in Unitholders' funds of the Group and of the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

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

Beh Siew Kim
Director

Singapore
26 February 2019

INDEPENDENT AUDITORS' REPORT

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

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ascott Residence Trust ("the Trust") and its subsidiaries ("the Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 December 2018, the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds of the Group and the Trust and the Consolidated Statement of Cash Flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 116 to 228.

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 2018 and the total return, distributable income, movements in unitholders' funds of the Group and the Trust and cash flows of the Group for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *"Reporting Framework for Unit Trusts"* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *'Auditor's responsibilities for the audit of the financial statements'* section of our report. We are independent of the 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of serviced residence properties
(Refer to Note 4 – Serviced residence properties and Note 34 – Fair value measurement)

Risk:

The Group has a portfolio of serviced residences, including rental housing properties, which represent the single largest category of assets on the Statement of Financial Position at $4.7 billion as at 31 December 2018.

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

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied, particularly those relating to discount rates and terminal capitalisation rates.

INDEPENDENT AUDITORS' REPORT

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

Our response:

We assessed the Group's process for the selection of the external valuers, the determination of the scope of work of the valuers, and the review and acceptance of the valuations reported by the external valuers.

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

We considered the valuation methodologies used against those applied by other valuers. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting occupancy rates, average daily room rates and other documents.

We evaluated the discount rates and terminal capitalisation rates used in the valuation by comparing them against available industry data, taking into consideration comparability and market factors.

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

Our findings:

The valuers are members of generally-recognised professional bodies for valuers and have considered their own independence in carrying out the work. The valuation methodologies used by the valuers were in line with generally accepted market practices. The key assumptions used were supported by the evidence available and are within the range of market data.

We also found the related disclosures in the financial statements to be appropriate.

Other information

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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, 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.

INDEPENDENT AUDITORS' REPORT

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

- 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 controls that we identify during our audit.

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

From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless 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 Tan Kar Yee, Linda.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 February 2019

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Non-current assets					
Serviced residence properties	4	4,679,295	4,908,400	739,193	950,156
Other non-current assets	5	65,535	–	65,535	–
Plant and equipment	6	48,564	49,768	10,807	13,844
Subsidiaries	7	–	–	276,546	340,889
Associate	9	3,040	2,992	3,062	2,993
Financial derivative assets	10	8,294	7,169	1,879	2,090
Deferred tax assets	11	4,309	5,770	–	–
		4,809,037	4,974,099	1,097,022	1,309,972
Current assets					
Inventories		328	214	–	–
Trade and other receivables	12	56,919	66,573	2,299,467	2,369,264
Assets held for sale	13	215,000	194,820	215,000	–
Cash and cash equivalents	14	227,847	257,345	40,112	12,598
		500,094	518,952	2,554,579	2,381,862
Total assets		5,309,131	5,493,051	3,651,601	3,691,834
Non-current liabilities					
Financial liabilities	15	1,835,316	1,681,106	424,430	351,782
Financial derivative liabilities	10	6,850	15,960	5,269	13,570
Deferred tax liabilities	11	117,865	119,211	–	–
		1,960,031	1,816,277	429,699	365,352
Current liabilities					
Financial liabilities	15	70,137	264,267	827	78,388
Financial derivative liabilities	10	280	165	191	121
Liabilities held for sale	13	–	1,065	–	–
Trade and other payables	16	141,252	237,069	927,017	916,739
Current tax liabilities		6,522	2,525	–	–
		218,191	505,091	928,035	995,248
Total liabilities		2,178,222	2,321,368	1,357,734	1,360,600
Net assets		3,130,909	3,171,683	2,293,867	2,331,234
Represented by:					
Unitholders' funds	17	2,644,051	2,685,129	1,896,740	1,934,107
Perpetual securities holders	18	397,127	397,127	397,127	397,127
Non-controlling interests	8	89,731	89,427	–	–
		3,130,909	3,171,683	2,293,867	2,331,234
Units in issue ('000)	18	2,164,592	2,149,688	2,164,592	2,149,688
Net asset value per Unit attributable to Unitholders ($)		1.22	1.25	0.88	0.90

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

STATEMENTS OF TOTAL RETURN

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Gross revenue	19	514,273	496,288	46,632	34,497
Direct expenses	20	(274,913)	(269,370)	(17,592)	(15,121)
Gross profit		239,360	226,918	29,040	19,376
Finance income	21	1,194	1,581	256	245
Dividend income		–	–	217,754	117,495
Other income		1,479	558	443	10,367
Finance costs	21	(47,116)	(46,668)	(25,289)	(24,660)
Manager's management fees	22	(23,900)	(22,358)	(23,900)	(22,358)
Professional fees	23	(2,920)	(2,651)	(831)	(926)
Trustee's fees		(546)	(495)	(546)	(495)
Audit fees		(2,398)	(2,380)	(305)	(283)
Foreign exchange (loss)/gain		(6,097)	16,225	(7,583)	(14,068)
Other operating expenses		(1,999)	(3,232)	(85,912)	(2,092)
Net income before share of results of associate		157,057	167,498	103,127	82,601
Share of results of associate (net of tax)		(21)	(38)	–	–
Net income	24	157,036	167,460	103,127	82,601
Net change in fair value of serviced residence properties and assets held for sale		35,499	85,640	2,146	1,621
Net change in fair value of financial derivatives		–	1,121	6,379	(1,569)
Profit from divestments	25	3,211	20,844	–	–
Assets written off	4	(364)	(621)	–	–
Total return for the year before income tax		195,382	274,444	111,652	82,653
Income tax expense	26	(43,541)	(51,944)	–	–
Total return for the year		151,841	222,500	111,652	82,653
Total return attributable to:					
Unitholders of the Trust/ perpetual securities holders		147,593	214,247	111,652	82,653
Non-controlling interests	8	4,248	8,253	–	–
		151,841	222,500	111,652	82,653
Earnings per Unit (cents)	27				
Basic		5.95	9.46	4.28	3.08
Diluted		5.91	9.40	4.25	3.06

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Amount available for distribution to Unitholders at beginning of the year		80,226	72,667	80,226	72,667
Total return attributable to Unitholders/perpetual securities holders		147,593	214,247	111,652	82,653
Less: Total return attributable to perpetual securities holders		(19,200)	(19,200)	(19,200)	(19,200)
Distribution adjustments	A	26,390	(42,859)	62,331	88,735
Income available for distribution to Unitholders	B	154,783	152,188	154,783	152,188
Amount available for distribution to Unitholders		235,009	224,855	235,009	224,855
Distributions to Unitholders during the year					
- Distribution of 4.39 cents per Unit for the period from 1 July 2016 to 31 December 2016		–	(72,620)	–	(72,620)
- Distribution of 3.36 cents per Unit for the period from 1 January 2017 to 30 June 2017		–	(72,009)	–	(72,009)
- Distribution of 3.73 cents per Unit for the period from 1 July 2017 to 31 December 2017		(80,183)	–	(80,183)	–
- Distribution of 3.19 cents per Unit for the period from 1 January 2018 to 30 June 2018		(68,933)	–	(68,933)	–
		(149,116)	(144,629)	(149,116)	(144,629)
Amount available for distribution to Unitholders at end of the year		85,893	80,226	85,893	80,226

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

DISTRIBUTION STATEMENTS

Year ended 31 December 2018

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Note A – Distribution adjustments				
Distribution adjustment items:				
– Net change in fair value of serviced residence properties and assets held for sale	(35,499)	(85,640)	(2,146)	(1,621)
– Net change in fair value of financial derivatives	–	(1,121)	(6,379)	1,569
– Profit from divestments	(3,211)	(20,844)	–	–
– Assets written off	364	621	–	–
– Depreciation of plant and equipment	12,744	13,250	2,597	1,569
– Manager's management fees paid/payable in Units	17,505	16,051	17,505	16,051
– Trustee's fees	111	89	111	89
– Foreign exchange loss/(gain) – unrealised	8,988	(2,441)	2,642	19,201
– Operating lease expense recognised on a straight-line basis	3,104	3,499	–	–
– Deferred tax expense	18,375	25,048	–	–
– Non-controlling interests' share of adjustments	(2,411)	1,841	–	–
– Partial distribution of divestment gain	6,500	6,500	6,500	–
– Other adjustments	(180)	35	30	38
– Impairment loss on non-trade amounts due from subsidiaries recognised/(reversed)	–	–	20,890	(2,826)
– Impairment of subsidiaries recognised/(reversed)	–	–	64,343	(7,058)
– Impairment loss on non-trade amount due from associate recognised	–	253	–	775
– Dividend income[(1)]	–	–	(120,000)	–
– Net overseas income[(2)] not distributed to the Trust	–	–	76,238	60,948
Net effect of distribution adjustments	26,390	(42,859)	62,331	88,735

(1) Relates to profit from divestment of the two China properties.
(2) Net overseas income is defined in significant accounting policies (see Note 3.15).

Note B – Income available for distribution to Unitholders

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Comprises:				
– from operations	132,252	95,042	132,252	95,042
– from Unitholders' contributions	22,531	57,146	22,531	57,146
Income available for distribution to Unitholders	154,783	152,188	154,783	152,188

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Operations					
At 1 January		1,083,116	898,132	166,072	112,094
Total return attributable to Unitholders/perpetual securities holders		147,593	214,247	111,652	82,653
Total return attributable to perpetual securities holders		(19,200)	(19,200)	(19,200)	(19,200)
Distributions to Unitholders		(104,990)	(9,475)	(104,990)	(9,475)
Change in ownership interests in subsidiaries with no change in control		(357)	(397)	–	–
Transfer between reserves		(1,428)	(191)	–	–
At 31 December		1,104,734	1,083,116	153,534	166,072
Unitholders' contributions					
At 1 January		1,771,310	1,451,627	1,771,310	1,451,627
Creation of Units:					
– Rights Issue		–	442,671	–	442,671
– Manager's management fees paid in Units		17,554	16,022	17,554	16,022
– Acquisition fees paid in Units		–	984	–	984
Distributions to Unitholders		(44,126)	(135,154)	(44,126)	(135,154)
Issue expenses	28	–	(4,840)	–	(4,840)
At 31 December		1,744,738	1,771,310	1,744,738	1,771,310
Foreign currency translation reserve					
At 1 January		(170,205)	(153,410)	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(41,930)	(16,795)	–	–
Change in ownership interests in subsidiaries with a change in control		135	–	–	–
At 31 December		(212,000)	(170,205)	–	–

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

STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Capital reserve					
At 1 January		2,148	1,957	–	–
Transfer between reserves		1,428	191	–	–
At 31 December		3,576	2,148	–	–
Hedging reserve					
At 1 January		(1,240)	2,319	(3,275)	(3,884)
Effective portion of change in fair values of cash flow hedges		3,443	(7,239)	96	(1,312)
Net change in fair value of cash flow hedge reclassified to Statement of Total Return		800	3,680	1,647	1,921
At 31 December		3,003	(1,240)	(1,532)	(3,275)
Unitholders' funds at 31 December		2,644,051	2,685,129	1,896,740	1,934,107
Perpetual securities					
At 1 January		397,127	397,127	397,127	397,127
Total return attributable to perpetual securities holders		19,200	19,200	19,200	19,200
Distribution to perpetual securities holders		(19,200)	(19,200)	(19,200)	(19,200)
At 31 December		397,127	397,127	397,127	397,127
Non-controlling interests					
At 1 January		89,427	84,511	–	–
Total return attributable to non-controlling interests		4,248	8,253	–	–
Distribution to non-controlling interests		(3,464)	(2,948)	–	–
Acquisition of subsidiaries		–	3,119	–	–
Change in ownership interests in subsidiaries with no change in control		357	397	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(837)	(3,905)	–	–
At 31 December		89,731	89,427	–	–
		3,130,909	3,171,683	2,293,867	2,331,234

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography
Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Serviced residence properties (including rental housing properties)									
Singapore									
Somerset Liang Court Property Singapore	177B, River Valley Road, Singapore 179032	Leasehold	97 years	58 years	59 years	209,550	208,809	7.9	7.8
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	86 years	87 years	131,138	131,087	5.0	4.9
Ascott Raffles Place Singapore (1) (2)	2 Finlayson Green, Singapore 049247	Leasehold	999 years	872 years – 874 years	873 years – 875 years	–	213,439	–	7.9
Ascott Orchard Singapore (1) (3)	11 Cairnhill Road, Singapore 229724	Leasehold	99 years	94 years	95 years	398,505	396,821	15.1	14.8
Balance carried forward						739,193	950,156	28.0	35.4

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.
(2) Ascott Raffles Place Singapore has been reclassified to "Assets held for Sale" (Note 13), pursuant to the planned divestment of the property as at 31 December 2018.
(3) On 10 October 2017, the Group acquired Ascott Orchard Singapore from related corporations, CH Commercial Pte. Ltd. and CH Residential Pte. Ltd.. The valuation was based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018 $'000	2017 $'000	2018 %	2017 %
Balance brought forward						739,193	950,156	28.0	35.4
Australia									
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth, WA 6000	Freehold	Not applicable	Not applicable	Not applicable	18,919	21,846	0.7	0.8
Citadines on Bourke Melbourne	131-135 Bourke Street, Melbourne, Victoria 3000	Freehold	Not applicable	Not applicable	Not applicable	158,017	164,807	6.0	6.1
Quest Campbelltown	1 Rennie Road, Woodbine, NSW 2560	Freehold	Not applicable	Not applicable	Not applicable	21,808	22,513	0.8	0.8
Quest Mascot	108 -114 Robey Road, Mascot, NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	24,455	26,071	0.9	1.0
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park, NSW 2127	Leasehold	99 years	93 years	94 years	44,575	47,579	1.7	1.8
Balance carried forward						1,006,967	1,232,972	38.1	45.9

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						1,006,967	1,232,972	38.1	45.9
People's Republic of China									
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630	Leasehold	70 years	56 years	57 years	99,895	103,521	3.8	3.8
Somerset Xu Hui Shanghai	888, Shaanxi Nan Road, Xu Hui District, Shanghai 200031	Leasehold	70 years	47 years	48 years	75,134	76,917	2.8	2.9
Somerset Olympic Tower Property Tianjin	126, Chengdu Road, Heping District, Tianjin 300051	Leasehold	70 years	44 years	45 years	64,621	66,394	2.4	2.5
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens, 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021	Leasehold	70 years	48 years	49 years	29,707	30,401	1.1	1.1
Balance carried forward						1,276,324	1,510,205	48.2	56.2

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018 $'000	2017 $'000	2018 %	2017 %
Balance brought forward						1,276,324	1,510,205	48.2	56.2
People's Republic of China *(continued)*									
Somerset Heping Shenyang	80 Taiyuan North Street, Heping District, Shenyang 110000	Leasehold	40 years	28 years	29 years	79,851	83,398	3.0	3.1
Somerset Grand Central Dalian	128-2 Jinma Road, Dalian Development Area, Dalian 116600	Leasehold	50 years	38 years	39 years	103,305	106,994	3.9	4.0
Citadines Zhuankou Wuhan	159 Dongfeng Avenue (Xianglong Business Centre Zone C) Wuhan Economic and Technological Development Zone, Wuhan 430056	Leasehold	40 years	25 years	26 years	43,981	45,580	1.7	1.7
Balance carried forward						1,503,461	1,746,177	56.8	65.0

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						1,503,461	1,746,177	56.8	65.0
Indonesia									
Ascott Jakarta	Jalan Kebon Kacang Raya No. 2, Jakarta 10230	Leasehold	26 years	5 years	6 years	62,184	60,670	2.4	2.3
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav 1, Jakarta 12940	Leasehold	30 years	6 years	7 years	38,562	38,020	1.5	1.4
Japan									
Somerset Azabu East Tokyo	1-9-11, Higashi Azabu, Minato-ku, Tokyo 106-0044	Freehold	Not applicable	Not applicable	Not applicable	43,133	43,189	1.6	1.6
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 1600022	Freehold	Not applicable	Not applicable	Not applicable	110,182	110,520	4.2	4.1
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105	Freehold	Not applicable	Not applicable	Not applicable	58,004	59,411	2.2	2.2
Balance carried forward						1,815,526	2,057,987	68.7	76.6

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						1,815,526	2,057,987	68.7	76.6
***Japan** (continued)*									
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032	Freehold	Not applicable	Not applicable	Not applicable	37,351	37,475	1.4	1.4
Actus Hakata V-Tower	3-15-10, Hakata Ekimae, Hakata-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	43,852	43,991	1.7	1.6
Big Palace Kita 14jo	4-1-6, Kita14jo Nishi, Kita-ku, Sapporo	Freehold	Not applicable	Not applicable	Not applicable	18,325	18,422	0.7	0.7
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	7,248	7,248	0.3	0.3
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	5,424	5,418	0.2	0.2
Balance carried forward						1,927,726	2,170,541	73.0	80.8

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018 $'000	2017 $'000	2018 %	2017 %
Balance brought forward						1,927,726	2,170,541	73.0	80.8
Japan *(continued)*									
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	4,494	4,545	0.2	0.2
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	80,567	80,831	3.0	3.0
Citadines Central Shinjuku Tokyo	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo 1600021	Freehold	Not applicable	Not applicable	Not applicable	130,194	130,398	4.9	4.8
S-Residence Hommachi Marks	2-3-6, Tokuicho, Chuo-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	18,760	17,938	0.7	0.7
S-Residence Tanimachi 9 chome	4-29, Ikutamamaemachi, Tennoji-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	20,669	19,998	0.8	0.7
Balance carried forward						2,182,410	2,424,251	82.6	90.2

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018 $'000	2017 $'000	2018 %	2017 %
Balance brought forward						2,182,410	2,424,251	82.6	90.2
***Japan** (continued)*									
S-Residence Midoribashi Serio	3-17-6, Nakamoto, Higashinari-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	17,250	16,604	0.7	0.6
S-Residence Fukushima Luxe	7-22-9, Fukushima, Fukushima-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	37,557	37,569	1.4	1.4
Malaysia									
Somerset Ampang Kuala Lumpur	187, Jalan Ampang 50450, Kuala Lumpur	Freehold	Not applicable	Not applicable	Not applicable	51,455	52,821	1.9	2.0
Balance carried forward						2,288,672	2,531,245	86.6	94.2

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						2,288,672	2,531,245	86.6	94.2
The Philippines									
Ascott Makati	Glorietta 4, Ayala Center, Makati City 1224	Leasehold	48 years	26 years	27 years	117,441	120,136	4.4	4.5
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229	Freehold	Not applicable	Not applicable	Not applicable	14,812	14,660	0.6	0.5
The United States of America									
Element New York Times Square West	311 West 39th Street, New York, New York 10018	Leasehold	99 years	94 years	95 years	229,208	226,118	8.7	8.4
Sheraton Tribeca New York Hotel	370 Canal Street, New York, New York 10013	Leasehold	99 years	94 years	95 years	224,132	216,452	8.5	8.1
DoubleTree by Hilton Hotel New York – Times Square South (4)	341 West 36th Street, New York, New York 10018	Freehold	Not applicable	Not applicable	Not applicable	148,909	146,501	5.6	5.5
Balance carried forward						3,023,174	3,255,112	114.4	121.2

(4) On 16 August 2017, the Group acquired the DoubleTree by Hilton Hotel New York – Times Square South property from CM-36 LLC, an unrelated third party. The valuation was based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						3,023,174	3,255,112	114.4	121.2
Vietnam									
Somerset Grand Hanoi	49, Hai Ba Trung Street, Hanoi	Leasehold	45 years	19 years	20 years	119,871	110,813	4.5	4.1
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Cau Giay, Hanoi	Leasehold	36 years	23 years	24 years	42,277	44,495	1.6	1.7
Somerset West Lake Hanoi	254D Thuy Khue Road, Hanoi	Leasehold	49 years	23 years	24 years	13,368	13,610	0.5	0.5
Somerset Chancellor Court Ho Chi Minh City	21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City	Leasehold	48 years	23 years	24 years	54,786	57,495	2.1	2.1
Somerset Ho Chi Minh City	8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City	Leasehold	45 years	21 years	22 years	46,633	52,708	1.8	2.0
Balance carried forward						3,300,109	3,534,233	124.9	131.6

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018 $'000	2017 $'000	2018 %	2017 %
Balance brought forward						3,300,109	3,534,233	124.9	131.6
France									
Citadines City Centre Lille [1]	Avenue Willy Brandt - Euralille, 59777 Lille	Freehold	Not applicable	Not applicable	Not applicable	14,832	16,814	0.6	0.6
Citadines City Centre Grenoble [1]	9-11, rue de Strasbourg 38000 Grenoble	Freehold	Not applicable	Not applicable	Not applicable	8,899	11,850	0.3	0.4
La Clef Louvre Paris [1]	8, rue de Richelieu, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	46,760	45,557	1.8	1.7
Citadines Trocadéro Paris [1]	29 bis, rue Saint-Didier, 75116 Paris	Freehold	Not applicable	Not applicable	Not applicable	42,974	45,965	1.6	1.7
Citadines Presqu'île Lyon [1]	2 rue Thomassin, 69002 Lyon	Freehold	Not applicable	Not applicable	Not applicable	22,326	22,738	0.8	0.8
Citadines Place d'Italie Paris [1]	18, place d'Italie, 75013 Paris	Freehold	Not applicable	Not applicable	Not applicable	50,586	51,241	1.9	1.9
Balance carried forward						3,486,486	3,728,398	131.9	138.7

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						3,486,486	3,728,398	131.9	138.7
***France** (continued)*									
Citadines Montmartre Paris (1)	16, avenue Rachel, 75018 Paris	Freehold	Not applicable	Not applicable	Not applicable	37,002	36,509	1.4	1.4
Citadines Tour Eiffel Paris (1)	132, Boulevard de Grenelle, 75015 Paris	Freehold	Not applicable	Not applicable	Not applicable	74,817	72,570	2.8	2.7
Citadines Antigone Montpellier (1)	588, boulevard d'Antigone, 34000 Montpellier	Freehold	Not applicable	Not applicable	Not applicable	16,237	15,533	0.6	0.6
Citadines Castellane Marseille (1) (5)	60, rue du Rouet, 13006 Marseille	Freehold	20 years	1 year	2 years	12,959	12,170	0.5	0.5
Citadines Austerlitz Paris (1) (5)	27, rue Esquirol, 75013 Paris	Freehold	20 years	1 year	2 years	11,085	10,729	0.4	0.4
Citadines République Paris (1) (5)	75 bis, avenue Parmentier, 75011 Paris	Freehold	20 years	1 year	2 years	22,639	22,898	0.9	0.9
Balance carried forward						3,661,225	3,898,807	138.5	145.2

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.
(5) As at 31 December 2018, these four (2017: five) freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						3,661,225	3,898,807	138.5	145.2
***France** (continued)*									
Citadines Maine Montparnasse Paris [(1)] [(5)]	67, avenue du Maine, 75014 Paris	Freehold	20 years	1 year	2 years	23,732	24,019	0.9	0.9
Citadines Prado Chanot Marseille [(1)]	9-11, boulevard de Louvain, 13008 Marseille	Freehold	Not applicable	Not applicable	Not applicable	9,836	9,768	0.4	0.4
Citadines Croisette Cannes [(1)]	1, rue le Poussin, 06400 Cannes	Freehold	Not applicable	Not applicable	Not applicable	7,494	7,526	0.3	0.3
Citadines Didot Montparnasse Paris [(1)]	94, rue Didot, 75014 Paris	Freehold	Not applicable	Not applicable	1 year	21,858	22,418	0.8	0.8
Citadines Les Halles Paris [(1)]	4, rue des Innocents, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	90,086	91,434	3.4	3.4
Balance carried forward						3,814,231	4,053,972	144.3	151.0

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.
(5) As at 31 December 2018, these four (2017: five) freehold serviced residence properties in France are leased by the Group under finance lease arrangements.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease		At Valuation		Percentage of Unitholders' funds	
				2018	2017	2018 $'000	2017 $'000	2018 %	2017 %
Balance brought forward						3,814,231	4,053,972	144.3	151.0
The United Kingdom									
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH	Freehold	Not applicable	Not applicable	Not applicable	75,732	74,226	2.9	2.8
Citadines Trafalgar Square London	18/21 Northumberland Avenue, London WC2N 5EA	Freehold	Not applicable	Not applicable	Not applicable	175,191	164,912	6.6	6.1
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL	Freehold	Not applicable	Not applicable	Not applicable	72,292	72,813	2.7	2.7
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF	Freehold	Not applicable	Not applicable	Not applicable	157,845	156,346	6.0	5.8
Balance carried forward						4,295,291	4,522,269	162.5	168.4

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						4,295,291	4,522,269	162.5	168.4
Belgium									
Citadines Sainte-Catherine Brussels	51, quai au Bois à Brûler, 1000 Brussels	Freehold	Not applicable	Not applicable	Not applicable	32,670	31,707	1.2	1.2
Citadines Toison d'Or Brussels	61-63, avenue de la Toison d'Or, 1060 Brussels	Freehold	Not applicable	Not applicable	Not applicable	30,306	29,119	1.1	1.1
Germany									
Citadines Kurfürstendamm Berlin (1)	Olivaer Platz 1, 10707 Berlin-Wilmersdorf	Freehold	Not applicable	Not applicable	Not applicable	22,404	21,361	0.9	0.8
Citadines Arnulfpark Munich (1)	Arnulfstrasse 51, 80636 München	Freehold	Not applicable	Not applicable	Not applicable	36,963	38,167	1.4	1.4
The Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg	Freehold	Not applicable	Not applicable	Not applicable	76,034	77,022	2.9	2.9
Citadines City Centre Frankfurt (1) (6)	Europa-Allee 23, 60327 Frankfurt am Main	Freehold	Not applicable	Not applicable	Not applicable	64,013	65,653	2.4	2.4
Citadines Michel Hamburg (1) (6)	Ludwig-Erhard-Straße 7, 20459 Hamburg	Leasehold	99 years	92 years	93 years	49,961	51,241	1.9	1.9
Balance carried forward						4,607,642	4,836,539	174.3	180.1

(1) As at 31 December 2018, these 23 (2017: 23) serviced residence properties are leased to related corporations under master lease arrangements.
(6) On 2 May 2017, the Group completed the acquisition of two serviced residence properties in Germany from Ascott Holdings (Europe) N.V., a related corporation. The valuations were based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

By Geography (continued)
Group (continued)

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Balance brought forward						4,607,642	4,836,539	174.3	180.1
Spain									
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	Freehold	Not applicable	Not applicable	Not applicable	71,653	71,861	2.7	2.7
Portfolio of serviced residence properties						4,679,295	4,908,400	177.0	182.8
Other assets and liabilities (net)						(1,548,386)	(1,736,717)	(58.6)	(64.7)
Net assets of Group						3,130,909	3,171,683	118.4	118.1
Perpetual securities						(397,127)	(397,127)	(15.0)	(14.8)
Non-controlling interests						(89,731)	(89,427)	(3.4)	(3.3)
Unitholders' funds						2,644,051	2,685,129	100.0	100.0

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

On 31 December 2018, Citadines Mount Sophia Property Singapore, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku Tokyo, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Element New York Times Square West, Sheraton Tribeca New York Hotel, DoubleTree by Hilton Hotel New York – Times Square South, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City and Somerset Ho Chi Minh City were pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

On 31 December 2017, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku Tokyo, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Element New York Times Square West, Sheraton Tribeca New York Hotel, DoubleTree by Hilton Hotel New York – Times Square South, Somerset Grand Hanoi, Somerset Chancellor Court Ho Chi Minh City and Somerset Ho Chi Minh City were pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

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

PORTFOLIO STATEMENTS

As at 31 December 2018

Trust

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2018	Remaining Term of Lease 2017	At Valuation 2018 $'000	At Valuation 2017 $'000	Percentage of Unitholders' funds 2018 %	Percentage of Unitholders' funds 2017 %
Serviced residence properties									
Singapore									
Somerset Liang Court Property Singapore	177B, River Valley Road, Singapore 179032	Leasehold	97 years	58 years	59 years	209,550	208,809	11.0	10.8
Citadines Mount Sophia Property Singapore	8 Wilkie Road, #01-26 Wilkie Edge, Singapore 228095	Leasehold	96 years	86 years	87 years	131,138	131,087	6.9	6.8
Ascott Raffles Place Singapore (1) (2)	2 Finlayson Green, Singapore 049247	Leasehold	999 years	872 years – 874 years	873 years – 875 years	–	213,439	–	11.0
Ascott Orchard Singapore (1) (3)	11 Cairnhill Road, Singapore 229724	Leasehold	99 years	94 years	95 years	398,505	396,821	21.0	20.5
Portfolio of serviced residence properties						739,193	950,156	38.9	49.1
Other assets and liabilities (net)						1,554,674	1,381,078	82.0	71.4
Net assets of Trust						2,293,867	2,331,234	120.9	120.5
Perpetual securities						(397,127)	(397,127)	(20.9)	(20.5)
Unitholders' funds						1,896,740	1,934,107	100.0	100.0

(1) As at 31 December 2018, these two (2017: two) serviced residence properties are leased to related corporations under master lease arrangements.
(2) Ascott Raffles Place Singapore has been reclassified to "Assets held for Sale" (Note 13), pursuant to the planned divestment of the property as at 31 December 2018.
(3) On 10 October 2017, the Trust acquired Ascott Orchard Singapore from related corporations, CH Commercial Pte. Ltd. and CH Residential Pte. Ltd.. The valuation was based on the discounted cash flow approach.

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

PORTFOLIO STATEMENTS

As at 31 December 2018

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

On 31 December 2018, Citadines Mount Sophia Property Singapore was pledged as security to the bank for banking facility granted to the Trust (see Note 15).

On 31 December 2017, Citadines Mount Sophia Property Singapore and Ascott Raffles Place Singapore were pledged as securities to banks for banking facilities granted to the Trust (see Note 15).

On 31 December 2018 and 31 December 2017, the Manager engaged independent valuers, Colliers International, to carry out valuations of the Group's serviced residences and rental housing properties.

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Cash flows from operating activities			
Total return for the year before income tax		195,382	274,444
Adjustments for:			
Depreciation of plant and equipment		12,744	13,250
Operating lease expense recognised on a straight-line basis		3,104	3,499
Finance costs		47,116	46,668
Finance income		(1,194)	(1,581)
Foreign exchange loss/(gain) – unrealised		8,988	(2,441)
Loss on disposal of plant and equipment		134	235
Manager's management fees paid/payable in Units		17,505	16,051
Net change in fair value of serviced residence properties and assets held for sale		(35,499)	(85,640)
Net change in fair value of financial derivatives		–	(1,121)
Profit from divestments		(3,211)	(20,844)
Assets written off		364	621
Impairment loss/write-off of trade and other receivables		43	527
Share of results of associate (net of tax)		21	38
Operating income before working capital changes		245,497	243,706
Changes in working capital:			
Inventories		(118)	(22)
Trade and other receivables		(2,231)	(25,340)
Trade and other payables		3,272	(16,803)
Cash generated from operations		246,420	201,541
Income tax paid		(19,753)	(20,202)
Net cash from operating activities		226,667	181,339
Cash flows from investing activities			
Acquisition of serviced residence properties, net of cash acquired	35	–	(627,963)
Capital expenditure on serviced residence properties		(13,334)	(12,577)
Acquisition of serviced residence property under development		(65,045)	–
Deposits received from divestment of subsidiaries/ serviced residence property		5,000	104,909
Proceeds from disposal of assets held for sale	29	90,175	7,394
Payment of transaction costs for disposal of assets held for sale	29	(4,670)	–
Proceeds from divestment of serviced residence properties		–	150,088
Interest received		1,194	1,581
Proceeds from sale of plant and equipment		255	58
Purchase of plant and equipment		(14,247)	(13,665)
Net cash used in investing activities		(672)	(390,175)
Balance carried forward		225,995	(208,836)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2018

	Note	Group 2018 $'000	Group 2017 $'000
Balance brought forward		225,995	(208,836)
Cash flows from financing activities			
Distributions to Unitholders		(149,116)	(144,629)
Distributions to perpetual securities holders		(19,200)	(19,200)
Dividends paid to non-controlling interests		(3,464)	(2,948)
Interest paid		(43,413)	(46,554)
Payment of finance lease		(2,931)	(3,165)
Proceeds from borrowings and issue of medium term notes		472,719	680,988
Proceeds from issue of Units		–	442,671
Payment of transaction costs on issue of Units		–	(4,840)
Payment of transaction costs on borrowings		(500)	–
Repayment of borrowings and medium term notes		(507,721)	(574,516)
Change in restricted cash deposits for bank facilities		(239)	(205)
Net cash (used in)/from financing activities		(253,865)	327,602
Net (decrease)/increase in cash and cash equivalents		(27,870)	118,766
Cash and cash equivalents at 1 January		255,253	141,187
Effect of exchange rate changes on balances held in foreign currency		(1,867)	(2,197)
Cash and cash equivalents reclassified to assets held for sale		–	(2,503)
Cash and cash equivalents at 31 December		225,516	255,253

Significant non-cash transactions

A total of 15,352,904 (2017: 13,688,341) Units were issued or will be issued as payment of the Manager's management fees amounting to $17,505,000 (2017: $16,051,000) in respect of the year ended 31 December 2018.

During the financial year ended 31 December 2017, 836,645 Units were issued to the Manager as payment of the acquisition fee amounting to $984,000 in relation to the completion of the acquisition of serviced residence properties.

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 26 February 2019.

1 GENERAL

Ascott Residence Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 19 January 2006 (as amended) (the "Trust Deed") between Ascott Residence Trust Management Limited (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it or through its subsidiaries (collectively, the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units").

The Trust was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") and was included under the Central Provident Fund ("CPF") Investment Scheme on 31 March 2006.

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

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

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

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

(i) Trustee's fees

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

(ii) Manager's fees

Management fees

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

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

(b) an annual performance fee of:

- base performance fee of 4.0% per annum of the Group's share of gross profit for each financial year; and

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (continued)

(ii) Manager's fees (continued)

Management fees (continued)

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

Acquisition fee

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

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

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

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

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

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

Divestment fee

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

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

NOTES TO THE FINANCIAL STATEMENTS

1 GENERAL (continued)

(iii) Fees under serviced residence management agreements

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

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

- basic management fees of between 2.0% and 3.0% per annum of the total revenue of each property; and
- incentive management fees of up to 11.0% per annum of gross operating profit of each property; and

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

- basic management fees of 3.0% per annum of the total revenue and up to 13.0% per annum of net operating profit ("NOP") of each property; and
- incentive management fees of 50% of any excess NOP achieved above the NOP hurdle of certain properties.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, except as disclosed in the notes below.

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (continued)

2.4 Use of estimates and judgements (continued)

Information about critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Notes 3.3 and 4 – classification of serviced residence properties
- Notes 3.1 and 35 – accounting for acquisition of serviced residence properties and subsidiaries

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 34 – determination of fair value of serviced residence 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 control framework with respect to the measurement of fair values. Significant fair value measurements, including Level 3 fair values, will be reported directly to the Chief Executive Officer ("CEO") of the Manager.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2018. The adoption of these standards did not result in substantial changes to the accounting policies and had no significant effect on the financial performance or position of the Group and the Trust.

3.1 Basis of consolidation

(i) Property acquisition and business combination

Where a property is acquired, via corporate acquisitions or otherwise, the Manager considers whether the acquisition represents an acquisition of a 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 an acquisition of 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.

(ii) 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 these returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

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

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as transactions with owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in the Statement of Total Return. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising from the loss of control is recognised in the Statement of Total Return. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.1 Basis of consolidation (continued)

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Associates are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the income, expenses and equity movements of the associates, after adjustments to align the accounting policies of the associates with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

(iv) Transactions eliminated on consolidation

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

(v) Accounting for subsidiaries and associate by the Trust

Investments in subsidiaries and associate are stated in the Trust's Statement of Financial Position at cost less accumulated impairment losses.

3.2 Foreign currency

(i) Foreign currency transactions

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

Transactions in foreign currencies are translated to the respective functional currencies of the Group's entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are translated to the functional currency at the exchange rate prevailing at that date. 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 on which 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 from translation are recognised in the Statement of Total Return, except for differences arising from the translation of monetary items that in substance form part of the Group's net investment in a foreign operation, financial liabilities designated as hedges of net investment in a foreign operation (see Note 3.2 (iv)) or qualifying cash flow hedges, to the extent such hedges are effective, which are recognised in Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Foreign currency (continued)

(ii) Foreign operations

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

Foreign currency differences are recognised in Unitholders' funds, and presented in the foreign currency translation reserve. However, if the foreign 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 foreign currency translation reserve related to that foreign operation is transferred to total return as part of the profit or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is transferred to total return.

(iii) Net investment in a foreign operation

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

(iv) Hedge of net investment in foreign operation

The Group applies hedge accounting to foreign currency differences arising between the functional currency of the foreign operation and the Trust's functional currency (Singapore Dollars) to certain foreign investments.

In the Trust's financial statements, foreign currency differences arising from the translation of a financial liability designated as a hedge of a net investment in a foreign operation are recognised in the Statement of Total Return. On consolidation, such differences are recognised in the foreign currency translation reserve in Unitholders' funds, to the extent that the hedge is effective. To the extent that the hedge is ineffective, such differences are recognised in the Statement of Total Return. When the hedged net investment is disposed of, the cumulative amount in the foreign currency translation reserve is transferred to the Statement of Total Return as part of the gain or loss on disposal.

3.3 Serviced residence properties

Serviced residence properties comprise serviced residences, rental housing properties and other hospitality assets which are held either to earn rental or for capital appreciation or both. Certain of the Group's serviced residence properties acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Serviced residence properties accounted for as investment properties are initially recognised at cost, including transaction costs, and subsequently at fair value with any change therein recognised in the total return. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Fair value is determined in accordance with the Trust Deed, which requires the serviced residence properties to be valued by independent registered valuers in the following events:

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Serviced residence properties (continued)

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

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

Any gain or loss on disposal of a serviced residence property (calculated as the difference between net proceeds from disposal and the carrying amount of the property) is recognised in the Statement of Total Return.

3.4 Plant and equipment

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. Certain of the Group's plant and equipment acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset if it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and its cost can be measured reliably. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

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

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

Assets under construction are stated at cost and are not depreciated. Expenditure relating to assets under construction (including borrowing costs) are capitalised when incurred. Depreciation will commence when the development is completed and ready to use.

The assets' residual values, useful lives and depreciation methods are reviewed at each reporting date, and adjusted if appropriate.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments

(i) Non-derivative financial assets – Policy applicable from 1 January 2018

Classification and measurement

The Group classifies its financial assets as financial assets at amortised costs.

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

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

At initial recognition

A financial asset is recognised if the Group becomes a party to the contractual provisions of the financial asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through total return, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through total return are expensed in the Statement of Total Return.

At subsequent measurement

Financial assets at amortised cost

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

Non-derivative financial assets – Policy applicable before 1 January 2018

The Group classifies non-derivative financial assets into loans and receivables category. A financial asset is recognised if the Group becomes a party to the contractual provision of the financial asset.

Loans and receivables

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

(ii) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the Statement of Cash Flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

(iii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through total return) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

(iii) Non-derivative financial liabilities (continued)

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method. Other financial liabilities comprised loans and borrowings, and trade and other payables (excluding advance rental and liability for employee benefits).

(iv) Derecognition

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or transfers substantially all the risks and rewards of the assets. The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

(v) Offsetting

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

(vi) Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through total return. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates each hedge as either: (a) cash flow hedge; or (b) net investment hedge.

On initial designation of the derivative as the hedging instrument, the Group formally documents the economic relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total return.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the Statement of Total Return when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Hedging relationships designated under FRS 39 that were still existing as at 31 December 2017 are treated as continuing hedges and hedge documentations were aligned accordingly to the requirements of FRS 109.

Cash flow hedges

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

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in the hedging reserve in Unitholders' funds. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

(vi) Derivative financial instruments and hedge accounting – Policy applicable from 1 January 2018 (continued)

Cash flow hedges (continued)

When the hedged forecast transaction subsequently results in the recognition of a non-financial item, such as inventory, the amounts recognised in the hedged reserve is included in the initial cost of the non-financial item.

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

Net investment hedge

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

When a derivative instrument or a non-derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of, for a derivative, changes in the fair value of the hedging instrument or, for a non-derivative, foreign exchange gains and losses is recognised in the foreign currency translation reserve in Unitholders' funds. Any ineffective portion of the changes in the fair value of the derivative or foreign exchange gains and losses on the non-derivative is recognised immediately in the Statement of Total Return. The amount recognised in the foreign currency translation reserve is reclassified to the Statement of Total Return as a reclassification adjustment on disposal of the foreign operation.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in the Statement of Total Return.

Derivative financial instruments and hedge accounting – Policy applicable before 1 January 2018

The policy applied in the comparative information presented for 2017 is similar to that applied for 2018. However, embedded derivatives are not separated from host contracts that are financial assets in the scope of FRS 109. Instead, the hybrid financial instrument is assessed as a whole for classification of financial assets under FRS 109.

(vii) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Trust that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount of loss allowance. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Financial instruments (continued)

(vii) Intra-group financial guarantees (continued)

Prior to 1 January 2018, for subsequent measurement, the financial guarantees were measured at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities.

(viii) Unitholders' funds

Unitholders' funds represent the Unitholders' residual interest in the Group's net assets upon termination and is classified as equity. Incremental costs directly attributable to the issue of Units are recognised as a deduction from Unitholders' funds.

(ix) Perpetual securities

The perpetual securities do not have a maturity date and distribution payment is optional at the discretion of the Trust. As the Trust does not have a contractual obligation to repay the principal nor make any distributions, perpetual securities are classified as Unitholders' funds.

Any distributions made are directly debited from Unitholders' funds. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

3.6 Impairment

(i) Financial assets

Policy applicable from 1 January 2018

The Group assesses on a forward looking basis the expected credit losses ("ECL") associated with its financial assets carried at amortised cost and financial guarantee contracts. For trade receivables, the Group applies the simplified approach permitted by FRS 109, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Group applies the general approach of 12-month ECL at initial recognition for all other financial assets and financial guarantee contracts.

Policy applicable before 1 January 2018

A financial asset not carried at fair value through total return, including an interest in an associate, was assessed at the end of each reporting period to determine whether there was objective evidence that it was impaired. A financial asset was impaired if objective evidence indicated that a loss event(s) had occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that could be estimated reliably.

Objective evidence that financial assets were impaired included default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer would enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

All individually significant financial assets are assessed for specific impairment on an individual basis. All individually significant financial assets found not to be specifically impaired are then collectively assessed for any impairment that has incurred but not yet identified. The remaining financial assets that are not individually significant are collectively assessed for impairment by grouping together such instruments with similar risk characteristics.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.6 Impairment (continued)

(i) Financial assets (continued)

In assessing collective impairment, the Group used historical information on the timing of recoveries and the amount of loss incurred, and made an adjustment if current economic and credit conditions were such that the actual losses were likely to be greater or lesser than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in the Statement of Total Return and reflected as an allowance account against loans and receivables. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through total return.

(ii) Non-financial assets

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

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGU that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in the Statement of Total Return. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of the assets in the CGU on a *pro rata* basis.

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

3.7 Inventories

Inventories comprise principally food and beverage and other serviced residence and rental property related consumable stocks. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.8 Assets held for sale

Non-current assets comprising assets and liabilities that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with applicable FRSs. Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in the Statement of Total Return. Gains are not recognised in excess of any cumulative impairment loss.

3.9 Employee benefits

(i) Defined contribution plans

Contributions to post-employment benefits under defined contribution plans are recognised as an expense in the Statement of Total Return in the period during which the related services are rendered by employees.

(ii) Short-term employee benefits

All short-term employee benefits, including accumulated compensated absences, are measured on an undiscounted basis and are recognised in the period in which the employees render their services.

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

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11 Leases

(i) When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest over the remaining balance of the liability.

(ii) When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in the Statement of Total Return on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease payments made. Contingent rentals are charged to the Statement of Total Return in the accounting period in which they are incurred.

(iii) When entities within the Group are lessors of an operating lease

Assets subject to operating leases are included in serviced residence properties (see Note 3.3).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Revenue

(i) Rental income from operating leases

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

(ii) Hospitality income

Hospitality income from serviced residence operations is recognised on an accrual basis, upon rendering of the relevant services. Hospitality income includes fees from usage of the business centres and laundry facilities, recoveries from guests for utilities including telephone charges, income earned from the sales of food and beverages, recoveries of shortfall of net operating profit or earnings before net interest expenses, tax, depreciation and amortisation, service and maintenance fees, recoveries of property taxes and maintenance costs from tenants and fees for managing public areas as well as other miscellaneous income.

(iii) Car park income

For car parks which are leased to an external operator, car park income is recognised on a straight-line basis over the term of the lease. For other car parks, car park income is recognised on an accrual basis.

(iv) Dividend income

Dividend income is recognised in the Statement of Total Return on the date that the Group's or the Trust's right to receive payment is established.

3.13 Expenses

(i) Direct expenses

Direct expenses consist of serviced residence management fees, property taxes, staff costs and other property outgoings in relation to serviced residence properties where such expenses are the responsibility of the Group.

(ii) Trustee's fees

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

(iii) Manager's management fees

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

(iv) Serviced residence management fees

The serviced residence management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(iii).

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.14 Finance income and finance costs

Finance income comprises interest income and is recognised as it accrues, using the effective interest method.

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

3.15 Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Statement of Total Return except to the extent that it relates to a business combination, or items recognised directly in Unitholders' funds.

Current tax is the expected tax payable 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 or loss;
- temporary differences related to investments in subsidiaries and associates to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.15 Income tax (continued)

The Inland Revenue Authority of Singapore (the "IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to compliance with the terms and conditions of the tax ruling, the Trust is not subject to tax on the taxable income of the Trust. Instead, the distributions made by the Trust out of such taxable income are distributed free of tax deducted at source to individual Unitholders and qualifying Unitholders. Qualifying Unitholders are companies incorporated and tax resident in Singapore, Singapore branches of foreign companies that have obtained waiver from the IRAS from tax deducted at source in respect of the distributions from the Trust, and bodies of persons registered or constituted in Singapore. This treatment is known as the tax transparency treatment.

The Trustee will deduct tax at the reduced rate of 10% from distributions made out of the Trust's taxable income that is not taxed at the Trust's level to beneficial Unitholders who are qualifying foreign non-individual investors. A qualifying foreign non-individual investor is one who is not a resident of Singapore for income tax purposes, and does not have a permanent establishment in Singapore. Where the non-individual investor carries on any operation in Singapore through a permanent establishment in Singapore, the funds used by that person to acquire the Units cannot be obtained from that operation to qualify for the reduced tax rate.

For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source by the Trustee.

Distribution policy

The Trust will distribute at least 90% of its taxable income, other than gains from the sale of real estate properties that are determined by the IRAS to be trading gains, and net overseas income.

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

Distributions are made on a semi-annual basis, with the amount calculated as at 30 June and 31 December each year for the six-month period ending on each of the said dates. In accordance with the provisions of the Trust Deed, the Manager is required to pay distributions declared within 60 days of the end of each distribution period. Distributions, when paid, will be in Singapore Dollars.

3.16 Earnings per Unit

The Group presents basic and diluted earnings per Unit ("EPU") data for its units. Basic EPU is calculated by dividing the total return attributable to Unitholders of the Group by the weighted average number of Units outstanding during the period. Diluted EPU is determined by adjusting the total return attributable to Unitholders and the weighted average number of Units outstanding for the effects of all dilutive potential Units.

3.17 Segment reporting

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

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise finance costs, trust expenses and income tax expense.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.17 Segment reporting (continued)

Segment capital expenditure is the total costs incurred on serviced residence properties, and plant and equipment during the year.

3.18 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new FRSs, interpretations and amendments to FRSs are effective for annual periods beginning on or after 1 January 2019:

Applicable to 2019 financial statements
- FRS 116 *Leases*
- INT FRS 123 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to FRS 28)
- *Prepayment Features with Negative Compensation* (Amendments to FRS 109)
- *Previously Held Interest in a Joint Operation* (Amendments to FRS 103 and FRS 111)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to FRS 12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to FRS 23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to FRS 19)

Applicable to 2021 financial statements
- FRS 117 *Insurance Contracts*

Mandatory effective date deferred
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to FRS 110 and FRS 28).

The Group has assessed the estimated impact that initial application of FRS 116 will have on the financial statements. The Group's assessment of FRS 116, which is expected to have a more significant impact on the Group, is as described below.

FRS 116

FRS 116 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use ("ROU") asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. FRS 116 replaces existing lease accounting guidance, including FRS 17 *Leases*, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives* and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted.

The Group and the Trust plan to apply FRS 116 initially on 1 January 2019, using the modified retrospective approach. Therefore, the cumulative effect of adopting FRS 116 will be recognised as an adjustment to the opening balance of retained earnings at 1 January 2019, with no restatement of comparative information. The Group and the Trust plan to apply the practical expedient to grandfather the definition of a lease on transition. This means that they will apply FRS 116 to all contracts entered into before 1 January 2019 and identified as leases in accordance with FRS 17 and INT FRS 104.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 New standards and interpretations not adopted (continued)

FRS 116 (continued)

i. The Group and the Trust as lessee

The Group and the Trust expect to measure lease liabilities by applying a single discount rate to their portfolio of leases. Furthermore, the Group and the Trust are likely to apply the practical expedient to recognise amounts of ROU assets equal to their lease liabilities at 1 January 2019. For lease contracts that contain the option to renew, the Group and the Trust are expected to use hindsight in determining the lease term.

The Group and the Trust expect their existing operating lease arrangements to be recognised as ROU assets with corresponding lease liabilities under FRS 116. Lease payments that are increased to reflect market rentals, and those that are based on changes in local price index, are included in the measurement of lease liabilities as at date of initial application.

As at 1 January 2019, the Group expects an increase in ROU assets and lease liabilities of $298.2 million as at 1 January 2019.

The nature of expenses related to those leases will change as FRS 116 replaces the straight-line operating lease expense with change in fair value for ROU assets and interest expense on lease liabilities.

The Group does not expect the adoption of FRS 116 to impact their ability to comply with the Aggregate Leverage limit described in Note 17.

ii. The Group as lessor

FRS 116 substantially carries forward the current existing lessor accounting requirements. Accordingly, the Group continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the existing operating lease and finance lease accounting models respectively.

No significant impact is expected for other leases in which the Group is a lessor.

NOTES TO THE FINANCIAL STATEMENTS

4 SERVICED RESIDENCE PROPERTIES

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
At 1 January	4,908,400	4,504,416	950,156	553,002
Acquisition of serviced residence properties and subsidiaries (Note 35)	–	644,278	–	394,856
Capital expenditure	13,334	13,561	222	447
Divestments of serviced residence properties	–	(129,969)	–	–
Net change in fair value of serviced residence properties	35,499	10,785	2,146	1,621
Disposal of assets	(1,912)	–	–	–
Assets written off	(364)	(621)	–	–
Transfer to assets and liabilities held for sale (Note 13)	(213,334)	(116,975)	(213,334)	–
Transfer from plant and equipment (Note 6)	197	11,157	3	230
Translation difference	(62,525)	(28,232)	–	–
At 31 December	4,679,295	4,908,400	739,193	950,156

Certain serviced residence properties of the Group with an aggregate carrying value of $1,954,579,000 (2017: $2,270,974,000) are pledged as securities to banks for banking facilities granted to certain subsidiaries (see Note 15).

The Group assessed the classification of its serviced residence properties as investment properties or plant and equipment based on its business model, taking into consideration the quantum of other income derived from ancillary services rendered relative to total revenue and employment of external property managers to operate the serviced residence properties, amongst other factors.

The Group held interest in four (2017: five) serviced residence properties in France under finance lease arrangements. Under each of these finance lease arrangements, the Group may acquire legal title to the relevant property by exercising its option to purchase the property (a) prior to the expiry of the finance lease by, among others, providing six months' notice to the finance company and making prepayment for the outstanding rentals due to the finance company, or (b) at the expiry of the finance lease by making a nominal payment of $1 to the finance company. Upon the exercise of the option by serving the six months' notice, the legal title will, in accordance with the finance lease arrangements, be delivered to the Group. At 31 December 2018, the carrying value of these serviced residence properties was $70,415,000 (2017: $92,234,000).

The serviced residence properties of the Trust with an aggregate carrying value of $131,138,000 (2017: $344,526,000) are pledged as securities to banks for banking facilities granted to the Trust (see Note 15).

During the year, the Group carried out asset enhancement initiatives on certain serviced residence properties. As a result of such asset enhancement initiatives, assets no longer in use amounting to $364,000 (2017: $621,000) were written off.

5 OTHER NON-CURRENT ASSETS

Other non-current assets comprise cost of acquisition of 60-year leasehold land for the lyf-one north site, capitalised costs relating to the site and interest incurred on the acquisition of leasehold land. The site was handed over to the Trust in January 2019.

NOTES TO THE FINANCIAL STATEMENTS

6 PLANT AND EQUIPMENT

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group					
Cost					
At 1 January 2017	9,210	360	95,088	2,101	106,759
Acquisition of serviced residence properties and subsidiaries (Note 35)	–	–	10,703	–	10,703
Additions	895	–	12,108	662	13,665
Disposals/written off	–	–	(3,002)	–	(3,002)
Transfer to serviced residence properties (Note 4)	–	–	(10,557)	(600)	(11,157)
Transfer to assets and liabilities held for sale (Note 13)	–	(38)	(2,967)	–	(3,005)
Reclassifications	1,070	–	307	(1,377)	–
Translation difference	(362)	(5)	(1,235)	(186)	(1,788)
At 31 December 2017	10,813	317	100,445	600	112,175
At 1 January 2018	10,813	317	100,445	600	112,175
Additions	1,973	159	11,716	428	14,276
Disposals/written off	(3)	(12)	(2,320)	(191)	(2,526)
Transfer to serviced residence properties (Note 4)	–	–	(31)	(166)	(197)
Transfer to assets and liabilities held for sale (Note 13)	–	–	(5,919)	–	(5,919)
Translation difference	(158)	19	(2,608)	(235)	(2,982)
At 31 December 2018	12,625	483	101,283	436	114,827
Accumulated depreciation					
At 1 January 2017	6,951	143	47,857	–	54,951
Charge for the year	747	180	12,323	–	13,250
Disposals/written off	–	–	(2,709)	–	(2,709)
Transfer to assets and liabilities held for sale (Note 13)	–	(37)	(2,190)	–	(2,227)
Translation difference	(255)	1	(604)	–	(858)
At 31 December 2017	7,443	287	54,677	–	62,407

NOTES TO THE FINANCIAL STATEMENTS

6 PLANT AND EQUIPMENT (continued)

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group (continued)					
Accumulated depreciation (continued)					
At 1 January 2018	7,443	287	54,677	–	62,407
Charge for the year	731	82	11,931	–	12,744
Disposals/written off	(3)	(12)	(2,122)	–	(2,137)
Transfer to assets and liabilities held for sale (Note 13)	–	–	(4,253)	–	(4,253)
Translation difference	(84)	19	(2,433)	–	(2,498)
At 31 December 2018	8,087	376	57,800	–	66,263
Carrying amounts					
At 1 January 2017	2,259	217	47,231	2,101	51,808
At 31 December 2017	3,370	30	45,768	600	49,768
At 31 December 2018	4,538	107	43,483	436	48,564

	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Trust			
Cost			
At 1 January 2017	18,117	–	18,117
Acquisition of serviced residence property	10,144	–	10,144
Additions	1,296	231	1,527
Disposals/written off	(669)	–	(669)
Transfer to serviced residence properties (Note 4)	(2)	(228)	(230)
At 31 December 2017	28,886	3	28,889
At 1 January 2018	28,886	3	28,889
Additions	1,243	–	1,243
Disposals/written off	(638)	–	(638)
Transfer to serviced residence properties (Note 4)	–	(3)	(3)
Transfer to assets held for sale (Note 13)	(5,919)	–	(5,919)
At 31 December 2018	23,572	–	23,572
Accumulated depreciation			
At 1 January 2017	14,119	–	14,119
Charge for the year	1,569	–	1,569
Disposals/written off	(643)	–	(643)
At 31 December 2017	15,045	–	15,045

NOTES TO THE FINANCIAL STATEMENTS

6 PLANT AND EQUIPMENT (continued)

	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Trust (continued)			
Accumulated depreciation (continued)			
At 1 January 2018	15,045	–	15,045
Charge for the year	2,597	–	2,597
Disposals/written off	(624)	–	(624)
Transfer to assets held for sale (Note 13)	(4,253)	–	(4,253)
At 31 December 2018	12,765	–	12,765
Carrying amounts			
At 1 January 2017	3,998	–	3,998
At 31 December 2017	13,841	3	13,844
At 31 December 2018	10,807	–	10,807

7 SUBSIDIARIES

	Trust	
	2018 $'000	2017 $'000
Unquoted equity shares, at cost	356,357	356,357
Allowance for impairment loss	(79,811)	(15,468)
	276,546	340,889

In 2018, the Trust recognised an impairment loss of $64,343,000 on its investment in certain subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to unfavourable exchange rates and payment of dividends to the Trust upon divestment of the two China properties. In 2017, the Trust reversed an impairment of $7,058,000 on its investment in certain subsidiaries due to an increase in the value of the underlying net assets attributed mainly to favourable exchange rates. The Trust assessed the recoverable amount of its investment in subsidiaries based on the higher of the value in use calculation using cash flow projection or the fair value of the net assets as at the reporting date. The fair value measurement was estimated based on net assets as the assets held by the subsidiaries comprise mainly investment properties measured at fair value and categorised under Level 3 in the fair value hierarchy.

(a) Details of the significant subsidiaries directly held by the Trust are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
Ascott REIT MTN Pte. Ltd.	Singapore	100	100
Ascott REIT MTN (Euro) Pte. Ltd.	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

7 SUBSIDIARIES (continued)

(b) Other significant subsidiaries in the Group are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
Ascott REIT Seven Campbelltown Trust [(a)]	Australia	100	100
Ascott REIT Eight Mascot Trust [(a)]	Australia	100	100
Ascott REIT Nine SOP Trust [(a)]	Australia	100	100
Citadines Melbourne on Bourke Unit Trust [(a)]	Australia	100	100
Citadines St Georges Terrace (Perth) Unit Trust [(a)]	Australia	100	100
Citadines (Xi'an) Property Co., Ltd. [(a), (c)]	China	–	100
Gain Mark Properties (Shanghai) Ltd. [(a), (c)]	China	–	100
Guangzhou Hai Yi Property Development Company [(a)]	China	100	100
Shanghai Xin Wei Property Development Co., Ltd. [(a)]	China	100	100
Somerset Heping (Shenyang) Property Co., Ltd. [(a)]	China	100	100
Suzhou Chong Rui Xin Shi Ji Real Estate Co., Ltd. [(a)]	China	100	100
Tianjin Consco Property Development Co., Ltd. [(a)]	China	100	100
Wangze (Dalian) Enterprise Co., Limited [(a)]	China	100	100
Wuhan Citadines Property Development Co., Ltd. [(a)]	China	100	100
Oriville SAS [(a)]	France	100	100
Citadines Munich Arnulfpark GmbH & Co. KG [(a)]	Germany	100	100
Citadines Europaviertel (Frankfurt) GmbH & Co., KG [(a)]	Germany	93	93
Citadines Hamburg Michel GmbH & Co., KG [(a)]	Germany	93	93
PT Bumi Perkasa Andhika [(a)]	Indonesia	100	100
PT Ciputra Liang Court [(a)]	Indonesia	57	57
ARC-CapitaLand Three TMK [(a)]	Japan	100	100
ARC-CapitaLand Four TMK [(a)]	Japan	100	100
Ascott REIT Six TMK [(a)]	Japan	100	100
Citadines Kyoto Gojo TMK [(a)]	Japan	100	100
Citadines Shinjuku TMK [(a)]	Japan	100	100
Infini Garden TMK [(a)]	Japan	100	100
Somerset Azabu East TMK [(a)]	Japan	100	100
Somerset Roppongi TMK [(a)]	Japan	100	100
Zenith Residences Tokyo Tokutei Mokuteki Kaisha [(a)]	Japan	100	100
Ascott REIT (Jersey) Limited [(b)]	United Kingdom/ Jersey	100	100
Somerset Ampang (Malaysia) Sdn. Bhd. [(a)]	Malaysia	100	100
Ascott Baumwall (Hamburg) BV [(a)]	Netherlands	100	100
Ascott Hospitality Holdings Philippines, Inc [(a)]	Philippines	100	100
Ascott Makati, Inc [(a)]	Philippines	100	100
SQ Resources, Inc [(a)]	Philippines	63	63
SN Resources, Inc [(a)]	Philippines	97	97
SM Ascott LLC [(a)]	United States of America	100	100
Tribeca Ascott LLC [(a)]	United States of America	100	100

NOTES TO THE FINANCIAL STATEMENTS

7 SUBSIDIARIES (continued)

(b) Other significant subsidiaries in the Group are as follows (continued):

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2018 %	2017 %
Barrydale SM LLC [(a)]	United States of America	100	100
Hanoi Tower Center Company Limited [(a)]	Vietnam	76	76
Mekong-Hacota Joint Venture Company Limited [(a)]	Vietnam	63	64
Saigon Office and Serviced Apartment Company Limited [(a)]	Vietnam	67	67
Somerset Hoa Binh Joint Venture Company Limited [(a)]	Vietnam	90	90
West Lake Development Company Limited [(a)]	Vietnam	70	70

All significant subsidiaries are audited by KPMG LLP Singapore except for the following:

[(a)] Audited by other member firms of KPMG International.

[(b)] Not required to be audited by laws of country of incorporation.

[(c)] On 3 July 2017, the Group entered into two sale and purchase agreements to divest the interests in its wholly-owned subsidiaries, Citadines (Xi'an) Property Co., Ltd. and Gain Mark Properties (Shanghai) Ltd.. The divestments were completed on 5 January 2018.

8 NON-CONTROLLING INTERESTS

The following subsidiaries have material non-controlling interests ("NCI") and operate serviced residence properties.

Name	Principal place of business/ Country of incorporation	Ownership interests held by NCI 2018 %	2017 %
PT Ciputra Liang Court	Indonesia	42.6	42.6
Hanoi Tower Center Company Limited	Vietnam	24.0	24.0
Mekong-Hacota Joint Venture Company Limited	Vietnam	37.0	36.2
Saigon Office and Serviced Apartment Company Limited	Vietnam	33.0	33.0
Somerset Hoa Binh Joint Venture Company Limited	Vietnam	10.0	10.0
West Lake Development Company Limited	Vietnam	30.0	30.0

The Group's interests in its subsidiaries in Vietnam are held under the terms of joint venture arrangements with unrelated third parties. Under the terms of these joint venture arrangements, the net profits of each of the subsidiaries in Vietnam, after the fulfillment of certain statutory financial obligations and the payment of other amounts due, are to be distributed to the shareholders of these subsidiaries in certain proportions during different periods in accordance with the terms of the relevant joint venture arrangments and/or the applicable investment licence under which these subsidiaries operate.

Under the investment licence of Hanoi Tower Center Company Limited, Burton Engineering Pte Ltd is entitled to 76%, 70% and 50% of the distributed profits for each year during the first 25 years, the following ten years and the subsequent ten years, respectively, from the commencement of operations of Hanoi Tower Center Company Limited. From 9 February 2018, profits attributable to NCI of Hanoi Tower Center Company Limited increased from 24% to 30%.

NOTES TO THE FINANCIAL STATEMENTS

8 NON-CONTROLLING INTERESTS (continued)

The following summarises the financial information of each of the Group's subsidiaries with material NCI, based on their respective financial statements prepared in accordance with FRSs, modified for fair value adjustments on acquisition and differences in the Group's accounting policies.

	PT Ciputra Liang Court $'000	Hanoi Tower Center Company Limited $'000	Mekong-Hacota Joint Venture Company Limited $'000	Saigon Office and Serviced Apartment Company Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2018								
Revenue	6,694	14,924	8,430	8,851	5,768	2,586		
(Loss)/Profit	(2,522)	14,618	(1,925)	3,101	106	499		
Attributable to NCI:								
– Profit	(1,074)	4,340	(696)	1,023	11	150	494	4,248
Non-current assets	44,377	124,408	47,008	58,440	42,158	14,743		
Current assets	3,117	2,638	2,224	9,403	1,260	183		
Non-current liabilities	(994)	(16,831)	(6,418)	(9,709)	–	–		
Current liabilities	(3,675)	(4,521)	(1,250)	(2,255)	(11,342)	(4,176)		
Net assets	42,825	105,694	41,564	55,879	32,076	10,750		
Net assets attributable to NCI	18,231	26,199	15,387	18,440	3,208	3,225	5,041	89,731
Cash flows from operating activities	924	8,474	3,641	3,892	1,899	805		
Cash flows used in investing activities	(3,117)	(2,778)	(242)	(504)	(136)	(119)		
Cash flows used in financing activities	–	(6,249)	(3,684)	(4,434)	(3,086)	(1,142)		
Net decrease in cash and cash equivalents	(2,193)	(553)	(285)	(1,046)	(1,323)	(456)		
Dividends paid to NCI	–	(1,253)	(709)	(1,097)	(127)	(101)		

NOTES TO THE FINANCIAL STATEMENTS

8 NON-CONTROLLING INTERESTS (continued)

	PT Ciputra Liang Court $'000	Hanoi Tower Center Company Limited $'000	Mekong-Hacota Joint Venture Company Limited $'000	Saigon Office and Serviced Apartment Company Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2017								
Revenue	7,662	15,675	8,723	9,223	6,955	2,871		
Profit	964	9,775	7,833	4,418	2,464	880		
Attributable to NCI:								
– Profit	410	2,346	2,766	1,458	246	264	763	8,253
Non-current assets	43,835	113,527	53,006	60,649	44,303	14,975		
Current assets	4,997	3,537	2,517	10,759	2,494	717		
Non-current liabilities	–	(14,346)	(7,801)	(11,934)	–	–		
Current liabilities	(4,150)	(4,986)	(1,500)	(2,481)	(12,845)	(4,945)		
Net assets	44,682	97,732	46,222	56,993	33,952	10,747		
Net assets attributable to NCI	19,021	23,456	16,714	18,808	3,395	3,224	4,809	89,427
Cash flows from operating activities	2,512	7,862	4,424	4,402	3,198	1,111		
Cash flows (used in)/from investing activities	(938)	(483)	(1,284)	276	(64)	6		
Cash flows used in financing activities	–	(9,258)	(1,199)	(4,656)	(2,970)	(917)		
Net increase/(decrease) in cash and cash equivalents	1,574	(1,879)	1,941	22	164	200		
Dividends paid to NCI	–	(1,172)	(330)	(1,145)	(123)	(24)		

NOTES TO THE FINANCIAL STATEMENTS

9 ASSOCIATE

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Unquoted equity shares, at cost	*	*	*	*
Less: Share of associate post acquisition revenue reserve	(544)	(523)	–	–
	(544)	(523)	–	–
Loan receivable	3,837	3,768	3,837	3,768
Less: Allowance for impairment loss	(253)	(253)	(775)	(775)
	3,040	2,992	3,062	2,993

* Less than $1,000

The loan to associate is unsecured, interest-free and repayable on demand with a notice period of twelve months. The loan to associate is not expected to be recalled in the next twelve months.

Movement in allowance for impairment loss is as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
At 1 January	253	–	775	–
Charge for the year	–	253	–	775
At 31 December	253	253	775	775

During the year ended 31 December 2018, there was no additional allowance for impairment loss arising from the loan receivable as the ECL is not material. During the year ended 31 December 2017, an allowance for impairment loss of $253,000 and $775,000 was recognised for the Group's and Trust's loan to associate, respectively. The recoverable amount for the loan to associate was estimated based on the higher of the value in use calculation using cash flow projection or the fair value of the net assets of associate at the reporting date. The fair value measurement was estimated based on net assets of the associate with maturity of less than one year.

Details of the associate are as follows:

Company name	East Australia Trading Company Limited
Nature of relationship with the Group	Investment holding company held by the Group
Country of incorporation	Hong Kong
Ownership interest/Voting rights held	40% (2017: 40%)

The associate is immaterial to the Group. A member firm of KPMG International is the auditor of the associate. In 2018 and 2017, the Group did not receive any dividends from the associate.

The following table summarises the financial information for the Group's interest in the associate, based on the amounts reported in the Group's consolidated financial statements:

	2018 $'000	2017 $'000
Loss after taxation	(21)	(38)

NOTES TO THE FINANCIAL STATEMENTS

10 FINANCIAL DERIVATIVES

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Financial derivative assets				
Non-current				
Interest rate swaps	6,486	5,079	71	–
Cross currency interest rate swaps	1,808	2,090	1,808	2,090
	8,294	7,169	1,879	2,090
Financial derivative liabilities				
Non-current				
Interest rate swaps	(1,636)	(4,085)	(55)	(1,695)
Cross currency interest rate swaps	(5,214)	(11,875)	(5,214)	(11,875)
	(6,850)	(15,960)	(5,269)	(13,570)
Current				
Interest rate swaps	(280)	(165)	(191)	(121)

During the year, the Group entered into cross currency interest rate swaps to swap fixed rate SGD loans of $100.0 million for fixed rate EUR obligations. The SGD loans, which together with the cross currency interest rate swaps arrangements, have been used to hedge the Group's foreign exchange rate risk on the net investment in the subsidiaries in Europe. The hedge relationships for which hedge accounting have been adopted are effective in the financial year ended 31 December 2018.

The Group did not enter into any additional financial derivative contracts during the financial year ended 31 December 2017.

At the reporting date, the notional principal amounts of the financial instruments were as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Interest rate swaps	640,741	701,686	160,784	198,066
Cross currency interest rate swaps	489,724	388,476	489,724	388,476
	1,130,465	1,090,162	650,508	586,542

NOTES TO THE FINANCIAL STATEMENTS

11 DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) are as follows:

	At 1 January 2017 $'000	Credited/ (Charged) to Statement of Total Return (Note 26) $'000	Translation differences $'000	At 31 December 2017 $'000	Credited/ (Charged) to Statement of Total Return (Note 26) $'000	Disposal of subsidiaries $'000	Translation differences $'000	At 31 December 2018 $'000
Group								
Deferred tax assets								
Unutilised capital allowances	130	(73)	2	59	(45)	–	1	15
Unutilised tax losses	4,481	899	(102)	5,278	(3,331)	–	(102)	1,845
Provisions and accruals	152	57	(8)	201	11	–	(4)	208
Unrealised foreign exchange loss – trade	1,128	(841)	(55)	232	2,022	–	(13)	2,241
	5,891	42	(163)	5,770	(1,343)	–	(118)	4,309
Deferred tax liabilities								
Serviced residence properties	(82,428)	(25,227)	625	(107,030)	(21,260)	13,669	2,406	(112,215)
Provisions	(1,721)	1,618	(11)	(114)	114	–	–	–
Plant and equipment	(9,929)	(1,481)	(657)	(12,067)	6,204	–	213	(5,650)
	(94,078)	(25,090)	(43)	(119,211)	(14,942)	13,669	2,619	(117,865)
Net deferred tax (liabilities)/assets	(88,187)	(25,048)	(206)	(113,441)	(16,285)[1]	13,669	2,501	(113,556)

(1) Includes pre-acquisition deferred tax liabilities of subsidiary of $2,090,000.

NOTES TO THE FINANCIAL STATEMENTS

11 DEFERRED TAX (continued)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the Statement of Financial Position as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Deferred tax assets	4,309	5,770	–	–
Deferred tax liabilities	(117,865)	(119,211)	–	–

As at 31 December 2018, deferred tax liabilities amounting to $3,825,000 (2017: $4,257,000) had not been recognised for taxes that would be payable on the undistributed earnings of certain subsidiaries as these earnings would not be distributed in the foreseeable future.

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

Deferred tax assets have not been recognised in respect of the following items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Tax losses	55,356	56,176	–	–
Deductible temporary differences	4,391	4,441	–	–
	59,747	60,617	–	–

Tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which the subsidiaries operate. The deductible temporary differences do not expire under the current tax legislation.

Unrecognised tax losses brought forward of the Group amounting to $4,455,000 (2017: $7,629,000) expired during the year. In addition, $4,173,000 (2017: $6,731,000) of the losses brought forward were utilised to set off against current year's taxable profit. In 2018, unrecognised tax losses arising from divestment of subsidiaries amounted to $3,982,000. The remaining balance of $43,566,000 (2017: $39,398,000) and unrecognised tax losses arising during the year of $11,790,000 (2017: $16,778,000) have been carried forward. Tax losses that have been carried forward and are subject to expiration as follows:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Expiry dates	39,129	43,536	–	–
– Within 1 to 5 years	16,227	12,640	–	–
– After 5 years	55,356	56,176	–	–

NOTES TO THE FINANCIAL STATEMENTS

12 TRADE AND OTHER RECEIVABLES

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Trade receivables		17,663	16,381	1,000	1,282
Impairment loss	30	(282)	(394)	–	–
		17,381	15,987	1,000	1,282
Non-trade amounts due from subsidiaries		–	–	2,364,176	2,413,547
Impairment loss	30	–	–	(69,527)	(48,637)
		–	–	2,294,649	2,364,910
Amounts due from related parties:					
– trade		14,955	8,522	306	276
– non-trade		144	139	–	–
Deposits		1,934	4,304	56	39
Other receivables		11,972	12,359	3,347	2,670
Impairment loss		(4)	(5)	–	–
		11,968	12,354	3,347	2,670
		46,382	41,306	2,299,358	2,369,177
Prepayments		10,537	25,267	109	87
		56,919	66,573	2,299,467	2,369,264

The non-trade amounts due from subsidiaries pertain to amounts lent to subsidiaries to satisfy long term funding requirements. The non-trade amounts due from related parties mainly pertain to payments made on behalf of these entities. Non-trade amounts due from subsidiaries and related parties are unsecured, interest-free and repayable on demand.

13 ASSETS AND LIABILITIES HELD FOR SALE

	Note	Group and Trust 2018 $'000	Group and Trust 2017 $'000
Ascott Raffles Place Singapore	(a), 34(a)(ii)		
– Serviced residence properties		213,334	–
– Plant and equipment		1,666	–
		215,000	–

	Note	Group 2018 $'000	Group 2017 $'000
The disposal group	(b)		
– Serviced residence properties		–	191,020
– Plant and equipment		–	778
– Trade and other receivables		–	519
– Cash and cash equivalents		–	2,503
Assets held for sale		–	194,820

NOTES TO THE FINANCIAL STATEMENTS

13 ASSETS AND LIABILITIES HELD FOR SALE (continued)

	Note	Group 2018 $'000	Group 2017 $'000
The disposal group	(b)		
– Trade and other payables		–	1,065
Liabilities held for sale		–	1,065

(a) An independent property consultant was engaged to conduct a marketing exercise for the divestment of Ascott Raffles Place Singapore ("ARPS") in 2018. Pursuant to the planned divestment of ARPS, the serviced residence property and plant and equipment relating to ARPS was reclassified to assets held for sale as at 31 December 2018. The Group received an initial deposit of $5.0 million from the buyer in 2018. As at 31 December 2018, Ascott Raffles Place Singapore, with its carrying value of $215.0 million, was pledged as security for banking facility granted to the Trust. The sale and purchase agreement was signed on 9 January 2019, and the divestment is expected to complete on 9 May 2019.

(b) On 3 July 2017, the Group entered into two sale and purchase agreements with Shanghai Zhengxin Enterprise Management Co., Ltd, an unrelated third party, to divest the interests in its wholly-owned subsidiaries, Citadines (Xi'an) Property Co., Ltd. and Gain Mark Properties (Shanghai) Ltd. (collectively, known as the "disposal group"). The sale price was agreed on a willing buyer willing seller basis taking into account the agreed aggregate value of the properties of RMB980 million, being 69% above the valuation of the properties as at 31 December 2016 which was appraised based on the discounted cash flow approach. The divestments were completed on 5 January 2018 and the group received final proceeds of $99.1 million and recognised additional gain on disposal of assets classified as held for sale (net of tax) of $3.2 million.

The Group announced on 18 October 2013 that it had launched the strata sale of the 81 individual units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing). In 2017, the remaining 5 units were divested. Based on the contracted sale price, the fair value less costs to sell was $6,669,000. Accordingly, a fair value gain of $120,000 was recognised in net change in fair value in the Statement of Total Return. In addition, 40 car park lots in the property were disposed at net proceeds of $725,000, which was recognised within profit from divestments.

14 CASH AND CASH EQUIVALENTS

	Note	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Cash at bank and in hand		160,335	145,589	11,251	9,098
Fixed deposits with financial institutions		67,512	111,756	28,861	3,500
Cash and cash equivalents		227,847	257,345	40,112	12,598
Restricted bank deposits	(a)	(2,331)	(2,092)	–	–
Cash and cash equivalents in the Consolidated Statement of Cash Flows		225,516	255,253	40,112	12,598

As at 31 December 2018, the interest rates per annum for cash and cash equivalents of the Group and the Trust ranged from 0% to 5.3% (2017: 0% to 5.1%) and 0% to 2.4% (2017: 0% to 1.1%) respectively.

(a) These are bank balances of certain subsidiaries pledged as collateral for certain borrowings.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Non-current liabilities				
Secured bank loans	842,472	918,946	214,792	210,261
Unsecured bank loans	216,005	141,521	209,638	141,521
Medium term notes	776,839	620,098	–	–
Finance lease liabilities	–	541	–	–
	1,835,316	1,681,106	424,430	351,782
Current liabilities				
Intra-group financial guarantees	–	–	827	1,201
Secured bank loans	69,116	23,574	–	–
Unsecured bank loans	494[(1)]	77,187	–	77,187
Medium term notes	–	160,566	–	–
Finance lease liabilities	527	2,940	–	–
	70,137	264,267	827	78,388
	1,905,453	1,945,373	425,257	430,170

(1) Relate to scheduled repayments.

Finance lease liabilities

The Group had obligations under finance leases that are payable as follows:

31 December 2018	Principal $'000	Interest $'000	Payments $'000
Repayable:			
Within 1 year	527	–	527

31 December 2017	Principal $'000	Interest $'000	Payments $'000
Repayable:			
Within 1 year	2,940	19	2,959
After 1 year but within 5 years	541	–	541
	3,481	19	3,500

The Group's secured bank loans are secured on certain serviced residence properties (Note 4 and Note 13), pledge of shares of certain subsidiaries, pledge over certain bank deposits (Note 14), assignment of rental proceeds from the properties, assignment of insurance policies on the properties, and corporate guarantee from the Trust.

The Trust's secured bank loans are secured on certain serviced residence properties (Note 4 and Note 13), pledge of shares of certain subsidiaries, assignment of rental proceeds from the properties, and assignment of insurance policies on the properties.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES (continued)

On 9 September 2009, a subsidiary, Ascott REIT MTN Pte. Ltd., launched a $1.0 billion Multi-currency Medium Term Note Programme ("MTN Programme"). Under this MTN Programme, Ascott REIT MTN Pte. Ltd. may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed or floating interest rate notes with aggregate principal amounts of $1.0 billion.

On 30 November 2011, a subsidiary, Ascott REIT MTN (Euro) Pte. Ltd., established a US$2.0 billion Euro-Medium Term Note Programme ("EMTN Programme"). Under this EMTN Programme, Ascott REIT MTN (Euro) Pte. Ltd. may, subject to any applicable legal or regulatory restrictions, from time to time issue fixed or floating interest rate notes in series or tranches in Euro, Sterling Pound, US Dollar, Singapore Dollar, Chinese Renminbi or any other currency agreed between Ascott REIT MTN (Euro) Pte. Ltd. and the relevant dealer of the programme.

As at 31 December 2018, notes issued by the Group comprises:

- under the MTN Programme:
  - (i) $420.0 million (2017: $420.0 million) of fixed rate notes maturing between 2022 and 2024; and
  - (ii) JPY19.3 billion (2017: JPY19.3 billion) of fixed rate notes maturing between 2020 and 2025.
- under the EMTN Programme:
  - (i) EUR80.0 million (2017: EUR80.0 million) of fixed rate notes maturing in 2024.

The weighted average effective interest rates per annum relating to bank loans and medium term notes at the reporting date for the Group and Trust are 2.75% (2017: 2.44%) and 2.23% (2017: 1.52%) respectively.

Included in the Group's and the Trust's bank loans and medium term notes is an amount of $9,512,000 (2017: $12,788,000) and $2,448,000 (2017: $3,002,000) respectively, relating to unamortised transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES (continued)

Terms and debt repayment schedule

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

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Group					
2018					
Medium term notes	EUR	2.75	2024	124,902	124,499
Medium term notes	SGD	3.52 – 4.21	2022 – 2024	420,000	419,216
Medium term notes	JPY	0.97 – 1.65	2020 – 2025	233,144	233,124
Secured fixed rate loan	JPY	0.44	2024	37,447	36,963
Secured floating rate loans	EUR	0.98	2021	87,646	87,222
Secured floating rate loans	GBP	2.19	2021	9,988	9,939
Secured floating rate loans	JPY	0.24 – 1.30	2019 – 2024	252,472	251,240
Secured floating rate loans	RMB	4.66 – 4.90	2020 – 2026	30,008	30,008
Secured floating rate loans	SGD	3.02	2021	13,308	13,244
Secured floating rate loans	USD	3.54 – 5.75	2019 – 2023	487,867	482,972
Unsecured floating rate loans	GBP	1.67 – 2.69	2020 – 2023	163,972	163,183
Unsecured floating rate loans	RMB	5.70	2023	6,861	6,861 (1)
Unsecured floating rate loans	SGD	3.43	2021	46,823	46,455
Finance leases	EUR	1.25	2019	527	527
				1,914,965	1,905,453

(1) Include scheduled repayment of $494,000 in 2019.

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
2017					
Medium term notes	EUR	2.75	2024	128,103	127,632
Medium term notes	SGD	4.00 – 4.30	2018 – 2024	420,000	419,116
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	233,916	233,916
Secured fixed rate loan	JPY	0.44	2024	37,572	37,035
Secured floating rate loans	EUR	0.97 – 1.30	2021	97,931	97,206
Secured floating rate loans	GBP	1.83	2021	10,215	10,139
Secured floating rate loans	JPY	0.16 – 1.30	2019 – 2024	265,541	263,529
Secured floating rate loans	RMB	4.66 – 4.90	2018 – 2026	54,602	54,599
Secured floating rate loans	USD	2.46 – 4.73	2018 – 2023	486,868	480,012
Unsecured floating rate loans	EUR	0.90 – 1.65	2018 – 2022	124,116	123,501
Unsecured floating rate loans	GBP	1.45 – 2.28	2018 – 2021	95,816	95,207
Finance leases	EUR	1.25	2018 – 2019	3,481	3,481
				1,958,161	1,945,373
Trust					
2018					
Secured floating rate loans	EUR	0.98	2021	87,646	87,222
Secured floating rate loans	GBP	2.19	2021	9,988	9,939
Secured floating rate loans	JPY	1.30	2021	35,417	35,246
Secured floating rate loans	SGD	3.02	2021	13,308	13,244
Secured floating rate loan	USD	3.54	2023	69,724	69,141
Unsecured floating rate loans	GBP	1.67 – 2.69	2020 – 2023	163,972	163,183
Unsecured floating rate loans	SGD	3.43	2021	46,823	46,455
				426,878	424,430

NOTES TO THE FINANCIAL STATEMENTS

15 FINANCIAL LIABILITIES (continued)

Terms and debt repayment schedule *(continued)*

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Trust					
2017					
Secured floating rate loans	EUR	0.97 – 1.30	2021	97,931	97,206
Secured floating rate loans	GBP	1.83	2021	10,215	10,139
Secured floating rate loans	JPY	1.30	2021	35,417	35,155
Secured floating rate loan	USD	2.46	2023	68,476	67,761
Unsecured floating rate loans	EUR	0.90 – 1.65	2018 – 2022	124,116	123,501
Unsecured floating rate loans	GBP	1.45 – 2.28	2018 – 2021	95,816	95,207
				431,971	428,969

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Trust to banks in respect of various banking facilities amounting to $39,116,000 (2017: $43,714,000) granted to subsidiaries which expire in 2020, 2021 and 2022. The earliest period that the guarantees could be called is within one year (2017: one year) from the reporting date.

At the reporting date, the Trust does not consider it probable that a claim will be made against the Trust under the guarantees.

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

	At 1 January 2017 $'000	Financing cash flows[1] $'000	Finance costs $'000	Foreign exchange movement $'000	At 31 December 2017 $'000
Group					
Bank loans	1,080,854	106,472	4,111	(30,209)	1,161,228
Medium term notes	775,409	–	259	4,996	780,664
Finance lease	6,369	(3,165)	58	219	3,481

	At 1 January 2018 $'000	Financing cash flows[1] $'000	Finance costs $'000	Foreign exchange movement $'000	At 31 December 2018 $'000
Group					
Bank loans	1,161,228	(35,387)	3,575	(1,329)	1,128,087
Medium term notes	780,664	(115)	263	(3,973)	776,839
Finance lease	3,481	(2,931)	19	(42)	527

(1) Net of proceeds from bank loans and medium term notes and payment of transactions costs on bank loans and medium term notes.

NOTES TO THE FINANCIAL STATEMENTS

16 TRADE AND OTHER PAYABLES

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Trade payables and accrued operating expenses	66,303	64,703	13,384	12,779
Amounts due to:				
– associate (non-trade)	1,883	1,891	–	–
– subsidiaries (non-trade)				
– interest-free	–	–	121,354	113,717
– interest-bearing	–	–	778,046	782,019
– related parties				
– trade	17,231	10,953	1,686	1,048
– non-trade	313	127	40	7
– loan (interest-bearing)	4,086	4,051	–	–
– the Manager	3,470	3,471	3,470	3,471
– the Trustee	147	175	147	175
– non-controlling interests (non-trade)	825	935	–	–
Interest payable	9,199	8,626	2,669	2,184
Deposits received from divestment of serviced residence property/subsidiaries	5,000	104,909	5,000	–
Rental deposits and advance rental	32,795	37,228	1,221	1,339
	141,252	237,069	927,017	916,739

Non-trade amounts due to subsidiaries pertain to receipts received on behalf and are unsecured and repayable on demand. The interest-bearing amounts due to subsidiaries bore interest rates ranging from 0.97% to 4.21% (2017: 1.17% to 4.30%) per annum.

The non-trade amounts due to related parties mainly pertain to payments made on behalf of the Group and are unsecured, interest-free and repayable on demand. The effective interest rate for the interest-bearing loan to related parties is 3.46% (2017: 3.41%) per annum.

The non-trade amounts due to non-controlling interests mainly pertain to interest-bearing loans extended to the Group with an effective interest rate of 4.00% (2017 : 2.86%) per annum.

17 UNITHOLDERS' FUNDS

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, effective portion of the hedging instrument which is used to hedge against the Group's net investment in foreign currencies as well as from the translation of foreign currency loans used to hedge or form part of the Group's net investments in foreign entities.

Capital reserve

The subsidiaries incorporated in China are required to transfer 10% of their profits after taxation, as determined under the accounting principles and relevant financial regulations of China, to a general reserve until the reserve balance reaches 50% of the subsidiary's registered capital. The transfer to this reserve must be made before the distribution of dividends to shareholders.

The capital reserve of the subsidiary can be used to make good previous years' losses, if any, and may be converted to paid-in capital of the subsidiary in proportion to the existing interests of equity owners, provided that the balance after such conversion is not less than 25% of the registered capital.

NOTES TO THE FINANCIAL STATEMENTS

17 UNITHOLDERS' FUNDS (continued)

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments relating to forecast hedged transactions.

Capital management

The Manager reviews the Group's and the Trust's capital structure regularly, which the Group defines as total Unitholders' funds (excluding non-controlling interests) and the level of distribution to Unitholders. The Group uses a combination of debt and equity to fund acquisition and asset enhancement projects.

The objectives of the Manager are to:

a. maintain a strong balance sheet by adopting and maintaining a target gearing range;

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

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

d. manage the foreign currency exposure of income and capital values of overseas assets through hedging, where appropriate.

The Manager seeks to maintain a combination of debt and equity in order to balance the cost of capital and the returns to Unitholders. The Manager also monitors the externally imposed capital requirements closely and ensures the capital structure adopted complies with the requirements.

The Group is subject to the Aggregate Leverage limit as defined in the Property Funds Appendix of the CIS Code. The CIS Code stipulates that the total borrowings and deferred payments (the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's Deposited Property.

As at the reporting date, the Group has a credit rating of BBB from Fitch Ratings (2017: Baa3 from Moody's and BBB from Fitch Ratings). The Aggregate Leverage of the Group as at 31 December 2018 was 36.7% (2017: 36.2%) of the Group's Deposited Property. This complied with the Aggregate Leverage limit.

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

18 UNITS IN ISSUE AND PERPETUAL SECURITIES

(a) Units in issue

	Group and Trust	
	2018	2017
	Number of Units '000	Number of Units '000
At 1 January	2,149,688	1,653,471
Issue of new Units:		
– Rights Issue	–	481,688
– As Manager's management fees paid in Units	14,904	13,692
– As Manager's acquisition fees paid in Units	–	837
At 31 December	2,164,592	2,149,688

NOTES TO THE FINANCIAL STATEMENTS

18 UNITS IN ISSUE AND PERPETUAL SECURITIES (continued)

(a) Units in issue (continued)

During the financial year ended 31 December 2018, the Trust issued Units as follows:

(a) 14,903,726 Units were issued at issue prices ranging from $1.0573 to $1.1928 per Unit, amounting to $17,021,000 as payment of the Manager's base management fees for the period from 1 October 2017 to 30 September 2018 and Manager's base performance fees for the period from 1 January 2017 to 31 December 2017.

During the financial year ended 31 December 2017, the Trust issued Units as follows:

(a) On 11 April 2017, the Trust issued 481,688,010 Units at an issue price of $0.919 per Unit amounting to $442,671,000 by way of a rights issue to existing Unitholders.

(b) 13,692,633 Units were issued at issue prices ranging from $1.0931 to $1.1987 per Unit, amounting to $15,732,000 as payment of the Manager's base management fees for the period from 1 October 2016 to 30 September 2017 and Manager's base performance fees for the period from 1 January 2016 to 31 December 2016.

(c) On 21 July 2017, the Trust issued 836,645 Units at an issue price of $1.1757 per Unit as payment of the acquisition fee amounting to $984,000 in relation to the completion of the acquisition of an effective interest of 93% in two serviced residence properties in Germany.

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

- Receive income and other distributions attributable to the Units held;
- Participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a Unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust;
- Attend all Unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and
- One vote per Unit.

The restrictions of a Unitholder include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A Unitholder has no right to request the Manager to redeem his Units while the Units are listed on SGX-ST.

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

NOTES TO THE FINANCIAL STATEMENTS

18 UNITS IN ISSUE AND PERPETUAL SECURITIES (continued)

(b) Perpetual securities

On 30 June 2015, the Trust issued $250.0 million of fixed rate perpetual securities with an initial distribution rate of 4.68% per annum with the first distribution rate reset falling on 30 June 2020 and subsequent resets occurring every five years thereafter.

On 27 October 2014, the Trust issued $150.0 million of fixed rate perpetual securities with an initial distribution rate of 5.0% per annum with the first distribution rate reset falling on 27 October 2019 and subsequent resets occurring every five years thereafter.

The perpetual securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution will be payable semi-annually at the discretion of the Trust and will be non-cumulative.

In terms of distribution payments or in the event of winding-up of the Trust:

- These perpetual securities rank *pari passu* with the holders of preferred Units (if any) and rank ahead of the Unitholders of the Trust, but junior to the claims of all other present and future creditors of the Trust.
- The Trust shall not declare or pay any distributions to the Unitholders, or make redemptions, unless the Trust declares or pays any distributions to the holders of the perpetual securities.

These perpetual securities are classified as equity instruments and recorded within the Statements of Movements in Unitholders' Funds. The $397,127,000 (2017: $397,127,000) presented on the Statements of Financial Position represents the $400,000,000 (2017: $400,000,000) perpetual securities net of issue costs and include total return attributable to perpetual securities holders from issue date.

19 GROSS REVENUE

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Gross rental income	494,295	477,873	46,523	34,389
Hospitality income	18,287	16,846	109	108
Car park income	1,691	1,569	–	–
	514,273	496,288	46,632	34,497

NOTES TO THE FINANCIAL STATEMENTS

20 DIRECT EXPENSES

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Operations and maintenance expenses	47,721	46,651	3,347	3,129
Staff costs	54,578	51,570	2,618	2,338
Serviced residence management fees	24,651	26,504	1,895	1,876
Property tax	28,650	26,197	2,164	1,892
Depreciation of plant and equipment	12,744	13,250	2,597	1,569
Marketing and selling expenses	30,580	26,537	994	719
Administrative and general expenses	38,020	41,265	3,262	2,761
Operating lease expense	20,233	20,820	–	–
Other direct expenses	17,736	16,576	715	837
	274,913	269,370	17,592	15,121

Included in the Group's and Trust's staff costs are contributions to defined contribution plans of $5,365,000 (2017: $5,449,000) and $187,000 (2017: $243,000) respectively.

21 FINANCE INCOME AND COSTS

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Finance income				
Bank deposits	1,194	1,581	256	245
Finance costs				
Amortisation of transaction costs	(3,838)	(4,370)	(899)	(1,387)
Interest on bank loans	(50,477)	(45,458)	(6,487)	(4,038)
Cash flow hedges, reclassified from hedging reserve	(800)	(3,680)	(1,647)	(1,921)
Cross currency interest rate swaps(1)	9,042	8,239	9,042	8,239
Interest on amounts due to subsidiaries	–	–	(24,673)	(24,625)
Others	(1,043)	(1,399)	(625)	(928)
	(47,116)	(46,668)	(25,289)	(24,660)

(1) Interest income arising from cross currency interest rate swaps are classified within finance costs as these financial derivatives were entered into by the Group as cash flow hedging instruments for certain bank loans.

22 MANAGER'S MANAGEMENT FEES

Manager's management fees of the Group and the Trust include base management fees of $14,589,000 (2017: $13,755,000) and base performance fees of $9,311,000 (2017: $8,603,000).

A total of 15,352,904 (2017: 13,688,341) Units were issued or will be issued as payment of the Manager's management fees amounting to $17,505,000 (2017: $16,051,000) in respect of the year ended 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

23 PROFESSIONAL FEES

Professional fees of the Group and the Trust include valuation fees of $467,000 (2017: $483,000).

24 NET INCOME

The following items have been included in arriving at net income for the year:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Non-audit fees paid to [(1)]:				
- other auditors	60	86	–	–
Loss on disposal of plant and equipment	134	235	10	19
Impairment of subsidiaries recognised/(reversed)	–	–	64,343[(2)]	(7,058)
Impairment loss on non-trade amount due from associate	–	253	–	775
Impairment loss on trade and other receivables (reversed)/recognised	(11)	150	20,890[(3)]	(2,826)
Write-off of trade and other receivables	54	124	3	4

(1) Total non-audit fees amounted to $60,000 (2017: $244,000). In 2017, non-audit fees of $81,000 has been capitalised as capital expenditure and $77,000 has been included in issue expenses.
(2) The Trust recognised an impairment loss on its investment in certain subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to unfavourable exchange rates and payment of dividends to the Trust upon divestment of the two China properties.
(3) The Trust recognised an impairment loss on its non-trade amounts due from subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to lower valuation of certain serviced residence properties and unfavourable exchange rates.

25 PROFIT FROM DIVESTMENTS

On 26 April 2017, the Group divested the trust beneficiary interest of 18 rental housing properties in Tokyo, Japan under Zenith Residences Tokyo Tokutei Mokuteki Kaisha for a consideration of $150,088,000. The disposed rental housing properties contributed a net operating gain of $1,498,000 from 1 January 2017 to the date of disposal.

In 2017, the Group completed its divestment of 40 car park lots in Fortune Garden Apartments in Beijing for a consideration of $725,000.

On 5 January 2018, the Group completed the divestment of its wholly-owned subsidiaries, Citadines (Xi'an) Property Co., Ltd. and Gain Mark Properties (Shanghai) Ltd. for total consideration of $204.0 million. The disposed subsidiaries contributed a net operating gain of $54,000 from 1 January 2018 to the date of disposal.

	Group	
	2018 $'000	2017 $'000
Gain on divestment of subsidiaries	3,211	–
Gain on divestment of rental housing properties	–	20,119
Gain on divestment of car park lots	–	725
Profit from divestments	3,211	20,844

NOTES TO THE FINANCIAL STATEMENTS

26 INCOME TAX EXPENSE

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Current tax expense				
Current year	24,822	20,811	–	–
(Over)/under provided in prior years	(708)	222	–	–
Withholding tax	3,142	5,863	–	–
	27,256	26,896	–	–
Deferred tax expense				
Origination and reversal of temporary differences	16,228	25,094	–	–
Under/(over) provided in prior years	57	(46)	–	–
	16,285[1]	25,048	–	–
Income tax expense	43,541	51,944	–	–

(1) Includes pre-acquisition deferred tax liabilities of subsidiary of $(2,090,000).

Reconciliation of effective tax rate

	Group 2018 $'000	Group 2017 $'000	Trust 2018 $'000	Trust 2017 $'000
Total return before income tax	195,382	274,444	111,652	82,653
Income tax using the Singapore tax rate of 17% (2017: 17%)	33,215	46,655	18,981	14,051
Effect of different tax rates in foreign jurisdictions	18,289	27,196	–	–
Tax rebate/relief/exemption	(44)	(42)	(37,128)	(20,091)
Income not subject to tax	(45,803)	(58,626)	(1,476)	(324)
Tax benefits not recognised	3,906	5,902	–	–
Expenses not deductible for tax purposes	35,748	28,074	22,975	8,079
Utilisation of previously unrecognised tax losses	(909)	(1,539)	–	–
Tax transparency	(3,352)	(1,715)	(3,352)	(1,715)
(Over)/under provision in prior years	(651)	176	–	–
Withholding tax	3,142	5,863	–	–
	43,541	51,944	–	–

No income tax effects have been recognised for those items recognised directly in Unitholders' funds.

NOTES TO THE FINANCIAL STATEMENTS

27 EARNINGS PER UNIT

Basic earnings per Unit

The calculation of basic earnings per Unit for the Group and Trust was based on the total return for the year attributable to Unitholders and a weighted average number of Units outstanding:

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Total return attributable to Unitholders/perpetual securities holders	147,593	214,247	111,652	82,653
Less: Total return attributable to perpetual securities holders	(19,200)	(19,200)	(19,200)	(19,200)
Total return attributable to Unitholders	128,393	195,047	92,452	63,453

	Group and Trust	
	2018 Number of Units '000	2017 Number of Units '000
Issued Units at the beginning of the year	2,149,688	1,653,471
Effect of issue of new Units:		
- As Rights Issue	–	399,525
- As Manager's management fees paid in Units	9,767	9,389
- As Manager's acquisition fees paid in Units	–	376
Weighted average number of Units outstanding during the year	2,159,455	2,062,761

Diluted earnings per Unit

The calculation of diluted earnings per Unit for the Group and Trust was based on the total return for the year attributable to Unitholders and a weighted average number of Units outstanding after adjustment for the effects of all dilutive potential Units.

Prior to 1 January 2016, the Manager's management fees (comprising base and performance fees) are issued within 60 days from the end of each quarter. With effect from 1 January 2016, due to revisions to the CIS Code, performance fee (including performance fee payable in Units) shall be paid once a year, after the end of the financial year.

	Group and Trust	
	2018 Number of Units '000	2017 Number of Units '000
Weighted average number of Units used in calculation of basic earnings per Unit	2,159,455	2,062,761
Weighted average number of unissued Units for base and performance fees	13,831	11,487
Weighted average number of Units outstanding (diluted) during the year	2,173,286	2,074,248

NOTES TO THE FINANCIAL STATEMENTS

28 ISSUE EXPENSES

	Group and Trust 2018 $'000	2017 $'000
Underwriting fees and selling commissions	–	3,708
Professional fees	–	442
Other expenses	–	690
	–	4,840
These expenses were deducted directly against:		
Unitholders' funds	–	4,840

29 DISPOSAL OF SUBSIDIARIES

The list of subsidiaries disposed during the year ended 31 December 2018 is as follows:

Name of subsidiaries	Date of disposal	Equity interest disposed %
Citadines (Xi'an) Property Co., Ltd.	January 2018	100
Gain Mark Properties (Shanghai) Ltd.	January 2018	100

Effect of disposal

The cash flows relating to assets and liabilities classified as held for sale disposed during the year ended 31 December 2018 are provided below:

The disposal group	Recognised values on disposal $'000
Serviced residence properties	192,330
Trade and other receivables	59
Cash and cash equivalents	3,767
Trade and other payables	(112)
Other liabilities	(4,306)
Net assets disposed	191,738
Transfer from foreign currency translation reserve to Statement of Total Return	135
Gain on disposal	3,211
Deposit received recognised in prior year	(104,909)
Cash flow on disposal of assets and liabilities classified as assets held for sale	90,175
Less: Transaction costs	(4,670)
Net cash flow on disposal of assets and liabilities classified as assets held for sale	85,505

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. There were no changes in the Group's approach to financial risk management during the year.

Risk management framework

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

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

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

Exposure to credit risk

Trade receivables

The Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the serviced residence management companies before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

As at 31 December 2018 and 31 December 2017, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statements of Financial Position.

Concentration of credit risk relating to trade receivables is limited due to the Group's varied tenants and a credit policy of collecting rental deposits on certain leases. These tenants are from a wide range of nationalities and are engaged in a wide spectrum of business activities.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:

	Group		Trust	
	2018	**2017**	**2018**	**2017**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	1,000	1,282	1,000	1,282
Australia	1,384	1,536	–	–
China	1,678	2,107	–	–
Europe (excluding United Kingdom)	1,725	1,007	–	–
Indonesia	566	420	–	–
Japan	3,034	2,125	–	–
Malaysia	323	480	–	–
Philippines	2,277	2,009	–	–
United Kingdom	2,769	2,564	–	–
United States of America	1,918	1,782	–	–
Vietnam	707	675	–	–
	17,381	15,987	1,000	1,282

The movement in impairment losses in respect of trade and other receivables during the year is as follows:

	Group	Trust
	2018	**2018**
	$'000	**$'000**
At 1 January 2018 under FRS 109	399	48,637
Impairment losses (reversed)/recognised	(11)	20,890
Utilised during the year	(90)	–
Translation difference	(12)	–
At 31 December 2018	286	69,527

Based on historical default rates, the Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables and other receivables not past due. These receivables relate to customers that have a good credit record with the Group and/or rental deposits held.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Impairment losses

Expected credit loss assessment for customers as at 1 January and 31 December 2018

The credit quality of trade receivables is assessed based on credit policies established by the Group. Trade and other receivables with high credit risk will be identified and monitored by the respective property. The Group's credit risk exposure in relation to trade receivables as at 31 December 2018 are set out in the provision matrix as follows:

		Past due			
	Current $'000	Within 30 days $'000	30 to 60 days $'000	More than 60 days $'000	Total $'000
Group					
Expected loss rate	–	–	4.55%	19.60%	
Trade receivables	11,053	4,226	1,231	1,153	17,663
Loss allowance	–	–	56	226	282

No ageing analysis of other receivables is presented as the majority of the outstanding balances as at 31 December 2018 is current.

The Trust's credit risk exposure to trade receivables as at 31 December 2018 is immaterial.

Previous accounting policy for impairment of trade receivables

In 2017, the impairment of trade receivables was assessed based on the incurred loss impairment model. The ageing of trade receivables at the reporting date is as follows:

	Group		Trust	
	Gross 2017 $'000	Impairment losses 2017 $'000	Gross 2017 $'000	Impairment losses 2017 $'000
Not past due	9,294	–	972	–
Past due 0 - 30 days	4,717	–	204	–
Past due 30 - 60 days	1,205	–	35	–
Past due more than 60 days	1,165	(394)	71	–
	16,381	(394)	1,282	–

The movement in impairment losses in respect of trade and other receivables is as follows:

	Group 2017 $'000	Trust 2017 $'000
At 1 January 2017 under FRS 39	234	51,463
Impairment losses recognised/(reversed)	150	(2,826)
Translation difference	15	–
At 31 December 2017	399	48,637

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Credit risk (continued)

Based on historical default rates, the Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables and other receivables not past due. These receivables relate to customers that have a good credit record with the Group and/or rental deposits held.

Non-trade amounts due from subsidiaries and amounts due from related parties

Expected credit losses associated with the non-trade amounts due from subsidiaries and amounts due from related parties are assessed from estimated cash flows recoverable from the subsidiary and related parties based on the review of their financial strength (i.e. fair value of underlying net assets) and cash flow projections of their operations as at the reporting date.

The Trust recognised an impairment loss of $69,527,000 (2017: $48,637,000) on its non-trade amounts due from subsidiaries due to a decrease in the value of the underlying net assets attributed mainly to lower valuation of certain serviced residence properties and unfavourable exchange rates.

Financial derivatives

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

Cash and cash equivalents

The Group and the Trust held cash and cash equivalents of $227,847,000 and $40,112,000 respectively at 31 December 2018 (2017: $257,345,000 and $12,598,000 respectively). The cash and cash equivalents are held with banks and financial institution counterparties which are rated AA- to BBB-, based on Standard & Poor's ratings.

Impairment on cash and cash equivalents has been measured on the 1-day expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

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. Typically, the Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 90 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 December 2018, the Group has unutilised credit facilities of approximately $320.3 million (2017: $304.0 million) expiring between February 2019 and November 2023 (2017: February 2018 and November 2023), that can be drawn down to meet short-term financing needs.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

In addition, the Group has put in place a $1.0 billion MTN Programme, under which notes of $653.1 million (2017: $653.9 million) have been issued as at 31 December 2018. In 2011, the Group established a US$2.0 billion EMTN Programme, under which notes of $124.9 million (2017: $128.1 million) have been issued as at 31 December 2018.

The following are the contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements:

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Group					
2018					
Non-derivative financial liabilities					
Floating rate loans	1,091,124	(1,179,431)	(98,808)	(1,071,017)	(9,606)
Fixed rate loans	36,963	(38,319)	(166)	(664)	(37,489)
Fixed rate notes	776,839	(883,774)	(23,235)	(549,762)	(310,777)
Finance lease liabilities	527	(527)	(527)	–	–
Trade and other payables[1]	139,782	(139,782)	(139,782)	–	–
	2,045,235	(2,241,833)	(262,518)	(1,621,443)	(357,872)
Derivative financial instruments					
Interest rate swaps					
– assets	(6,486)	7,128	3,315	3,813	–
– liabilities	1,916	(2,357)	(1,157)	(1,200)	–
Cross currency interest rate swaps					
– assets	(1,808)	21,927	4,466	17,461	–
– liabilities	5,214	21,465	6,743	16,336	(1,614)
	(1,164)	48,163	13,367	36,410	(1,614)
	2,044,071	(2,193,670)	(249,151)	(1,585,033)	(359,486)

(1) Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

		Cash flows			
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
2017					
Non-derivative financial liabilities					
Floating rate loans	1,124,193	(1,217,688)	(122,576)	(1,004,200)	(90,912)
Fixed rate loans	37,035	(38,627)	(169)	(676)	(37,782)
Fixed rate notes	780,664	(891,530)	(184,705)	(445,690)	(261,135)
Finance lease liabilities	3,481	(3,500)	(2,959)	(541)	–
Trade and other payables[1]	232,470	(232,470)	(232,470)	–	–
	2,177,843	(2,383,815)	(542,879)	(1,451,107)	(389,829)
Derivative financial instruments					
Interest rate swaps					
– assets	(5,079)	5,244	543	4,701	–
– liabilities	4,250	(4,690)	(2,577)	(2,113)	–
Cross currency interest rate swaps					
– assets	(2,090)	12,307	1,850	9,091	1,366
– liabilities	11,875	19,504	6,599	15,432	(2,527)
	8,956	32,365	6,415	27,111	(1,161)
	2,186,799	(2,351,450)	(536,464)	(1,423,996)	(390,990)

(1) Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Liquidity risk (continued)

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	Within 1 to 5 years $'000	More than 5 years $'000
Trust					
2018					
Non-derivative financial liabilities					
Floating rate loans	424,430	(459,596)	(9,567)	(450,029)	–
Trade and other payables[1]	926,342	(926,342)	(926,342)	–	–
	1,350,772	(1,385,938)	(935,909)	(450,029)	–
Derivative financial instruments					
Interest rate swaps					
– assets	(71)	80	15	65	–
– liabilities	246	(405)	(378)	(27)	–
Cross currency interest rate swaps					
– assets	(1,808)	21,927	4,466	17,461	–
– liabilities	5,214	21,465	6,743	16,336	(1,614)
	3,581	43,067	10,846	33,835	(1,614)
	1,354,353	(1,342,871)	(925,063)	(416,194)	(1,614)
2017					
Non-derivative financial liabilities					
Floating rate loans	428,969	(455,949)	(83,078)	(302,890)	(69,981)
Trade and other payables[1]	916,010	(916,010)	(916,010)	–	–
	1,344,979	(1,371,959)	(999,088)	(302,890)	(69,981)
Derivative financial instruments					
Interest rate swaps					
– liabilities	1,816	(1,988)	(1,663)	(325)	–
Cross currency interest rate swaps					
– assets	(2,090)	12,307	1,850	9,091	1,366
– liabilities	11,875	19,504	6,599	15,432	(2,527)
	11,601	29,823	6,786	24,198	(1,161)
	1,356,580	(1,342,136)	(992,302)	(278,692)	(71,142)

(1) Excluding advance rental and liability for employee benefits.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income and its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk is managed through established investment policies and guidelines. These policies and guidelines are reviewed regularly taking into consideration changes in the overall market environment.

Foreign currency risk

The Group has exposure to foreign currency risk as a result of its operations in several countries. The currencies giving rise to this risk are Singapore Dollar, Australian Dollar, Chinese Renminbi, Euro, Sterling Pound, Hong Kong Dollar, Indonesian Rupiah, Japanese Yen, Malaysian Ringgit, Philippine Peso, US Dollar and Vietnamese Dong.

In order to manage the foreign currency risk, the Manager adopts foreign currency risk management strategies that include:

- entering into foreign currency forward contracts to hedge the foreign currency income from the overseas assets;

- the use of certain foreign currency denominated borrowings to match the capital values of the overseas assets as a natural hedge, whenever possible; and

- the use of certain foreign currency denominated borrowings, which include bank loans and medium term notes, and cross currency interest rate swaps to hedge against the currency risk arising from the Group's net investments in certain subsidiaries in Europe and Japan.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

The Group's and Trust's exposures to foreign currencies risk were as follows based on notional amounts:

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Indonesian Rupiah $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Philippine Peso $'000	US Dollar $'000	Vietnamese Dong $'000	Total foreign currencies $'000
Group													
31 December 2018													
Loan receivables – intra-group and associate	29,500	122,275	–	361,033	165,830	–	–	61,000	30,786	–	70,459	–	840,883
Trade and other receivables[1]	4,220	1,505	3,146	18,227	3,487	–	1,454	4,088	419	5,508	3,012	1,316	46,382
Intra-group receivables	634,531	242,087	48,025	519,631	353,135	(23)	–	280,668	9,943	3,503	707,925	–	2,799,425
Cash and cash equivalents	31,034	12,105	23,099	22,314	21,126	1	4,718	46,240	982	8,431	44,290	13,507	227,847
Loan payables – intra-group	(29,500)	(122,275)	–	(361,033)	(165,830)	–	–	(61,000)	(30,786)	–	(66,875)	–	(837,299)
Trade and other payables[2]	(18,705)	(4,562)	(19,988)	(24,272)	(6,466)	(13,594)	(3,767)	(10,818)	(798)	(6,088)	(7,765)	(6,501)	(123,324)
Intra-group payables	(634,531)	(242,087)	(48,025)	(519,631)	(353,135)	23	–	(280,668)	(9,943)	(3,503)	(707,925)	–	(2,799,425)
Financial liabilities	(476,879)	–	(36,869)	(212,672)	(173,960)	–	–	(521,518)	–	–	(483,555)	–	(1,905,453)
Gross currency exposure	(460,330)	9,048	(30,612)	(196,403)	(155,813)	(13,593)	2,405	(482,008)	603	7,851	(440,434)	8,322	(1,750,964)
Add/(less): Net exposure denominated in the respective entities' functional currencies	420,390	130,080	(7,230)	526,546	161,659	10	–	275,072	40,098	(7,285)	436,901	(8,322)	1,967,919
Add: Loan designated for net investment hedge	–	–	–	212,548	173,960	–	–	268,562	–	–	–	–	655,070
Add: Cross currency interest rate swap	–	–	–	–		–	–	–	–	–	69,724	–	69,724
Add/(less): Loan payables/ (receivables)[3]	29,500	(122,275)	–	(361,033)	(165,830)	–	–	(61,000)	(30,786)	–	(29,347)	–	(740,771)
Net exposure	(10,440)	16,853	(37,842)	181,658	13,976	(13,583)	2,405	626	9,915	566	36,844	–	200,978

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.
(3) Forms part of the Group's net investment in foreign operation.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Indonesian Rupiah $'000	Japanese Yen $'000	Malaysian Ringgit $'000	Philippine Peso $'000	US Dollar $'000	Vietnamese Dong $'000	Total foreign currencies $'000
Group													
31 December 2017													
Loan receivables – intra-group and associate	29,500	134,387	–	370,079	171,940	–	–	62,772	31,442	–	68,670	–	868,790
Trade and other receivables[1]	3,920	1,642	4,100	11,009	3,926	–	1,513	2,743	573	7,717	3,084	1,079	41,306
Intra-group receivables	630,754	250,209	89,538	585,720	370,859	(32)	–	250,282	9,950	3,411	731,440	–	2,922,131
Cash and cash equivalents	7,964	4,763	87,221	21,227	17,828	1	5,326	48,730	1,423	8,753	38,408	15,701	257,345
Loan payables – intra-group	(29,500)	(134,387)	–	(370,079)	(171,940)	–	–	(62,772)	(31,442)	–	(65,678)	–	(865,798)
Trade and other payables[2]	(112,140)	(4,456)	(28,325)	(22,916)	(5,797)	(13,387)	(4,258)	(10,913)	(822)	(6,249)	(4,381)	(6,960)	(220,604)
Intra-group payables	(630,754)	(250,209)	(89,538)	(585,720)	(370,859)	32	–	(250,282)	(9,950)	(3,411)	(731,440)	–	(2,922,131)
Financial liabilities	(416,113)	–	(54,599)	(353,159)	(106,031)	–	–	(534,742)	–	–	(480,729)	–	(1,945,373)
Gross currency exposure	(516,369)	1,949	8,397	(343,839)	(90,074)	(13,386)	2,581	(494,182)	1,174	10,221	(440,626)	9,820	(1,864,334)
Add/(less): Net exposure denominated in the respective entities' functional currencies	432,092	144,393	(88,638)	548,543	161,586	3	–	286,075	40,189	(9,790)	430,203	(9,820)	1,934,836
Add: Loan designated for net investment hedge	–	–	–	350,150	106,031	–	–	269,333	–	–	–	–	725,514
Add: Cross currency interest rate swap	–	–	–	–	–	–	–	–	–	–	68,476	–	68,476
Add/(less): Loan payables/ (receivables)[3]	29,500	(134,387)	–	(370,079)	(171,940)	–	–	(62,772)	(31,442)	–	(28,294)	–	(769,414)
Net exposure	(54,777)	11,955	(80,241)	184,775	5,603	(13,383)	2,581	(1,546)	9,921	431	29,759	–	95,078

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.
(3) Forms part of the Group's net investment in foreign operation.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' statements of financial position measured in the respective functional currencies, translated into Singapore dollars at the exchange rate at the reporting date for presentation purposes.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Philippine Peso $'000	US Dollar $'000	Total foreign currencies $'000
Trust										
31 December 2018										
Loan receivables – associate	–	–	–	–	–	–	–	–	3,062	3,062
Trade and other receivables[1]	4,209	–	–	–	–	–	–	–	500	4,709
Intra-group receivables	624,055	225,272	18,162	340,825	293,041	(23)	177,666	2,911	612,740	2,294,649
Cash and cash equivalents	31,011	39	–	4,360	1,511	–	2,099	–	1,092	40,112
Trade and other payables[2]	(15,242)	–	(9,152)	(1,600)	(312)	–	(61)	–	(575)	(26,942)
Intra-group payables	(355,431)	(19,576)	–	(125,025)	–	–	(312,883)	–	(86,485)	(899,400)
Financial liabilities	(57,683)	–	–	(87,646)	(173,960)	–	(35,417)	–	(69,724)	(424,430)
Gross currency exposure	230,919	205,735	9,010	130,914	120,280	(23)	(168,596)	2,911	460,610	991,760
Less: Net exposure denominated in the respective entities' functional currencies	(230,919)	–	–	–	–	–	–	–	–	(230,919)
Less: Loan receivables – associate	–	–	–	–	–	–	–	–	(3,062)	(3,062)
Net exposure	–	205,735	9,010	130,914	120,280	(23)	(168,596)	2,911	457,548	757,779

(1) Excluding prepayments and intra-group receivables.
(2) Excluding advance rental, liability for employee benefits and intra-group payables.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

	Singapore Dollar $'000	Australian Dollar $'000	Chinese Renminbi $'000	Euro $'000	Sterling Pound $'000	Hong Kong Dollar $'000	Japanese Yen $'000	Philippine Peso $'000	US Dollar $'000	Total foreign currencies $'000
Trust										
31 December 2017										
Loan receivables – associate	–	–	–	–	–	–	–	–	2,993	2,993
Trade and other receivables[1]	3,920	–	–	15	–	–	–	–	332	4,267
Intra-group receivables	576,001	237,999	18,761	402,722	308,681	(32)	176,304	2,979	641,495	2,364,910
Cash and cash equivalents	7,942	14	–	3,363	332	–	11	–	936	12,598
Trade and other payables[2]	(8,619)	–	(9,454)	(1,585)	(195)	–	(59)	–	(362)	(20,274)
Intra-group payables	(364,622)	(16,422)	–	(128,229)	–	–	(303,334)	–	(83,129)	(895,736)
Financial liabilities	3,002	–	–	(222,047)	(106,031)	–	(35,417)	–	(68,476)	(428,969)
Gross currency exposure	217,624	221,591	9,307	54,239	202,787	(32)	(162,495)	2,979	493,789	1,039,789
Less: Net exposure denominated in the respective entities' functional currencies	(217,624)	–	–	–	–	–	–	–	–	(217,624)
Less: Loan receivables – associate	–	–	–	–	–	–	–	–	(2,993)	(2,993)
Net exposure	–	221,591	9,307	54,239	202,787	(32)	(162,495)	2,979	490,796	819,172

(1) Excluding prepayments and intra-group receivables.
(2) Excluding advance rental, liability for employee benefits and intra-group payables.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk (continued)

Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's Statement of Total Return in response to a 10% increase in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities. The sensitivity analysis includes balances in group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	Statement of Total Return	
	2018 $'000	2017 $'000
Group		
Singapore Dollar [1]	(1,044)	(5,478)
Australian Dollar [2]	1,685	1,196
Chinese Renminbi [2]	(3,784)	(8,024)
Euro [2]	18,166	18,478
Sterling Pound [2]	1,398	560
Hong Kong Dollar [2]	(1,358)	(1,338)
Indonesian Rupiah [3]	241	258
Japanese Yen [4]	63	(155)
Malaysian Ringgit [2]	992	992
Philippine Peso [2]	57	43
US Dollar [5]	3,684	2,976
Trust		
Australian Dollar [2]	20,574	22,159
Chinese Renminbi [2]	901	931
Euro [2]	13,091	5,424
Sterling Pound [2]	12,028	20,279
Hong Kong Dollar [2]	(2)	(3)
Japanese Yen [2]	(16,860)	(16,250)
Philippine Peso [2]	291	298
US Dollar [2]	45,755	49,080

[1] As compared to functional currencies of Chinese Renminbi and US Dollar.
[2] As compared to functional currency of Singapore Dollar.
[3] As compared to functional currencies of Singapore Dollar and US Dollar.
[4] As compared to functional currencies of Singapore Dollar and Chinese Renminbi.
[5] As compared to functional currencies of Singapore Dollar, Chinese Renminbi, Philippine Peso, Hong Kong Dollar and Vietnamese Dong.

A decrease in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities would have had the equal but opposite effect on the above currencies to the amounts shown above. The analysis assumed that all other variables, in particular interest rates, remain constant and does not take into account the translation related risk, associated tax effects and share of non-controlling interests.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. The Group adopts a policy of ensuring that up to 80% of its interest rate risk exposure is at a fixed rate. This is achieved partly by entering into fixed-rate instruments and partly by borrowing at a floating rate and using interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk. The Group applies a hedge ratio of 1:1.

The Group classifies these interest rate swaps as cash flow hedges which were effective during the year.

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

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

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

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

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

	Group Carrying amount		Trust Carrying amount	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Fixed rate instruments				
Financial liabilities	(813,802)	(817,699)	–	–
Variable rate instruments				
Financial liabilities	(1,091,651)	(1,127,674)	(424,430)	(428,969)

To manage its exposure to interest rate movements on its variable rate financial liabilities, the Group enters into interest rate swaps and a cross currency interest rate swap to swap floating USD interest for fixed JPY interest. As at 31 December 2018, the Group and Trust held these financial instruments with a total notional principal amount of $710.5 million (2017: $770.2 million) and $230.5 million (2017: $266.5 million) respectively, to provide fixed rate funding.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial liabilities at fair value through total return, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect the Statement of Total Return.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Interest rate risk (continued)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points ("bp") in interest rate at the reporting date would increase/(decrease) Unitholders' funds and Statement of Total Return by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2017.

	Statement of Total Return		Unitholders' funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 December 2018				
Variable rate financial liabilities	(10,995)	10,995	–	–
Interest rate swaps/Cross currency interest rate swap	7,105	(7,105)	1,730	(1,730)
Cash flow sensitivity (net)	(3,890)	3,890	1,730	(1,730)
31 December 2017				
Variable rate financial liabilities	(11,386)	11,386	–	–
Interest rate swaps/Cross currency interest rate swap	7,702	(7,702)	1,474	(1,474)
Cash flow sensitivity (net)	(3,684)	3,684	1,474	(1,474)
Trust				
31 December 2018				
Variable rate financial liabilities	(4,269)	4,269	–	–
Interest rate swaps/Cross currency interest rate swap	2,305	(2,305)	242	(242)
Cash flow sensitivity (net)	(1,964)	1,964	242	(242)
31 December 2017				
Variable rate financial liabilities	(4,320)	4,320	–	–
Interest rate swaps/Cross currency interest rate swap	2,665	(2,665)	356	(356)
Cash flow sensitivity (net)	(1,655)	1,655	356	(356)

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting

At 31 December 2018, the Group and the Trust held the following instruments to hedge exposures to changes in foreign currency and interest rates.

	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
	Contractual notional amount $'000	Assets/ (Liabilities) $'000	Financial Statement line item	Hedging instrument $'000	Hedged item $'000	Hedge ineffectiveness recognised in Statement of Total Return $'000	Weighted average hedge rate	Maturity date
Group								
Cash flow hedges								
Interest rate risk								
– Interest rate swaps to hedge floating rate borrowings	640,741	4,570	Derivative financial instruments	2,912	(2,912)	–	1.13%	2019 – 2022
– Cross currency interest rate swaps to hedge floating rate borrowings	69,724	754	Derivative financial instruments	531	(531)	–	3.31%	2023
Net investment hedges								
Foreign exchange risk								
– Borrowings to hedge net investments in foreign operations	–	(653,215)	Borrowings	9,551	(9,551)	–	–	2020 – 2025
– Cross currency interest rate swaps to hedge net investments in foreign operations	420,000	(4,160)	Derivative financial instruments	4,600	(4,600)	–	JPY80.89:$1 EUR1.53:$1	2022 – 2024

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

	Carrying amount			Changes in fair value used for calculating hedge ineffectiveness				
	Contractual notional amount $'000	Assets/ (Liabilities) $'000	Financial Statement line item	Hedging instrument $'000	Hedged item $'000	Hedge ineffectiveness recognised in Statement of Total Return $'000	Weighted average hedge rate	Maturity date
Trust								
Cash flow hedges								
Interest rate risk								
– Interest rate swaps to hedge floating rate borrowings	160,784	(175)	Derivative financial instruments	96	(96)	–	0.89%	2019 – 2020

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

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

	2018 Hedging reserve $'000
Group	
Balance as at 1 January	(1,240)
Cash flow hedges	
Change in fair value	
Interest rate risk	3,443
Amounts reclassified to Statement of Total Return	
Interest rate risk	800
Balance as at 31 December	3,003
Trust	
Balance as at 1 January	(3,275)
Cash flow hedges	
Change in fair value	
Interest rate risk	96
Amounts reclassified to Statement of Total Return	
Interest rate risk	1,647
Balance as at 31 December	(1,532)

Net investment hedge

A foreign currency exposure arises from the Group's net investment in its subsidiaries in Europe and Japan that has a EUR, GBP and JPY functional currency respectively. The risk arises from the fluctuation in spot exchange rates between the EUR, GBP, JPY and the SGD, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedges are the risk of a weakening EUR, GBP and JPY against the SGD that will result in a reduction in the carrying amount of the Group's net investment in its subsidiaries in Europe and Japan.

Part of the Group's net investments in certain subsidiaries in Europe and Japan are hedged through the use of EUR, GBP and JPY denominated borrowings and cross currency interest rate swaps. The Group entered into cross currency interest rate swaps to swap fixed rate SGD loans for fixed rate EUR obligations. The SGD loans, which together with the cross currency interest rate swap arrangement, have been used to hedge the Group's foreign currency risk on the net investment in the subsidiaries in Europe.

The Group also entered into a cross currency interest rate swap to swap floating rate USD loan for fixed rate JPY obligations. The USD loan, which together with the cross currency interest rate swap arrangement, have been used to hedge the Group's foreign currency risk on the net investment in the subsidiaries in Japan. The swap of the floating USD interest for fixed JPY interest is designated as a cash flow hedge.

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Hedge accounting (continued)

Net investment hedge *(continued)*

As at the reporting date, the carrying amount of these EUR, GBP and JPY denominated borrowings was $653,215,000 (2017: $727,756,000) and the fair value of the borrowings was $656,631,000 (2017: $722,430,000). As at the reporting date, the fair value of the cross currency interest rate swaps was $3,406,000 (2017: $9,785,000). The net investment hedges were effective during the year. The Group's investments in other subsidiaries are not hedged.

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

Offsetting financial assets and financial liabilities

The disclosures set out in the tables below include financial assets and financial liabilities that:

- are offset in the Group's Statement of Financial Position; or
- are subject to an enforceable master netting arrangement, irrespective of whether they are offset in the Statement of Financial Position.

Financial instruments such as loans and receivables and financial liabilities are not disclosed in the tables below unless they are offset in the Statement of Financial Position.

The Group's derivative transactions that are not transacted on an exchange are entered into under International Swaps and Derivatives Association ("ISDA") Master Netting Agreements. In general, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

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

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement

	Gross amount of recognised financial assets/ (liabilities) $'000	Gross amount of recognised financial assets/ (liabilities) offset in the Statement of Financial Position $'000	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position $'000	Related amount not offset in the Statement of Financial Position $'000	Net amount $'000
Group					
31 December 2018					
Financial assets					
Interest rate swaps	6,486	–	6,486	–	6,486
Cross currency interest rate swaps	1,808	–	1,808	–	1,808
Trade and other receivables	11,534	(11,534)	–	–	–
Financial liabilities					
Interest rate swaps	(1,916)	–	(1,916)	–	(1,916)
Cross currency interest rate swaps	(5,214)	–	(5,214)	–	(5,214)
Trade and other payables	(13,417)	11,534	(1,883)	–	(1,883)
31 December 2017					
Financial assets					
Interest rate swaps	5,079	–	5,079	–	5,079
Cross currency interest rate swaps	2,090	–	2,090	–	2,090
Trade and other receivables	11,328	(11,328)	–	–	–
Financial liabilities					
Interest rate swaps	(4,250)	–	(4,250)	–	(4,250)
Cross currency interest rate swaps	(11,875)	–	(11,875)	–	(11,875)
Trade and other payables	(13,219)	11,328	(1,891)	–	(1,891)

NOTES TO THE FINANCIAL STATEMENTS

30 FINANCIAL INSTRUMENTS (continued)

***Financial assets and financial liabilities subject to offsetting and enforceable master netting arrangement** (continued)*

	Gross amount of recognised financial assets/ (liabilities) $'000	Gross amount of recognised financial assets/ (liabilities) offset in the Statement of Financial Position $'000	Net amount of financial assets/ (liabilities) presented in the Statement of Financial Position $'000	Related amount not offset in the Statement of Financial Position $'000	Net amount $'000
Trust					
31 December 2018					
Financial assets					
Interest rate swaps	71	–	71	–	71
Cross currency interest rate swaps	1,808	–	1,808	–	1,808
Financial liabilities					
Interest rate swaps	(246)	–	(246)	–	(246)
Cross currency interest rate swaps	(5,214)	–	(5,214)	–	(5,214)
31 December 2017					
Financial assets					
Cross currency interest rate swaps	2,090	–	2,090	–	2,090
Financial liabilities					
Interest rate swaps	(1,816)	–	(1,816)	–	(1,816)
Cross currency interest rate swaps	(11,875)	–	(11,875)	–	(11,875)

The gross amounts of financial assets and financial liabilities and their net amounts as presented in the Statements of Financial Position that are disclosed in the above tables are measured in the Statements of Financial Position on the following basis:

- cross currency interest rate swaps and interest rate swaps – fair value; and
- trade and other receivables and trade and other payables – amortised cost.

NOTES TO THE FINANCIAL STATEMENTS

31 RELATED PARTIES

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

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

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Acquisition fees paid/payable to the Manager	–	2,423	–	–
Divestment fees paid/payable to the Manager	1,021	802	–	–
Interest paid/payable to a related corporation	139	87	–	–
Rental income received/receivable from related corporations	(2,046)	(412)	(213)	(86)
Rental income received/receivable from master lease arrangements with related corporations	(63,783)	(50,184)	(21,869)	(10,752)
Serviced residence management fees paid/payable to related corporations	21,843	22,141	1,895	1,876
Service fee paid/payable to related corporations	17,391	17,048	2,141	1,775

32 FINANCIAL RATIOS

	Group	
	2018	2017
	%	%
Ratio of expenses to average net asset value (1)		
– including performance component of Manager's management fees	1.01	1.06
– excluding performance component of Manager's management fees	0.71	0.76
Portfolio turnover rate (2)	–	0.25

(1) The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, borrowing costs and foreign exchange gains/(losses).

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying serviced residence properties of the Group expressed as a percentage of weighted average net asset value.

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of the different economic environments in which they operate in. For each of the reportable segments, the CEO of the Manager reviews internal management reports on a monthly basis, at minimum, for strategic decision making, performance assessment and resource allocation purpose.

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

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly finance costs, corporate assets and expenses, and income tax expense. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year. Information regarding the Group's reportable segments is presented in the following tables.

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

Information about reportable segments

Geographical segments

The Group's business is investing in serviced residence properties.

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2018								
Gross rental income	46,523	33,755	13,459	52,602	33,346	14,953	14,957	209,595
Other income	109	1,677	1,376	1,563	2,421	656	573	8,375
Gross revenue	46,632	35,432	14,835	54,165	35,767	15,609	15,530	217,970
Direct expenses	(17,604)	(16,576)	(10,422)	(33,386)	(2,722)	(1,284)	(9,792)	(91,786)
Segment gross profit	29,028	18,856	4,413	20,779	33,045	14,325	5,738	126,184
Net change in fair value of serviced residence properties and assets held for sale	2,146	(283)	3,495	1,551	7,304	2,586	(2,625)	14,174

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

***Information about reportable segments** (continued)*

***Geographical segments** (continued)*

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2018									
Gross rental income	50,174	4,961	21,250	8,282	52,620	108,705	38,708	284,700	494,295
Other income	5,428	35	1,159	374	1,023	1,733	1,851	11,603	19,978
Gross revenue	55,602	4,996	22,409	8,656	53,643	110,438	40,559	296,303	514,273
Direct expenses	(24,985)	(3,563)	(16,120)	(4,550)	(30,596)	(84,320)	(18,993)	(183,127)	(274,913)
Segment gross profit	30,617	1,433	6,289	4,106	23,047	26,118	21,566	113,176	239,360
Net change in fair value of serviced residence properties and assets held for sale	682	(1,394)	(3,592)	1,614	22,358	(882)	2,539	21,325	35,499
Finance income									1,194
Finance costs									(47,116)
Profit from divestments									3,211
Unallocated net expense									(36,766)
Reportable segment profit before income tax									195,382
Income tax expense									(43,541)
Total return for the year									151,841

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

***Information about reportable segments** (continued)*

***Geographical segments** (continued)*

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2017								
Gross rental income	34,389	35,359	11,762	59,069	33,057	12,084	16,068	201,788
Other income	108	1,401	1,351	1,771	2,665	527	728	8,551
Gross revenue	34,497	36,760	13,113	60,840	35,722	12,611	16,796	210,339
Direct expenses	(15,126)	(17,412)	(8,930)	(39,589)	(3,018)	(1,076)	(10,870)	(96,021)
Segment gross profit	19,371	19,348	4,183	21,251	32,704	11,535	5,926	114,318
Net change in fair value of serviced residence properties and assets held for sale	1,621	(2,851)	848	73,331	(17,011)	14,798	(437)	70,299

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

***Information about reportable segments** (continued)*

***Geographical segments** (continued)*

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2017									
Gross rental income	53,267	5,362	22,389	8,215	48,704	96,306	41,842	276,085	477,873
Other income	4,835	43	1,453	348	711	869	1,605	9,864	18,415
Gross revenue	58,102	5,405	23,842	8,563	49,415	97,175	43,447	285,949	496,288
Direct expenses	(26,186)	(3,660)	(16,386)	(4,409)	(27,455)	(75,556)	(19,697)	(173,349)	(269,370)
Segment gross profit	31,916	1,745	7,456	4,154	21,960	21,619	23,750	112,600	226,918
Net change in fair value of serviced residence properties and assets held for sale	393	(636)	(2,431)	(529)	8,039	2,016	8,489	15,341	85,640
Finance income									1,581
Finance costs									(46,668)
Profit from divestments									20,844
Unallocated net expense									(13,871)
Reportable segment profit before income tax									274,444
Income tax expense									(51,944)
Total return for the year									222,500

33 OPERATING SEGMENTS (continued)

Information about reportable segments *(continued)*

Geographical segments *(continued)*

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
2018								
Assets and liabilities								
Reportable segment assets	1,077,344	282,970	66,501	530,471	544,536	257,474	110,778	2,870,074
Reportable segment liabilities	93,527	7,840	52,277	130,161	414,871	190,988	10,051	899,715
Other Segmental Information								
Capital expenditure:								
– serviced residence properties	222	68	248	57	–	67	2,764	3,426
– plant and equipment	1,243	630	104	1,584	–	–	458	4,019
Depreciation	2,597	388	463	1,883	–	–	713	6,044
2017								
Assets and liabilities								
Reportable segment assets	983,040	290,660	64,725	822,110	536,289	265,399	109,807	3,072,030
Reportable segment liabilities	134,341	6,355	52,012	265,392	426,953	202,496	9,385	1,096,934
Other Segmental Information								
Capital expenditure:								
– serviced residence properties	447	1,651	80	207	–	2,362	603	5,350
– plant and equipment	1,527	226	93	1,587	–	–	515	3,948
Depreciation	1,569	668	425	3,457	–	–	725	6,844

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

***Information about reportable segments** (continued)*

***Geographical segments** (continued)*

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
2018									
Assets and liabilities									
Reportable segment assets	682,016	53,305	160,915	75,330	502,627	661,108	303,756	2,439,057	5,309,131
Reportable segment liabilities	606,824	692	20,148	54,565	191,650	359,662	44,966	1,278,507	2,178,222
Other Segmental Information									
Capital expenditure:									
– serviced residence properties	862	–	4,189	7	1,423	3,345	82	9,908	13,334
– plant and equipment	49	203	3,650	22	–	2,195	4,138	10,257	14,276
Depreciation	381	130	1,764	150	1,801	892	1,582	6,700	12,744
2017									
Assets and liabilities									
Reportable segment assets	686,137	55,196	163,767	73,690	496,351	638,002	307,878	2,421,021	5,493,051
Reportable segment liabilities	620,799	727	17,606	56,965	127,160	354,016	47,161	1,224,434	2,321,368
Other Segmental Information									
Capital expenditure:									
– serviced residence properties	384	–	2,192	–	834	3,527	1,274	8,211	13,561
– plant and equipment	141	86	1,735	539	5,196	1,264	756	9,717	13,665
Depreciation	501	81	1,593	189	2,000	835	1,207	6,406	13,250

NOTES TO THE FINANCIAL STATEMENTS

33 OPERATING SEGMENTS (continued)

Major customers

Revenue from related corporations accounted for approximately $63,783,000 (2017: $50,184,000) of the gross revenue of the Group. Such revenue is attributable to the France segment, Germany segment and Singapore segment.

34 FAIR VALUE OF ASSETS AND LIABILITIES

(a) Determining fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods and processes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Serviced residence properties

The Group's serviced residence property portfolio is valued by independent valuers every six months. Independent valuations are also carried out on occurrence of acquisitions. The fair values are based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction wherein the parties had each acted knowledgeably and without compulsion. The valuers have considered the discounted cash flow method in arriving at the open market value as at the reporting date. In determining the fair value, the valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of serviced residence properties include market-corroborated discount rate and terminal capitalisation rate.

The valuation of the Group's serviced residence property is discussed with the Audit Committee and Board of Directors in accordance with the Group's reporting policies.

(ii) Assets and liabilities held for sale

On 31 December 2018, the Group's assets held for sale are valued by independent valuer, using the discounted cash flow method.

On 31 December 2017, the Group's assets and liabilities held for sale are valued as such:

- Serviced residence properties: based on contracted sale price;
- Non-derivative financial liabilities: present value of future principal and interest cash flows;
- Other assets and liabilities: held at carrying amount as they are assumed to approximate their fair value because of their short period to maturity.

(iii) Financial derivatives

The fair values of cross currency interest rate swaps and interest rate swaps are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates or exchange rates, where applicable, for a similar financial instrument at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(a) Determining fair value (continued)

(iv) Non-derivative financial liabilities

The fair value of quoted interest-bearing borrowings is their quoted ask price at the reporting date. Fair value for unquoted interest-bearing borrowings is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Interest rates used in determining fair values

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

	Group	
	2018	**2017**
	%	**%**
Interest-bearing borrowings	0.97 – 2.75	1.18 – 2.75

(v) Intra-group financial guarantees

The value of financial guarantees provided by the Trust to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available.

(vi) Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market-related rate for a similar instrument at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values

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

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2018										
Financial assets measured at fair value										
Interest rate swaps	10	–	6,486	–	–	6,486	–	6,486	–	6,486
Cross currency interest rate swaps	10	–	1,808	–	–	1,808	–	1,808	–	1,808
		–	8,294	–	–	8,294				
Financial assets not measured at fair value										
Loan to associate	9	–	–	3,584	–	3,584				
Trade and other receivables (1)	12	–	–	46,382	–	46,382				
Cash and cash equivalents	14	–	–	227,847	–	227,847				
		–	–	277,813	–	277,813				
Financial liabilities measured at fair value										
Interest rate swaps	10	–	(1,916)	–	–	(1,916)	–	(1,916)	–	(1,916)
Cross currency interest rate swaps	10	–	(5,214)	–	–	(5,214)	–	(5,214)	–	(5,214)
		–	(7,130)	–	–	(7,130)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(911,588)	(911,588)	–	(911,588)	–	(911,588)
Unsecured bank loans	15	–	–	–	(216,499)	(216,499)	–	(216,499)	–	(216,499)
Medium term notes	15	–	–	–	(776,839)	(776,839)	–	(789,465)	–	(789,465)
Finance lease liabilities	15	–	–	–	(527)	(527)	–	(527)	–	(527)
Trade and other payables (2)	16	–	–	–	(123,324)	(123,324)				
		–	–	–	(2,028,777)	(2,028,777)				

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2017										
Financial assets measured at fair value										
Interest rate swaps	10	–	5,079	–	–	5,079	–	5,079	–	5,079
Cross currency interest rate swaps	10	–	2,090	–	–	2,090	–	2,090	–	2,090
		–	7,169	–	–	7,169				
Financial assets not measured at fair value										
Trade and other receivables [1]	12	–	–	41,306	–	41,306				
Assets held for sale [2]	13	–	–	3,022	–	3,022				
Cash and cash equivalents	14	–	–	257,345	–	257,345				
		–	–	301,673	–	301,673				
Financial liabilities measured at fair value										
Interest rate swaps	10	–	(4,250)	–	–	(4,250)	–	(4,250)	–	(4,250)
Cross currency interest rate swaps	10	–	(11,875)	–	–	(11,875)	–	(11,875)	–	(11,875)
		–	(16,125)	–	–	(16,125)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(942,520)	(942,520)	–	(942,520)	–	(942,520)
Unsecured bank loans	15	–	–	–	(218,708)	(218,708)	–	(218,708)	–	(218,708)
Medium term notes	15	–	–	–	(780,664)	(780,664)	–	(801,698)	–	(801,698)
Finance lease liabilities	15	–	–	–	(3,481)	(3,481)	–	(3,481)	–	(3,481)
Trade and other payables [3]	16	–	–	–	(220,604)	(220,604)				
Assets held for sale [2]	13	–	–	–	(1,065)	(1,065)				
		–	–	–	(2,167,042)	(2,167,042)				

(1) Excluding prepayments.
(2) Refer to Note 13 for financial assets/liabilities in assets and liabilities held for sale.
(3) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Amortised cost $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2018										
Financial assets measured at fair value										
Interest rate swaps	10	–	71	–	–	71	–	71	–	71
Cross currency interest rate swaps	10	1,808	–	–	–	1,808	–	1,808	–	1,808
		1,808	71	–	–	1,879				
Financial assets not measured at fair value										
Loan to associate	9	–	–	3,062	–	3,062				
Trade and other receivables (1)	12	–	–	2,299,358	–	2,299,358				
Cash and cash equivalents	14	–	–	40,112	–	40,112				
		–	–	2,342,532	–	2,342,532				
Financial liabilities measured at fair value										
Interest rate swaps	10	–	(246)	–	–	(246)	–	(246)	–	(246)
Cross currency interest rate swaps	10	(5,214)	–	–	–	(5,214)	–	(5,214)	–	(5,214)
		(5,214)	(246)	–	–	(5,460)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(214,792)	(214,792)	–	(214,792)	–	(214,792)
Unsecured bank loans	15	–	–	–	(209,638)	(209,638)	–	(209,638)	–	(209,638)
Intra-group financial guarantees	15	–	–	–	(827)	(827)				
Trade and other payables (2)	16	–	–	–	(926,342)	(926,342)				
		–	–	–	(1,351,599)	(1,351,599)				

(1) Excluding prepayments.

(2) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2017										
Financial assets measured at fair value										
Cross currency interest rate swaps	10	2,090	–	–	–	2,090	–	2,090	–	2,090
Financial assets not measured at fair value										
Trade and other receivables [(1)]	12	–	–	2,369,177	–	2,369,177				
Cash and cash equivalents	14	–	–	12,598	–	12,598				
		–	–	2,381,775	–	2,381,775				
Financial liabilities measured at fair value										
Interest rate swaps	10	–	(1,816)	–	–	(1,816)	–	(1,816)	–	(1,816)
Cross currency interest rate swaps	10	(11,875)	–	–	–	(11,875)	–	(11,875)	–	(11,875)
		(11,875)	(1,816)	–	–	(13,691)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(210,261)	(210,261)	–	(210,261)	–	(210,261)
Unsecured bank loans	15	–	–	–	(218,708)	(218,708)	–	(218,708)	–	(218,708)
Intra-group financial guarantees	15	–	–	–	(1,201)	(1,201)				
Trade and other payables [(2)]	16	–	–	–	(916,010)	(916,010)				
		–	–	–	(1,346,180)	(1,346,180)				

(1) Excluding prepayments.
(2) Excluding advance rental and liability for employee benefits.

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(b) Accounting classifications and fair values (continued)

The following table shows the carrying amounts and fair values of significant non-financial assets, including their values in the fair value hierarchy.

	Note	Fair value			
		Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group					
31 December 2018					
Serviced residence properties	4	–	–	4,679,295	4,679,295
Assets held for sale	13	–	–	215,000	215,000
		–	–	4,894,295	4,894,295
31 December 2017					
Serviced residence properties	4	–	–	4,908,400	4,908,400
Assets held for sale	13	–	–	191,020	191,020
		–	–	5,099,420	5,099,420
Trust					
31 December 2018					
Serviced residence properties	4	–	–	739,193	739,193
Assets held for sale	13	–	–	215,000	215,000
		–	–	954,193	954,193
31 December 2017					
Serviced residence properties	4	–	–	950,156	950,156

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(c) Level 3 fair value measurements

(i) Reconciliation of Level 3 fair value

The following table presents the reconciliation from the beginning balances to the ending balances for Level 3 fair values.

	Serviced residence properties $'000	Assets held for sale $'000
Group		
2017		
Balance at 1 January 2017	4,504,416	6,549
Acquisition of serviced residence properties and subsidiaries	644,278	–
Capital expenditure	13,561	–
Divestments of serviced residence properties	(129,969)	–
Disposal of assets held for sale	–	(6,669)
Reclassifications (to)/from assets held for sale	(116,975)	116,975
Transfer from plant and equipment	11,157	–
Assets written off	(621)	–
Net change in fair value recognised in Statement of Total Return	10,785	74,855
Translation difference	(28,232)	(690)
Balance at 31 December 2017	4,908,400	191,020
2018		
Balance at 1 January 2018	4,908,400	191,020
Capital expenditure	13,334	–
Transfer from plant and equipment	197	1,666
Disposal of assets	(1,912)	–
Disposal of assets held for sale	–	(191,020)
Reclassifications (to)/from assets held for sale	(213,334)	213,334
Assets written off	(364)	–
Net change in fair value recognised in Statement of Total Return	35,499	–
Translation difference	(62,525)	–
Balance at 31 December 2018	4,679,295	215,000

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(c) Level 3 fair value measurements (continued)

(ii) Valuation techniques and significant unobservable inputs

The following table shows the valuation techniques used in measuring Level 3 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Serviced residence properties and assets held for sale [(1)]	*Discounted cash flow*: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate and occupancy rate. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	**Group** • Discount rate: South East Asia and Australia: 5.00% - 11.60% (2017: 5.00% - 11.60%) North Asia: 3.80% - 7.10% (2017: 3.80% - 7.10%) Europe and United States of America: 5.00% - 8.75% (2017: 5.00% - 8.70%) • Terminal capitalisation rate: South East Asia and Australia: 3.90% - 8.80% (2017: 3.90% - 8.80%) North Asia: 4.30% - 6.10% (2017: 4.30% - 6.10%) Europe and United States of America: 4.00% - 8.50% (2017: 4.50% - 8.50%) **Trust** • Discount rate: Singapore: 5.00 - 5.10% (2017: 5.10%) • Terminal capitalisation rate: Singapore: 3.90% - 4.00% (2017: 3.90% - 4.20%)	The estimated fair value would increase (decrease) if: • the discount rate were lower (higher); or • the terminal capitalisation rate were lower (higher).

(1) In relation to ARPS (located in Singapore) as at 31 December 2018

NOTES TO THE FINANCIAL STATEMENTS

34 FAIR VALUE OF ASSETS AND LIABILITIES (continued)

(c) Level 3 fair value measurements (continued)

(ii) Valuation techniques and significant unobservable inputs (continued)

Sensitivity analysis for key unobservable inputs

The significant unobservable inputs used in the fair value measurement of the Group's serviced residence properties are discount rate, terminal capitalisation rate and capitalisation rate. Significant decreases in the discount rate, terminal capitalisation rate and capitalisation rate in isolation would result in a significantly higher fair value measurement. Conversely, a significant increase would result in a significantly lower fair value measurement.

(iii) Transfer between Level 1 and 2

During the years ended 31 December 2018 and 2017, there were no transfers between Level 1 and 2 of the fair value hierarchy.

35 ACQUISITION OF SERVICED RESIDENCE PROPERTIES AND NON-CONTROLLING INTERESTS, NET OF CASH MOVEMENTS

On 2 May 2017, the Group acquired the following subsidiaries from a related corporation, Ascott Holdings (Europe) N.V.:

- 93% effective interest in Citadines Michel Hamburg through the acquisition of 94% of the issued shares in Citadines Investments B.V., which holds a 99% interest in Citadines Hamburg Michel GmbH & Co., KG; and
- 93% effective interest in Citadines City Centre Frankfurt through the acquisition of 94% of the issued shares in Citadines (Netherlands) B.V., which holds a 99% interest in Citadines Europaviertel (Frankfurt) GmbH & Co., KG.

On 17 August 2017, the Group acquired the property, DoubleTree by Hilton Hotel New York – Times Square, from an unrelated third party.

On 10 October 2017, the Group acquired the property, Ascott Orchard Singapore, from related corporations, CH Commercial Pte. Ltd. and CH Residential Pte. Ltd..

From the respective acquisition dates to 31 December 2017, the serviced residence properties and subsidiaries contributed profit after tax of $16,110,000. If the acquisitions had occurred on 1 January 2017, the Manager estimates that the additional contribution to the Group in terms of revenue and profit after tax would have been $25,513,000 and $11,524,000 respectively. In determining this amount, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2017.

NOTES TO THE FINANCIAL STATEMENTS

35 ACQUISITION OF SERVICED RESIDENCE PROPERTIES AND NON-CONTROLLING INTERESTS, NET OF CASH MOVEMENTS (continued)

The cash flows and net assets and liabilities of serviced residence properties and subsidiaries acquired are provided below:

	Recognised values on acquisition 2017 $'000
Serviced residence properties	644,278
Plant and equipment	10,703
Trade and other receivables	258
Cash and cash equivalents	773
Trade and other payables	(3,907)
Non-controlling interests	(3,119)
Net identifiable assets and liabilities acquired	648,986
Total consideration	(648,986)
Deposit paid in prior year	20,250
Cash of subsidiaries acquired	773
Cash outflow on acquisition of serviced residence properties	(627,963)

Acquisition of serviced residence properties is complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements relating to the acquisitions. The acquisitions during 2017 were accounted for as acquisitions of serviced residence properties based on the assessment by the Manager, after taking into consideration that these acquisitions did not involve acquiring any strategic management function nor the associated processes along with the underlying assets acquired.

36 COMMITMENTS

As at the reporting date, the Group and the Trust had the following commitments:

(a) Capital commitments

	Group		Trust	
	2018 $'000	2017 $'000	2018 $'000	2017 $'000
Capital expenditure commitments:				
- contracted but not provided for	7,379	10,629	2,180	–

NOTES TO THE FINANCIAL STATEMENTS

36 COMMITMENTS (continued)

(b) Operating leases as lessor

The Group leases out some of its serviced residence properties on long term arrangements. The leases have initial tenure ranging from two to 20 years, with options to renew for some of the leases. The operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Within 1 year	70,306	72,048	19,657	20,313
After 1 year but within 5 years	142,133	163,447	36,515	56,172
After 5 years	78,791	96,492	–	–
	291,230	331,987	56,172	76,485

(c) Operating leases as lessee

The Group leases the land on which four (2017: three) of the serviced residence properties are constructed. The leases have an initial tenure ranging from 23 to 48 years. The Group also leases the commercial podium under a 33-year master lease in Somerset Olympic Tower Property Tianjin. The operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Future minimum lease payments for the Group on non-cancellable operating leases are as follows:

	Group	
	2018	2017
	$'000	$'000
Within 1 year	18,313	17,568
After 1 year but within 5 years	79,211	76,085
After 5 years	452,563	470,148
	550,087	563,801

37 SUBSEQUENT EVENTS

On 4 January 2019, the Trust took possession of the land for the development of lyf-one north Singapore.

On 9 January 2019, the Trust entered into a sale and purchase agreement to divest Ascott Raffles Place Singapore, with a carrying amount of $215.0 million as at 31 December 2018, for an aggregate sale consideration of $353.3 million. Targeted for completion in May 2019, the sale is expected to generate estimated net proceeds of $349.0 million to the Group and the Trust.

On 29 January 2019, the Manager declared a distribution of 3.966 cents per Unit amounting to $85,840,000 in respect of the period from 1 July 2018 to 31 December 2018.

On 11 February 2019, the Trust issued 7,967,518 Units at an issue price of $1.1814 per Unit to the Manager. These Units were issued to the Manager as payment of the base fee component of the Management Fees (as defined in the Trust Deed) for the period from 1 October 2018 to 31 December 2018 and the performance fee component of the Management Fees for the period from 1 January 2018 to 31 December 2018. The balance of the Management Fees of $3,494,673 (excluding applicable goods and services tax) was paid in cash.

ADDITIONAL INFORMATION

INTERESTED PERSON (AS DEFINED IN THE LISTING MANUAL) AND INTERESTED PARTY (AS DEFINED IN THE PROPERTY FUNDS APPENDIX) TRANSACTIONS

The transactions entered into during the financial year are as follow.

	Aggregrate value[1] of all interested person/party transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under Unitholders' mandate pursuant to rule 920) S$'000	Aggregrate value[1] of all interested person/party transactions during the financial year under review under Unitholders' mandate pursuant to rule 920 (excluding transactions less than S$100,000) S$'000
CapitaLand Limited & its subsidiaries		
Master lease income	33,564	–
Manager's management fees	23,879[2]	–
Serviced residence management fees	20,397	–
Service fees	18,433	–
Divestment fees	1,021[2]	–
Asset management fee	953	–
Rental income	422	–
DBS Trustee Limited		
Trustee's fee	546[2]	–
Total	**99,215**	**–**

1 The aggregate value is for the contract period, except for Manager's management fees, Divestment fees and Trustee's fee.

2 These are in respect of fees incurred during the year.

OPERATING EXPENSES AND TAXATION

According to disclosure requirements under paragraph 11.1 item (i) of the Appendix 6 to Code on Collective Investment Scheme, the total operating expenses incurred by Ascott Reit in FY 2018 was S$300.4 million. The amount included all fees and charges paid to the Manager and interested parties. This translates to 11.4% of the property fund's net asset value as at 31 December 2018. Taxation incurred was S$43.5 million.

ADDITIONAL INFORMATION

MANAGER'S MANAGEMENT FEES PAID IN UNITS

A summary of Units issued for payment of the Manager's management fees (part payment) in respect of the financial year are as follows:

For Period	Issue Date	Units	Issue Price[1] S$	Total Value S$'000
Base Management Fees				
1 January 2018 to 31 March 2018	25 April 2018	2,347,271	1.1335	2,661
1 April 2018 to 30 June 2018	7 August 2018	2,470,495	1.0837	2,677
1 July 2018 to 30 September 2018	5 November 2018	2,567,620	1.0573	2,715
1 October 2018 to 31 December 2018	11 February 2019	2,280,933	1.1814	2,695
				10,748
Performance Management Fees				
1 January 2018 to 31 December 2018	11 February 2019	5,686,585	1.1814	6,718
				17,466

1 Based on the volume weighted average traded price per Unit for all trades done on the SGX-ST in the ordinary course of trading for 5 business days immediately preceding the date of issue of the New Units.

STATISTICS OF UNITHOLDINGS

As at 14 February 2019

ISSUED AND FULLY PAID UNITS

2,172,559,038 (Voting Rights: 1 vote per Unit)
Market Capitalisation of S$2,454,991,713 based on market closing Unit price of S$1.13 on 14 February 2019

DISTRIBUTION OF UNITHOLDINGS

SIZE OF UNITHOLDINGS	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
1 - 99	78	0.48	2,441	0.00
100 - 1,000	860	5.28	700,247	0.03
1,001 - 10,000	8,446	51.81	47,598,094	2.19
10,001 - 1,000,000	6,868	42.12	336,184,621	15.48
1,000,001 AND ABOVE	50	0.31	1,788,073,635	82.30
TOTAL	**16,302**	**100.00**	**2,172,559,038**	**100.00**

LOCATION OF UNITHOLDINGS

COUNTRY	NO. OF UNITHOLDERS	%	NO. OF UNITS	%
SINGAPORE	12,195	74.81	1,365,063,866	62.83
MALAYSIA	329	2.01	8,380,302	0.39
OTHERS	3,778	23.18	799,114,870	36.78
TOTAL	**16,302**	**100.00**	**2,172,559,038**	**100.00**

TWENTY LARGEST UNITHOLDERS

NO.	NAME	NO. OF UNITS	%
1	THE ASCOTT LIMITED	476,152,416	21.92
2	SOMERSET CAPITAL PTE LTD	314,137,188	14.46
3	CITIBANK NOMINEES SINGAPORE PTE LTD	224,739,890	10.34
4	DBS NOMINEES (PRIVATE) LIMITED	193,261,696	8.90
5	ASCOTT RESIDENCE TRUST MANAGEMENT LIMITED	185,591,726	8.54
6	RAFFLES NOMINEES (PTE.) LIMITED	76,708,408	3.53
7	DBSN SERVICES PTE. LTD.	63,700,664	2.93
8	HSBC (SINGAPORE) NOMINEES PTE LTD	36,673,859	1.69
9	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	21,098,110	0.97
10	OCBC SECURITIES PRIVATE LIMITED	20,841,984	0.96
11	DB NOMINEES (SINGAPORE) PTE LTD	19,848,787	0.91
12	NTUC FAIRPRICE CO-OPERATIVE LTD	17,802,000	0.82
13	KO WOON HONG	15,669,500	0.72
14	UOB KAY HIAN PRIVATE LIMITED	13,208,521	0.61
15	BNP PARIBAS NOMINEES SINGAPORE PTE. LTD.	10,970,890	0.50
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	8,559,109	0.39
17	WEE SHUK THENG	6,952,500	0.32
18	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	6,770,715	0.31
19	PHILLIP SECURITIES PTE LTD	6,479,155	0.30
20	TOH CAPITAL PTE LTD	6,086,600	0.28
	TOTAL	**1,725,253,718**	**79.40**

STATISTICS OF UNITHOLDINGS

As at 14 February 2019

DIRECTORS' INTERESTS IN UNITS AND CONVERTIBLE SECURITIES AS AT 21 JANUARY 2019

Based on the Register of Directors' Unitholdings, save for those disclosed below, none of the Directors holds any interest in Units and convertible securities issued by Ascott Reit.

	No. of Units		Contingent Awards of Units[1] under the Manager's	
Name of Director	**Direct Interest**	**Deemed Interest**	**Performance Unit Plan**	**Restricted Unit Plan**
Tan Beng Hai, Bob	49,109	–	–	–
Beh Siew Kim	198,037	–	0 to 364,176[2]	62,075[3, 4] 0 to 167,521[2, 4]
Zulkifli Bin Baharudin	71,727	–	–	–
Sim Juat Quee Michael Gabriel	22,253	–	–	–
Elaine Carole Young	85,815	–	–	–
Lee Chee Koon	46,440	–	–	–
Lim Cho Pin Andrew Geoffrey	25,800	–	–	–

1 This refers to the number of Units which are the subject of contingent awards but not released under the Manager's Performance Unit Plan ("PUP") and Restricted Unit Plan ("RUP"). The final number of Units that will be released could range from 0% to a maximum of 200.0% of the baseline award under the PUP and from 0% to a maximum of 150.0% of the baseline award under the RUP.
2 The final number of Units to be released will depend on the achievement of pre-determined targets at the end of the respective performance periods for the PUP and RUP.
3 Being the unvested two-thirds of the RUP 2017 Award.
4 On the final vesting, an additional number of Units of a total value equal to the value of the accumulated distributions which are declared during each of the vesting periods and deemed foregone due to the vesting mechanism of the RUP, will also be released.

SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS AS AT 14 FEBRUARY 2019

Based on the information available to the Manager, as at 14 February 2019, the unitholdings of Substantial Unitholders of Ascott Reit are as follows:

	Direct Interest		Deemed Interest	
Name of Substantial Unitholder	**No. of Units**	**%**	**No. of Units**	**%**
Temasek Holdings (Private) Limited (THPL)	–	–	998,554,381[1]	45.96
CapitaLand Limited (CapitaLand)	–	–	975,881,330[2]	44.91
The Ascott Limited (Ascott)	476,152,416	21.91	314,137,188[3]	14.46
Somerset Capital Pte Ltd (SCPL)	314,137,188	14.46	–	–
CapitaLand Financial Limited (CFL)	–	–	185,591,726[4]	8.54
Ascott Residence Trust Management Limited (ARTML)	185,591,726	8.54	–	–

1 THPL is deemed to have an interest in the unitholdings in which CapitaLand Group and its other subsidiaries and associated companies have direct or deemed interests pursuant to Section 4 of the Securities and Futures Act, Chapter 289 of Singapore. THPL is wholly owned by the Minister for Finance.
2 CapitaLand is deemed to have an interest in the unitholdings of its wholly owned subsidiaries namely, Ascott, SCPL, CFL and ARTML.
3 Ascott is deemed to have an interest in the unitholdings of its wholly owned subsidiary namely, SCPL.
4 CFL is deemed to have an interest in the unitholdings of its wholly owned subsidiary namely, ARTML.

PUBLIC FLOAT

Based on the information available to the Manager as at 14 February 2019, approximately 54% of the Units were held in the hands of the public. Rule 723 of the Listing Manual of the SGX-ST has accordingly been complied with.

CORPORATE INFORMATION

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THE MANAGER

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BOARD OF DIRECTORS
Tan Beng Hai, Bob
Chairman & Non-Executive Independent Director

Beh Siew Kim
Chief Executive Officer & Executive Non-Independent Director

Zulkifli Bin Baharudin
Non-Executive Independent Director

Sim Juat Quee Michael Gabriel
Non-Executive Independent Director

Elaine Carole Young
Non-Executive Independent Director

Lee Chee Koon
Non-Executive Non-Independent Director

Lim Cho Pin Andrew Geoffrey
Non-Executive Non-Independent Director

AUDIT COMMITTEE
Sim Juat Quee Michael Gabriel
Chairman

Zulkifli Bin Baharudin
Elaine Carole Young
Lim Cho Pin Andrew Geoffrey

CORPORATE DISCLOSURE COMMITTEE
Tan Beng Hai, Bob
Chairman

Beh Siew Kim
Lee Chee Koon

EXECUTIVE COMMITTEE
Lee Chee Koon
Chairman

Beh Siew Kim
Lim Cho Pin Andrew Geoffrey

COMPANY SECRETARIES
Karen Chan
Karen Chang

Counter Name: Ascott Reit
Stock Code: A68U

The Annual Report to Unitholders may contain forward-looking statements. Forward-looking statement is subject to inherent uncertainties and is based on numerous assumptions. Actual performance, outcomes and results may differ materially from those expressed in forward-looking statements. Representative examples of factors which may cause the actual performance, outcomes and results to differ materially from those in the forward-looking statements include (without limitation) changes in general industry and economic conditions, interest rate trends, cost of capital and capital availability, availability of real estate investment opportunities, competition from other companies, shifts in customers' demands, changes in operating conditions, including employee wages, benefits and training, governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on the current views of management on future events.

A Member of CapitaLand

Ascott Residence Trust Management Limited
As Manager of Ascott Residence Trust
Company Registration No. 200516209Z

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