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Ascott Residence Trust and its Subsidiaries

(Constituted in the Republic of Singapore pursuant to a trust deed dated 19 January 2006)

Financial Statements
Year ended 31 December 2016

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 FS1 to FS115 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
24 February 2017

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 FS1 to FS115 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 2016, 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

(TA) Tay Boon Hwee
Director

Singapore
24 February 2017

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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 accompanying 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 2016, 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 a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS115.

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 of the Group and the Trust as at 31 December 2016 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 of $4.5 billion (2015: $4.3 billion)
(Refer to Note 4 – Serviced residence properties and Note 33 – Fair value measurement)

Risk:

The Group has a significant portfolio of serviced residences, including rental housing properties, which represent the single largest category of asset on the Statement of Financial Position at $4.5 billion as at 31 December 2016.

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 in deriving the discount rates and terminal capitalisation rates i.e. a small change in certain assumptions can have a significant impact to the valuation of investment properties and profit or loss.

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 historical rates and 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.

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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 in their description of the degree of subjectivity and judgement inherent in the key assumptions used in the valuations.

Accounting for significant acquisition
(Refer to Note 34 – Acquisition of serviced residence properties)

Risk:

The Group makes acquisitions as part of its business strategy. Such transactions can be complex and judgement is involved in determining whether an acquisition is a business combination or the acquisition of an asset, each of which have different accounting treatments.

Our response:

We assessed the Group's process on the classification and accounting for the acquisition. We also challenged the accounting of the acquisition by examining legal and contractual documents to determine whether the acquisition is appropriately classified and accounted for.

We also considered the adequacy of disclosures for the acquisition made during the financial year.

Our findings:

The Group has a process in place to ensure that each investment acquired is identified, appropriately classified and the relevant accounting treatments are applied.

The judgement applied by the Group in determining whether the acquisition is a business combination or an acquisition of assets was balanced. We also found the disclosures of the acquisition to be appropriate.

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Other information

Ascott Residence Trust Management Limited, the Manager of the Trust (the "Manager"), is responsible for the other information. The other information comprises the annual report, but does not include the financial statements and our auditors' report thereon.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available 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 the fact. We have nothing to report in this regard.

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.

- 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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
24 February 2017

Statements of Financial Position
As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Non-current assets					
Serviced residence properties	4	4,504,416	4,289,711	553,002	563,091
Plant and equipment	5	51,808	52,506	3,998	4,909
Subsidiaries	6	–	–	333,396	347,535
Associate	8	3,505	3,479	3,990	3,958
Financial derivative assets	9	7,125	–	3,709	–
Deferred tax assets	10	5,891	3,983	–	–
Deposits	11	–	20,250	–	20,250
		4,572,745	4,369,929	898,095	939,743
Current assets					
Inventories		201	296	–	–
Trade and other receivables	12	68,712	49,707	2,293,713	2,270,111
Assets held for sale	13	6,549	84,207	–	–
Cash and cash equivalents	14	143,074	220,467	5,778	38,150
		218,536	354,677	2,299,491	2,308,261
Total assets		4,791,281	4,724,606	3,197,586	3,248,004
Non-current liabilities					
Financial liabilities	15	1,715,659	1,556,773	260,323	279,064
Financial derivative liabilities	9	17,745	10,313	13,935	7,098
Deferred tax liabilities	10	94,078	88,851	–	–
		1,827,482	1,655,937	274,258	286,162
Current liabilities					
Financial liabilities	15	146,973	258,404	36,798	202,385
Financial derivative liabilities	9	104	1,222	104	1,145
Trade and other payables	16	132,991	136,453	929,462	746,691
Current tax liabilities		1,468	4,014	–	–
		281,536	400,093	966,364	950,221
Total liabilities		2,109,018	2,056,030	1,240,622	1,236,383
Net assets		2,682,263	2,668,576	1,956,964	2,011,621
Represented by:					
Unitholders' funds	17	2,200,625	2,189,714	1,559,837	1,614,527
Perpetual securities holders	18	397,127	397,094	397,127	397,094
Non-controlling interests	7	84,511	81,768	–	–
		2,682,263	2,668,576	1,956,964	2,011,621
Units in issue ('000)	18	1,653,471	1,548,736	1,653,471	1,548,736
Net asset value per Unit attributable to Unitholders ($)		1.33	1.41	0.94	1.04

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

Statements of Total Return
Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Gross revenue	19	475,590	421,114	33,130	35,191
Direct expenses	20	(253,430)	(216,544)	(15,344)	(17,086)
Gross profit		222,160	204,570	17,786	18,105
Finance income	21	1,799	1,603	62	178
Dividend income		–	–	59,757	64,439
Other income		865	438	8,615	691
Finance costs	21	(50,045)	(49,856)	(27,388)	(32,275)
Manager's management fees	22	(22,178)	(19,820)	(22,178)	(19,820)
Professional fees	23	(2,739)	(2,249)	(1,382)	(1,066)
Trustee's fees		(476)	(436)	(476)	(436)
Audit fees		(2,486)	(2,365)	(261)	(249)
Foreign exchange gain/(loss)		4,068	(4,977)	(35,694)	29,313
Other operating expenses		(1,213)	(1,014)	(14,976)	(8,053)
Net income/(loss) before share of results of associate		149,755	125,894	(16,135)	50,827
Share of results of associate (net of tax)		(6)	7	–	–
Net income/(loss)	24	149,749	125,901	(16,135)	50,827
Net change in fair value of serviced residence properties and assets held for sale		29,987	84,318	(10,758)	4,241
Net change in fair value of financial derivatives		322	(675)	(3,575)	(3,873)
Profit from divestments	25	–	9,924	–	–
Assets written off	4	(543)	(3,717)	–	–
Total return for the year before income tax		179,515	215,751	(30,468)	51,195
Income tax (expense)/credit	26	(31,751)	(36,761)	–	2
Total return for the year		147,764	178,990	(30,468)	51,197
Total return attributable to:					
Unitholders of the Trust/ perpetual securities holders		143,312	165,183	(30,468)	51,197
Non-controlling interests	7	4,452	13,807	–	–
		147,764	178,990	(30,468)	51,197
Earnings per Unit (cents)	27				
Basic		7.62	9.85	(3.05)	2.45
Diluted		7.57	9.85	(3.03)	2.45

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

Distribution Statements
Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Amount available for distribution to Unitholders at beginning of the year		64,134	65,506	64,134	65,506
Total return attributable to Unitholders/perpetual securities holders		143,312	165,183	(30,468)	51,197
Less: Total return attributable to perpetual securities holders		(19,253)	(13,430)	(19,253)	(13,430)
Distribution adjustments	A	10,932	(28,414)	184,712	85,572
Income available for distribution to Unitholders	B	134,991	123,339	134,991	123,339
Amount available for distribution to Unitholders		199,125	188,845	199,125	188,845
Distributions to Unitholders during the year					
- Distribution of 4.26 cents per Unit for the period from 1 July 2014 to 31 December 2014		–	(65,453)	–	(65,453)
- Distribution of 3.85 cents per Unit for the period from 1 January 2015 to 30 June 2015		–	(59,258)	–	(59,258)
- Distribution of 4.14 cents per Unit for the period from 1 July 2015 to 31 December 2015		(64,087)	–	(64,087)	–
- Distribution of 1.59 cents per Unit for the period from 1 January 2016 to 22 March 2016		(24,604)	–	(24,604)	–
- Distribution of 2.29 cents per Unit for the period from 23 March 2016 to 30 June 2016		(37,767)	–	(37,767)	–
		(126,458)	(124,711)	(126,458)	(124,711)
Amount available for distribution to Unitholders at end of the year		72,667	64,134	72,667	64,134

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

Distribution Statements (continued)
Year ended 31 December 2016

Note A – Distribution adjustments

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Distribution adjustment items:				
- Net change in fair value of serviced residence properties and assets held for sale	(29,987)	(84,318)	10,758	(4,241)
- Net change in fair value of financial derivatives	(322)	675	3,575	3,873
- Profit from divestments	–	(9,924)	–	–
- Assets written off	543	3,717	–	–
- Depreciation of plant and equipment	12,941	16,634	1,757	2,571
- Manager's management fees paid/payable in Units	15,892	14,768	15,892	14,768
- Trustee's fees	59	58	59	58
- Foreign exchange loss/(gain) – unrealised	4,844	10,671	56,119	(28,998)
- Operating lease expense recognised on a straight-line basis	3,208	–	–	–
- Deferred tax expense	4,597	12,636	–	–
- Non-controlling interests' share of adjustments	(1,076)	6,620	–	–
- Other adjustments	233	49	126	144
- Impairment losses on non-trade amounts due from subsidiaries (reversed)/recognised	–	–	(8,051)	4,002
- Impairment of subsidiaries	–	–	14,563	3,715
- Net overseas income* not distributed to the Trust	–	–	89,914	89,680
Net effect of distribution adjustments	10,932	(28,414)	184,712	85,572

Note B – Income available for distribution to Unitholders

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Comprises:				
- from operations	27,461	33,040	27,461	33,040
- from Unitholders' contributions	107,530	90,299	107,530	90,299
Income available for distribution to Unitholders	134,991	123,339	134,991	123,339

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

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

Statements of Movements in Unitholders' Funds
Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Operations					
At 1 January		805,254	707,167	192,507	214,631
Total return attributable to Unitholders/perpetual securities holders		143,312	165,183	(30,468)	51,197
Total return attributable to perpetual securities holders		(19,253)	(13,430)	(19,253)	(13,430)
Distributions to Unitholders		(30,692)	(59,891)	(30,692)	(59,891)
Change in ownership interests in subsidiaries with no change in control		(540)	6,225	–	–
Transfer from capital reserve		51	–	–	–
At 31 December		898,132	805,254	112,094	192,507
Unitholders' contributions					
At 1 January		1,428,452	1,476,104	1,428,452	1,476,104
Creation of Units:					
- Equity placement		100,000	–	100,000	–
- Manager's management fees paid in Units		19,863	14,265	19,863	14,265
- Acquisition fees paid in Units		–	2,903	–	2,903
Distributions to Unitholders		(95,766)	(64,820)	(95,766)	(64,820)
Issue expenses	28	(922)	–	(922)	–
At 31 December		1,451,627	1,428,452	1,451,627	1,428,452
Foreign currency translation reserve					
At 1 January		(36,260)	(64,084)	–	–
Change in ownership interests in subsidiaries with no change in control		–	(7,215)	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations		(117,150)	35,039	–	–
At 31 December		(153,410)	(36,260)	–	–

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

Statements of Movements in Unitholders' Funds (continued)
Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Capital reserve					
At 1 January		2,008	2,008	–	–
Transfer to operations		(51)	–	–	–
At 31 December		1,957	2,008	–	–
Hedging reserve					
At 1 January		(9,740)	(15,117)	(6,432)	(11,582)
Effective portion of change in fair values of cash flow hedges		12,059	5,377	2,548	5,150
At 31 December		2,319	(9,740)	(3,884)	(6,432)
Unitholders' funds at 31 December		2,200,625	2,189,714	1,559,837	1,614,527
Perpetual securities					
At 1 January		397,094	149,351	397,094	149,351
Issue of perpetual securities		–	250,000	–	250,000
Issue expenses	28	33	(2,321)	33	(2,321)
Total return attributable to perpetual securities holders		19,253	13,430	19,253	13,430
Distribution to perpetual securities holders		(19,253)	(13,366)	(19,253)	(13,366)
At 31 December		397,127	397,094	397,127	397,094

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

Statements of Movements in Unitholders' Funds (continued)
Year ended 31 December 2016

	Group		Trust	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-controlling interests				
At 1 January	81,768	97,807	–	–
Total return attributable to non-controlling interests	4,452	13,807	–	–
Distribution to non-controlling interests	(4,345)	(3,382)	–	–
Change in ownership interests in subsidiaries with no change in control	540	(30,330)	–	–
Effective portion of change in fair values of cash flow hedges	–	166	–	–
Exchange differences arising from translation of foreign operations and foreign currency loans forming part of net investment in foreign operations	2,096	3,700	–	–
At 31 December	84,511	81,768	–	–
	2,682,263	2,668,576	1,956,964	2,011,621

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

Portfolio Statements
As at 31 December 2016

By Geography

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Serviced residence properties (including rental housing properties)									
Singapore									
Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	60 years	61 years	208,690	207,544	9.5	9.5
Citadines Mount Sophia Property Singapore	8 Wilkie Road, Wilkie Edge, Singapore 228095	Leasehold	96 years	88 years	89 years	131,040	133,002	6.0	6.1
Ascott Raffles Place Singapore [1]	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	874 years – 876 years	875 years – 877 years	213,272	222,545	9.7	10.2
Balance carried forward						553,002	563,091	25.2	25.8

[1] As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						553,002	563,091	25.2	25.8
Australia									
Citadines St Georges Terrace Perth	185 St Georges Terrace, Perth WA 6000	Freehold	Not applicable	Not applicable	Not applicable	27,517	26,223	1.3	1.2
Citadines on Bourke Melbourne [(2)]	131-135 Bourke Street, Melbourne, Victoria 3000	Freehold	Not applicable	Not applicable	Not applicable	171,353	160,333	7.8	7.3
Quest Campbelltown	1 Rennie Road, Campbelltown NSW 2560	Freehold	Not applicable	Not applicable	Not applicable	21,329	19,321	1.0	0.9
Quest Mascot	108-114 Robey Street, Mascot NSW 2020	Freehold	Not applicable	Not applicable	Not applicable	28,775	26,431	1.3	1.2
Quest Sydney Olympic Park	6 Edwin Flack Avenue, Sydney Olympic Park NSW 2127	Leasehold	99 years	95 years	96 years	46,919	42,202	2.1	1.9
Balance carried forward						848,895	837,601	38.7	38.3

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

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						848,895	837,601	38.7	38.3
People's Republic of China									
Ascott Guangzhou	73 Tianhedong Road, Tianhe District, Guangzhou 510630	Leasehold	70 years	58 years	59 years	106,105	108,865	4.8	5.0
Somerset Xu Hui Shanghai	888 Shaanxi Nan Road, Xu Hui District, Shanghai 200031	Leasehold	70 years	49 years	50 years	77,378	73,728	3.5	3.3
Somerset Olympic Tower Property Tianjin	No. 126 Chengdu Dao, Heping District, Tianjin 300051	Leasehold	70 years	46 years	47 years	67,247	70,149	3.1	3.2
Citadines Biyun Shanghai	Nos. 1-3, 9-12, 15-16, Lane 450 Hongfeng Road, Pudong District, Shanghai	Leasehold	70 years	48 years	49 years	67,641	72,485	3.1	3.3
Citadines Xinghai Suzhou	Block 27, Jiacheng Gardens 58 Xinghai Street, Suzhou Industrial Park, Suzhou 215021	Leasehold	70 years	50 years	51 years	30,407	29,101	1.4	1.3
Balance carried forward						1,197,673	1,191,929	54.6	54.4

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,197,673	1,191,929	54.6	54.4
People's Republic of China (continued)									
Somerset Heping Shenyang	No. 80 Taiyuan North Street, Heping District, Shenyang 110000	Leasehold	40 years	30 years	31 years	83,952	88,734	3.8	4.1
Somerset Grand Central Dalian	Nos. 128-2 Jinma Road, Dalian Development Area, Dalian 116600	Leasehold	50 years	40 years	41 years	111,054	118,580	5.0	5.4
Citadines Gaoxin Xi'an	1-26/F, No. 13 Gaoxin Si Road, Hi-Tech Zone, Xi'an, Shaanxi Province	Leasehold	50 years	39 years	40 years	50,991	58,425	2.3	2.7
Citadines Zhuankou Wuhan	Building C2 and C3, Xiang Long Times Business Center, Plot 3R2, Wuhan Economic and Technological Development Zone, Wuhan, Hubei Province	Leasehold	40 years	27 years	28 years	45,560	49,517	2.1	2.2
Balance carried forward						1,489,230	1,507,185	67.8	68.8

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,489,230	1,507,185	67.8	68.8
Indonesia									
Ascott Jakarta	Jalan Kebon Kacang Raya No 2, Jakarta 10230	Leasehold	26 years	7 years	8 years	63,912	64,324	2.9	2.9
Somerset Grand Citra Jakarta	Jalan Prof Dr Satrio Kav. 1, Jakarta 12940	Leasehold	30 years	8 years	9 years	40,394	40,685	1.8	1.9
Japan									
Somerset Azabu East Tokyo	1-9-11 Higashi Azabu, Minato-ku, Tokyo 106-0044	Freehold	Not applicable	Not applicable	Not applicable	43,190	40,533	2.0	1.9
Citadines Shinjuku Tokyo	1-28-13 Shinjuku, Shinjuku-ku, Tokyo 160-0022	Freehold	Not applicable	Not applicable	Not applicable	111,298	97,970	5.1	4.5
Citadines Karasuma-Gojo Kyoto	432 Matsuya-cho Gojo-dori Karasuma-Higashiiru, Shimogyo-ku, Kyoto 600-8105	Freehold	Not applicable	Not applicable	Not applicable	59,732	48,954	2.7	2.2
Balance carried forward						1,807,756	1,799,651	82.3	82.2

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,807,756	1,799,651	82.3	82.2
Japan (continued)									
Roppongi Residences Tokyo	3-4-31 Roppongi, Minato-ku, Tokyo 106-0032	Freehold	Not applicable	Not applicable	Not applicable	37,723	34,530	1.7	1.6
Asyl Court Nakano Sakaue Tokyo *	1-14-12 Honcho, Nakano-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	16,480	15,538	0.8	0.7
Gala Hachimanyama I Tokyo *	2-1-18 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	15,748	15,308	0.7	0.7
Gala Hachimanyama II Tokyo *	2-1-2 Kamitakaido, Suginami-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,076	2,970	0.1	0.1
Joy City Koishikawa Shokubutsuen Tokyo *	3-35-18 Otsuka, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	9,827	9,220	0.4	0.4
Joy City Kuramae Tokyo *	2-8-1 Kuramae, Taito-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	14,650	13,812	0.7	0.6
Balance carried forward						1,905,260	1,891,029	86.7	86.3

* collectively known as "Zenith Residences"

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,905,260	1,891,029	86.7	86.3
Japan (continued)									
Zesty Akebonobashi Tokyo *	1-17 Tomihisacho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,455	3,257	0.2	0.2
Zesty Gotokuji Tokyo *	6-42-5 Matsubara, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,418	3,200	0.2	0.2
Zesty Higashi Shinjuku Tokyo *	6-15-20 Shinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,213	4,892	0.2	0.2
Zesty Kagurazaka I Tokyo *	2-13 Nishigokencho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,066	4,823	0.2	0.2
Zesty Kagurazaka II Tokyo *	123-3 Yaraicho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,042	4,708	0.2	0.2
Zesty Kasugacho Tokyo *	6-4-15 Kasugacho, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,750	5,421	0.3	0.3
Balance carried forward						1,933,204	1,917,330	88.0	87.6

* collectively known as "Zenith Residences"

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,933,204	1,917,330	88.0	87.6
Japan (continued)									
Zesty Koishikawa Tokyo *	5-41-7 Koishikawa, Bunkyo-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,284	3,073	0.1	0.1
Zesty Komazawa Daigaku II Tokyo *	2-12-21 Higashigaoka, Meguro-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	8,839	8,345	0.4	0.4
Zesty Nishi Shinjuku III Tokyo *	3-18-14 Nishishinjuku, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	8,912	8,333	0.4	0.4
Zesty Sakura Shinmachi Tokyo *	3-11-3 Tsurumaki, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	5,030	4,800	0.2	0.2
Zesty Shin Ekoda Tokyo *	1-2-2 Toyotamakami, Nerima-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	3,638	3,430	0.2	0.1
Balance carried forward						1,962,907	1,945,311	89.3	88.8

* collectively known as "Zenith Residences"

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						1,962,907	1,945,311	89.3	88.8
Japan (continued)									
Zesty Shoin Jinja Tokyo *	4-3-3 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,126	3,844	0.2	0.2
Zesty Shoin Jinja II Tokyo *	4-5-4 Setagaya, Setagaya-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	4,651	4,385	0.2	0.2
Actus Hakata V-Tower	3-15-10 Hakata Ekimae, Hakata-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	44,307	41,083	2.0	1.9
Big Palace Kita 14jo	4-1-6 Kita14jo Nishi, Kita-ku, Sapporo	Freehold	Not applicable	Not applicable	Not applicable	18,556	17,035	0.8	0.8
Gravis Court Kakomachi	13-10, Kakomachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	7,300	6,768	0.3	0.3
Balance carried forward						2,041,847	2,018,426	92.8	92.2

* collectively known as "Zenith Residences"

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						2,041,847	2,018,426	92.8	92.2
Japan (continued)									
Gravis Court Kokutaiji	2-1-9, Kokutaijimachi, Naka-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	5,457	5,041	0.2	0.2
Gravis Court Nishiharaekimae	8-38-10, Nishihara, Asaminami-ku, Hiroshima	Freehold	Not applicable	Not applicable	Not applicable	4,578	4,259	0.2	0.2
Infini Garden	3-2-2,3,4,5 KashiiTeriha, Higashi-ku, Fukuoka	Freehold	Not applicable	Not applicable	Not applicable	81,426	75,502	3.7	3.5
Citadines Central Shinjuku	1-2-9, Kabuki-cho, Shinjuku-ku, Tokyo	Freehold	Not applicable	Not applicable	Not applicable	131,049	111,326	6.0	5.1
S-Residence Hommachi Marks[2]	2-3-6, Tokuicho Chuo-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	18,068	17,035	0.8	0.8
Balance carried forward						2,282,425	2,231,589	103.7	102.0

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

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						2,282,425	2,231,589	103.7	102.0
Japan (continued)									
S-Residence Tanimachi 9 chome [2]	4-29, Ikutamamaemachi, Tennoji-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	20,143	18,531	0.9	0.8
S-Residence Midoribashi Serio[2]	3-17-6, Nakamoto, Higashinari-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	16,725	15,654	0.8	0.7
S-Residence Fukushima Luxe [2]	7-22-9, Fukushima, Fukushima-ku, Osaka	Freehold	Not applicable	Not applicable	Not applicable	37,845	34,990	1.7	1.6
Malaysia									
Somerset Ampang Kuala Lumpur	No. 187 Jalan Ampang, 50450 Kuala Lumpur	Freehold	Not applicable	Not applicable	Not applicable	52,135	56,355	2.4	2.6
Balance carried forward						2,409,273	2,357,119	109.5	107.7

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

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						2,409,273	2,357,119	109.5	107.7
The Philippines									
Ascott Makati	4, Ayala Glorietta Centre, Makati City 1224	Leasehold	48 years	28 years	29 years	128,538	118,769	5.8	5.4
Somerset Millennium Makati	104 Aguirre Street, Legaspi Village, Makati City 1229	Freehold	Not applicable	Not applicable	Not applicable	15,934	15,054	0.7	0.7
United States of America									
Element New York Times Square West (3)	311 West 39th Street, between 8th and 9th Avenue, New York, New York, 10018	Leasehold	99 years	96 years	97 years	239,120	246,121	10.9	11.3
Sheraton Tribeca New York Hotel (4)	350 and 370-372 Canal Street (also known as 13-15 Lispenard Street), New York, New York, 10013	Leasehold	99 years	96 years	–	228,425	–	10.4	–
Balance carried forward						3,021,290	2,737,063	137.3	125.1

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

(4) On 29 April 2016, the Group acquired the Sheraton Tribeca New York Hotel property from FC-Canal Ground Tenant 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 (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						3,021,290	2,737,063	137.3	125.1
Vietnam									
Somerset Grand Hanoi	No. 49 Hai Ba Trung Street, Hanoi	Leasehold	45 years	21 years	22 years	112,641	109,519	5.1	5.0
Somerset Hoa Binh Hanoi	106 Hoang Quoc Viet Street, Hanoi	Leasehold	36 years	25 years	26 years	46,776	48,307	2.1	2.2
Somerset West Lake Hanoi	No. 254D Thuy Khue Road, Hanoi	Leasehold	49 years	25 years	26 years	14,257	15,569	0.6	0.7
Somerset Chancellor Court Ho Chi Minh City	Nos. 21-23 Nguyen Thi Minh Khai Street, District 1, Ho Chi Minh City	Leasehold	48 years	25 years	26 years	60,302	59,845	2.8	2.7
Somerset Ho Chi Minh City	No. 8A Nguyen Binh Khiem Street, District 1, Ho Chi Minh City	Leasehold	45 years	23 years	24 years	49,366	44,553	2.2	2.0
Balance carried forward						3,304,632	3,014,856	150.1	137.7

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						3,304,632	3,014,856	150.1	137.7
France									
Citadines City Centre Lille [1]	Avenue Willy Brandt – Euralille, 59777 Lille	Freehold	Not applicable	Not applicable	Not applicable	15,783	15,422	0.7	0.7
Citadines City Centre Grenoble [1]	9-11 rue de Strasbourg 38000 Grenoble	Freehold	Not applicable	Not applicable	Not applicable	11,079	11,229	0.5	0.5
La Clef Louvre Paris (formerly known as Citadines Suites Louvre Paris) [1]	8 rue de Richelieu, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	47,577	47,793	2.2	2.2
Citadines Trocadéro Paris [1]	29 bis, rue Saint-Didier, 75116 Paris	Freehold	Not applicable	Not applicable	Not applicable	43,601	43,315	2.0	2.0
Citadines Presqu'île Lyon [1]	2 rue Thomassin, 69002 Lyon	Freehold	Not applicable	Not applicable	Not applicable	22,309	20,512	1.0	0.9
Citadines Place d'ltalie Paris [1]	18 place d'ltalie, 75013 Paris	Freehold	Not applicable	Not applicable	Not applicable	54,179	53,452	2.6	2.5
Balance carried forward						3,499,160	3,206,579	159.1	146.5

[1] As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						3,499,160	3,206,579	159.1	146.5
France (continued)									
Citadines Montmartre Paris [1]	16 avenue Rachel, 75018 Paris	Freehold	Not applicable	Not applicable	Not applicable	34,602	35,485	1.6	1.6
Citadines Tour Eiffel Paris [1]	132 boulevard de Grenelle, 75015 Paris	Freehold	Not applicable	Not applicable	Not applicable	68,626	70,520	3.1	3.2
Citadines Antigone Montpellier [1]	588 boulevard d'Antigone, 34000 Montpellier	Freehold	Not applicable	Not applicable	Not applicable	14,721	13,924	0.7	0.6
Citadines Castellane Marseille [1] [5]	60 rue du Rouet, 13006 Marseille	Freehold	20 years	3 years	4 years	11,230	10,032	0.5	0.5
Citadines Austerlitz Paris [1] [5]	27 rue Esquirol, 75013 Paris	Freehold	20 years	3 years	4 years	10,016	9,882	0.4	0.4
Citadines République Paris [1] [5]	75 bis, avenue Parmentier, 75011 Paris	Freehold	20 years	3 years	4 years	20,943	20,812	0.9	0.9
Balance carried forward						3,659,298	3,367,234	166.3	153.7

(1) As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

(5) As at 31 December 2016, these five (2015: 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 (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						3,659,298	3,367,234	166.3	153.7
France (continued)									
Citadines Maine Montparnasse Paris (1) (5)	67 avenue du Maine, 75014 Paris	Freehold	20 years	3 years	4 years	22,461	23,058	1.0	1.1
Citadines Prado Chanot Marseille (1)	9-11 boulevard de Louvain, 13008 Marseille	Freehold	Not applicable	Not applicable	Not applicable	9,106	8,534	0.4	0.4
Citadines Croisette Cannes (1)	1 rue le Poussin, 06400 Cannes	Freehold	Not applicable	Not applicable	Not applicable	6,677	6,139	0.3	0.3
Citadines Didot Montparnasse Paris (1) (5)	94 rue Didot, 75014 Paris	Freehold	18 years	2 years	3 years	20,639	21,126	0.9	1.0
Citadines Les Halles Paris (1)	4 rue des Innocents, 75001 Paris	Freehold	Not applicable	Not applicable	Not applicable	95,761	92,979	4.4	4.2
Balance carried forward						3,813,942	3,519,070	173.3	160.7

(1) As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

(5) As at 31 December 2016, these five (2015: 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 (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						3,813,942	3,519,070	173.3	160.7
United Kingdom									
Citadines Barbican London	7-21 Goswell Road, London EC1M 7AH	Freehold	Not applicable	Not applicable	Not applicable	71,131	80,844	3.2	3.7
Citadines Trafalgar Square London	18-21 Northumberland Avenue, London WC2N 5EA	Freehold	Not applicable	Not applicable	Not applicable	159,033	199,366	7.2	9.1
Citadines South Kensington London	35A Gloucester Road, London SW7 4PL	Freehold	Not applicable	Not applicable	Not applicable	68,449	86,133	3.1	3.9
Citadines Holborn-Covent Garden London	94-99 High Holborn, London WC1V 6LF	Freehold	Not applicable	Not applicable	Not applicable	149,691	186,486	6.8	8.5
Balance carried forward						4,262,246	4,071,899	193.6	185.9

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						4,262,246	4,071,899	193.6	185.9
Belgium									
Citadines Sainte-Catherine Brussels	51 Quai au Bois à Brûler 1000 Brussels	Freehold	Not applicable	Not applicable	Not applicable	29,389	28,530	1.3	1.3
Citadines Toison d'Or Brussels	61-63 Avenue de la Toison d'Or, 1060 Brussels	Freehold	Not applicable	Not applicable	Not applicable	27,340	27,049	1.2	1.3
Germany									
Citadines Kurfürstendamm Berlin [(1)]	Olivaer Platz 1, 10707 Berlin-Wilmersdorf	Freehold	Not applicable	Not applicable	Not applicable	17,665	15,721	0.8	0.7
Citadines Arnulfpark Munich [(1)]	Arnulfstrasse 51, 80636 München	Freehold	Not applicable	Not applicable	Not applicable	35,057	33,239	1.6	1.5
Madison Hamburg	Schaarsteinweg 4, 20459 Hamburg	Freehold	Not applicable	Not applicable	Not applicable	66,486	61,836	3.0	2.8
Balance carried forward						4,438,183	4,238,274	201.5	193.5

(1) As at 31 December 2016, these 20 (2015: 20) serviced residence properties are leased to related corporations under master lease arrangements.

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

Portfolio Statements (continued)
As at 31 December 2016

Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Balance brought forward						4,438,183	4,238,274	201.5	193.5
Spain									
Citadines Ramblas Barcelona	Ramblas 122, 08002 Barcelona	Freehold	Not applicable	Not applicable	Not applicable	66,233	51,437	3.1	2.4
Portfolio of serviced residence properties						4,504,416	4,289,711	204.6	195.9
Other assets and liabilities (net)						(1,822,153)	(1,621,135)	(82.8)	(74.0)
Net assets of Group						2,682,263	2,668,576	121.8	121.9
Perpetual securities						(397,127)	(397,094)	(18.0)	(18.2)
Non-controlling interests						(84,511)	(81,768)	(3.8)	(3.7)
Unitholders' funds						2,200,625	2,189,714	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 2016, Citadines Mount Sophia Property Singapore, Ascott Raffles Place Singapore, Ascott Guangzhou, Somerset Xu Hui Shanghai, Somerset Olympic Tower Property Tianjin, Citadines Biyun Shanghai, Somerset Heping Shenyang, Somerset Grand Central Dalian, Citadines Gaoxin Xi'an, Citadines Zhuankou Wuhan, Somerset Azabu East Tokyo, Citadines Shinjuku Tokyo, Citadines Karasuma-Gojo Kyoto, Roppongi Residences Tokyo, Zenith Residences, Actus Hakata V-Tower, Big Palace Kita 14jo, Gravis Court Kakomachi, Gravis Court Kokutaiji, Gravis Court Nishiharaekimae, Infini Garden, Citadines Central Shinjuku, S-Residence Hommachi Marks, S-Residence Tanimachi 9 chome, S-Residence Midoribashi Serio, S-Residence Fukushima Luxe, Somerset Ampang Kuala Lumpur, Element New York Times Square West, Sheraton Tribeca New York Hotel, 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 (continued)
As at 31 December 2016

Group

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

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

Portfolio Statements (continued)
As at 31 December 2016

Trust

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 2016	Remaining Term of Lease 2015	At Valuation 2016 $'000	At Valuation 2015 $'000	Percentage of Unitholders' funds 2016 %	Percentage of Unitholders' funds 2015 %
Serviced residence properties									
Singapore									
Somerset Liang Court Property Singapore	No. 177B River Valley Road, Singapore 179032	Leasehold	97 years	60 years	61 years	208,690	207,544	13.4	12.9
Citadines Mount Sophia Property Singapore	8 Wilkie Road, Wilkie Edge, Singapore 228095	Leasehold	96 years	88 years	89 years	131,040	133,002	8.4	8.2
Ascott Raffles Place Singapore	No. 2 Finlayson Green, Singapore 049247	Leasehold	999 years	874 years – 876 years	875 years – 877 years	213,272	222,545	13.7	13.8
Portfolio of serviced residence properties						553,002	563,091	35.5	34.9
Other assets and liabilities (net)						1,403,962	1,448,530	90.0	89.7
Net assets of Trust						1,956,964	2,011,621	125.5	124.6
Perpetual securities						(397,127)	(397,094)	(25.5)	(24.6)
Unitholders' funds						1,559,837	1,614,527	100.0	100.0

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

On 31 December 2016, Citadines Mount Sophia Property Singapore and Ascott Raffles Place Singapore were pledged as securities to banks for banking facilities granted to the Trust. On 31 December 2015, Somerset Liang Court Property Singapore, Citadines Mount Sophia Property Singapore and Ascott Raffles Place Singapore were pledged as securities to banks for banking facilities granted to the Trust (see Note 15).

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

Portfolio Statements (continued)
As at 31 December 2016

On 31 December 2016, the Manager engaged independent valuers, CBRE, to carry out valuations of the Group's serviced residences and rental housing properties, except for Somerset Ampang Kuala Lumpur. Somerset Ampang Kuala Lumpur was valued by Raine & Horne International Zaki + Partners Sdn. Bhd. (as consultant to CBRE).

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

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

Consolidated Statement of Cash Flows
Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Cash flows from operating activities			
Total return for the year before income tax		179,515	215,751
Adjustments for:			
Depreciation of plant and equipment		12,941	16,634
Operating lease expense recognised on a straight-line basis		3,208	–
Finance costs		50,045	49,856
Finance income		(1,799)	(1,603)
Foreign exchange loss – unrealised		4,844	10,671
(Gain)/loss on disposal of plant and equipment		(86)	81
Manager's management fees paid/payable in Units		15,892	14,768
Net change in fair value of serviced residence properties and assets held for sale		(29,987)	(84,318)
Net change in fair value of financial derivatives		(322)	675
Profit from divestments		–	(9,924)
Assets written off		543	3,717
Impairment loss/write-off of trade and other receivables		283	22
Share of results of associate (net of tax)		6	(7)
Operating income before working capital changes		235,083	216,323
Changes in working capital:			
Inventories		95	14
Trade and other receivables		617	(13,762)
Trade and other payables		(13,159)	(1,024)
Cash generated from operations		222,636	201,551
Income tax paid		(22,510)	(24,058)
Net cash from operating activities		200,126	177,493
Cash flows from investing activities			
Acquisition of serviced residence properties, net of cash acquired	34	(214,046)	(418,835)
Capital expenditure on serviced residence properties		(40,670)	(35,235)
Proceeds from disposal of assets held for sale		74,512	9,054
Proceeds from divestment of serviced residence properties		–	58,137
Interest received		1,799	1,603
Proceeds from sale of plant and equipment		291	154
Purchase of plant and equipment		(16,694)	(11,546)
Net cash used in investing activities		(194,808)	(396,668)
Balance carried forward		5,318	(219,175)

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

Consolidated Statement of Cash Flows (continued)
Year ended 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000
Balance brought forward		5,318	(219,175)
Cash flows from financing activities			
Distributions to Unitholders		(126,458)	(124,711)
Distributions to perpetual securities holders		(19,253)	(13,366)
Dividends paid to non-controlling interests		(4,345)	(3,382)
Interest paid		(49,272)	(48,628)
Payments for acquisition of ownership interests in subsidiaries with no change in control	34	–	(31,552)
Payment of finance lease		(2,954)	(2,799)
Proceeds from borrowings		689,283	450,702
Proceeds from issue of medium term notes		120,000	280,672
Proceeds from issue of perpetual securities		–	250,000
Payment of transaction costs on issue of perpetual securities		(17)	(2,774)
Proceeds from issue of Units		100,000	–
Payment of transaction costs on issue of Units		(922)	–
Repayment of borrowings		(790,301)	(360,735)
Repayment of medium term notes		–	(150,000)
Net cash (used in)/from financing activities		(84,239)	243,427
Net (decrease)/increase in cash and cash equivalents		(78,921)	24,252
Cash and cash equivalents at 1 January		220,467	192,556
Effect of exchange rate changes on balances held in foreign currency		1,528	3,659
Cash and cash equivalents at 31 December		143,074	220,467

Significant Non-Cash transactions

A total of 13,891,775 (2015: 12,203,288) Units were issued or will be issued as payment of the Manager's management fees amounting to $15,892,000 (2015: $14,768,000) in respect of the year ended 31 December 2016.

During the financial year ended 31 December 2016, Nil (2015: 2,378,952) Units were issued to the Manager as payment of acquisition fee amounting to Nil (2015: $2,903,000) in relation to the completion of the acquisition of serviced residence properties.

Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 24 February 2017.

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.

The base management fees payable in cash and in the form of Units shall be payable quarterly in arrears. With effect from 1 January 2016, 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.

(iii) Fees under serviced residence management agreements

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

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

- basic management fees of between 2.0% and 3.0% per annum of the total revenue of each property; and

- incentive management fees of up to 10.0% per annum of gross operating profit of each property; and

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

- basic management fees of 3.0% per annum of the total revenue and 6.0% per annum of net operating profit ("NOP") of each property; and

- incentive management fees of 50% of any excess NOP achieved above the NOP hurdle of each property.

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 otherwise described 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 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.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in the following notes:

- Notes 3.3 and 4 – classification of serviced residence properties
- Note 10 – recognition of deferred tax assets
- Notes 3.1 and 34 – accounting for acquisition of serviced residence properties and subsidiaries

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in Note 33 – 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.

Further information about the assumptions made in measuring fair values is included in Note 33 – determination of fair value of serviced residence properties.

3 Significant accounting policies

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

3.1 Basis of consolidation

(i) Property acquisition and business combination

Where a property is acquired through 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 process, such as strategic management and operational processes, are acquired. Where significant processes are acquired, the acquisition is considered an acquisition of business. Where an acquisition does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. The cost of acquisition is allocated to the assets and liabilities acquired and no goodwill or deferred tax is recognised.

(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 those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to non-controlling interests in a subsidiary are allocated to non-controlling interests even if 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, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in the Statement of Total Return. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(iii) Associates

Associates are those entities in which the Group has significant influence, but not control or joint 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 exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

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

Foreign currency differences arising on translation are recognised in the Statement of Total Return, except for differences arising on the translation of 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.

(ii) Foreign operations

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

Foreign currency differences are recognised in Unitholders' funds. However, if the operation is not a wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified 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 portion 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 that are considered to form part of a net investment in a foreign operation are recognised in Unitholders' funds, and are presented in the foreign currency translation reserve.

(iv) Hedge of a net investment in foreign operation

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

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 investment properties acquired through interests in subsidiaries, are accounted for as acquisition of assets.

Serviced residence properties are accounted for as investment properties and are stated at initial cost on acquisition and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure. Transaction costs are included in the initial measurement. Fair value is determined in accordance with the Trust Deed, which requires the serviced residence properties to be valued by independent registered valuers in the following events:

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

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

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

The gain or loss on disposal of an item of plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of plant and equipment) is recognised within other income/other expenses in the Statement of Total Return.

(ii) Subsequent costs

The cost of replacing a component of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in total return as incurred.

(iii) Depreciation

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

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

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

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

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

3.5 Financial instruments

(i) Non-derivative financial assets

A financial asset is recognised if the Group becomes a party to the contractual provisions of the financial asset. 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. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset.

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

The Group classifies non-derivative financial assets into the loans and receivables category.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables (excluding prepayments).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the Statement of Cash Flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included as a component of cash and cash equivalents.

(ii) Non-derivative financial liabilities

The Group initially recognises debt securities issued on the date that they are originated. 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.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

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

The Group classifies non-derivative financial liabilities under the other financial liabilities category. Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method. These financial liabilities comprise loans and borrowings, and trade and other payables.

(iii) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through total return.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The 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, and whether the actual results of each hedge are within a range of 80% – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total return.

Derivatives are initially measured at fair value; any attributable transaction costs are recognised in the Statement of Total Return as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised directly in the hedging reserve in Unitholders' funds to the extent that the hedge is effective. Any ineffective portion of changes in fair value of the derivative is recognised immediately in the Statement of Total Return.

When the hedged item is a non-financial asset, the amount recognised in the hedging reserve is reclassified to the Statement of Total Return in the same period or periods during which the non-financial item affects total return. In other cases as well, the amount recognised in the hedging reserve is transferred to the Statement of Total Return in the same period that the hedged item affects total return. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated, exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in the hedging reserve is reclassified to the Statement of Total Return.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognised in the Statement of Total Return. The hedged item is adjusted to reflect change in its fair value in respect of the risk being hedged, with any gain or loss being recognised in the Statement of Total Return.

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.

(iv) Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Trust that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to the Statement of Total Return.

(v) 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.

(vi) 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) Non-derivative financial assets

A financial asset not carried at fair value through total return, including an interest in an associate, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, and indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for the Manager's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in the Statement of Total Return and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through total return.

(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 asset's recoverable amount is 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 generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

Impairment losses are recognised in the Statement of Total Return. Impairment losses recognised in respect of CGUs are allocated to reduce the carrying amount of the assets in the CGUs on a *pro rata* basis.

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

3.7 Inventories

Inventories comprise principally food and beverage and other serviced residence and rental property related consumable stocks. Inventories are valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis.

3.8 Assets held for sale

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probably 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, or components of a disposal group, are remeasured in accordance with applicable FRSs. Thereafter, the assets, or disposal group, classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to assets and liabilities on a *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment properties, which continue to be measured in accordance with the Group's accounting policies.

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

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in the Statement of Total Return in the periods during which related services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.10 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

3.11 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 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 in the Statement of Total Return as an integral part of the total lease payments made, over the term of the lease. 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).

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 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).

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

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

The Inland Revenue Authority of Singapore (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.

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 amendments to standards are effective for annual periods beginning after 1 January 2016 and earlier application is permitted; however, the Group has not early applied the following new or amended standards in preparing these statements.

For those new standards and amendments to standards that are expected to have an effect on the financial statements of the Group and the Trust in future financial periods, the Manager has assessed the transition options and the potential impact on its financial statements. The Group does not plan to adopt these standards early.

Applicable to 2017 financial statements

Revision to RAP 7

RAP 7 was revised in June 2016 to take into account, amongst others, the changes made to FRS 32 *Financial Instruments: Presentation* and FRS 107 *Financial Instruments: Disclosures* in relation to the offsetting of financial assets and liabilities; and new standards issued after 2012 including FRS 110 *Consolidated Financial Statements*, FRS 112 *Disclosure of Interest in Other Entities* and FRS 113 *Fair Value Measurement*. RAP 7 (Revised June 2016) is applicable to unit trusts with annual periods beginning on or after 1 July 2016. Certain additional disclosures would be required by the RAP 7 (Revised June 2016).

Applicable to 2018 financial statements

Summary of the requirements	Potential impact on the financial statements
FRS 115 ***Revenue from Contracts with Customers***	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Based on its initial assessment, the Group does not expect significant changes to the basis of revenue recognition. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018.

Summary of the requirements	Potential impact on the financial statements
FRS 109 ***Financial Instruments***	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.	During 2016, the Group completed its initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on its opening Unitholders' funds. **Classification and measurement** – The Group does not expect a significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. For financial assets currently held at fair value, the Group expects to continue measuring most of these assets at fair value under FRS 109. **Impairment** – The Group plans to apply the simplified approach and record 12-month expected impairment losses on all trade receivables. On adoption of FRS 109, the Group does not expect a significant increase in impairment loss allowance. **Hedge accounting** – The Group expects that all its existing hedges that are designated in effective hedging relationships will continue to qualify for hedge accounting under FRS 109. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information.

Applicable to 2019 financial statements

Summary of the requirements	Potential impact on the financial statements
FRS 116 ***Leases***	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee. Based on the preliminary assessment, the Group has certain serviced residence properties where there are operating leases for the land and building. The Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. This would increase the gearing ratio of the Group. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition option and practical expedients in 2017.

4 Serviced residence properties

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	4,289,711	3,724,036	563,091	558,693
Acquisition of serviced residence properties and subsidiaries (Note 34)	211,857	461,618	–	–
Capital expenditure	40,670	38,138	284	157
Divestments of serviced residence properties	–	(48,175)	–	–
Net change in fair value of serviced residence properties	33,133	78,460	(10,758)	4,241
Assets written off	(543)	(3,717)	–	–
Transfer from plant and equipment (Note 5)	3,481	683	385	–
Translation difference	(73,893)	38,668	–	–
At 31 December	4,504,416	4,289,711	553,002	563,091

Certain serviced residence properties of the Group with an aggregate carrying value of $2,459,831,000 (2015: $2,456,330,000) 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 property, 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 five (2015: 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 2016, the carrying value of these serviced residence properties was $85,289,000 (2015: $84,910,000).

The serviced residence properties of the Trust with an aggregate carrying value of $344,312,000 (2015: $563,091,000) 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 $543,000 (2015: $3,717,000) were written off.

5 Plant and equipment

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group					
Cost					
At 1 January 2015	8,476	319	79,999	543	89,337
Acquisition of serviced residence properties and subsidiaries (Note 34)	–	–	2,802	–	2,802
Additions	284	94	6,916	4,252	11,546
Divestments of serviced residence properties	–	–	(78)	–	(78)
Disposals	(1)	(26)	(2,001)	–	(2,028)
Written off	(15)	–	(170)	–	(185)
Transfer to serviced residence properties (Note 4)	–	–	(509)	(174)	(683)
Translation difference	240	8	2,169	21	2,438
At 31 December 2015	8,984	395	89,128	4,642	103,149
Cost					
At 1 January 2016	8,984	395	89,128	4,642	103,149
Acquisition of serviced residence properties and subsidiaries (Note 34)	–	–	2,189	–	2,189
Additions	336	166	14,213	1,979	16,694
Disposals	(18)	(177)	(4,628)	(7)	(4,830)
Transfer to serviced residence properties (Note 4)	–	–	(1,815)	(1,666)	(3,481)
Reclassifications	–	–	2,658	(2,658)	–
Translation difference	(92)	(24)	(6,657)	(189)	(6,962)
At 31 December 2016	9,210	360	95,088	2,101	106,759

	Renovation $'000	Motor vehicles $'000	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Group					
Accumulated depreciation					
At 1 January 2015	5,771	84	29,382	–	35,237
Charge for the year	734	140	15,760	–	16,634
Divestments of serviced residence properties	–	–	(40)	–	(40)
Disposals	–	(18)	(1,775)	–	(1,793)
Written off	(15)	–	(170)	–	(185)
Translation difference	82	(4)	712	–	790
At 31 December 2015	6,572	202	43,869	–	50,643
At 1 January 2016	6,572	202	43,869	–	50,643
Charge for the year	433	127	12,381	–	12,941
Disposals	(12)	(172)	(4,441)	–	(4,625)
Translation difference	(42)	(14)	(3,952)	–	(4,008)
At 31 December 2016	6,951	143	47,857	–	54,951
Carrying amounts					
At 1 January 2015	2,705	235	50,617	543	54,100
At 31 December 2015	2,412	193	45,259	4,642	52,506
At 31 December 2016	2,259	217	47,231	2,101	51,808

	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Trust			
Cost			
At 1 January 2015	16,745	–	16,745
Additions	871	385	1,256
Disposals	(255)	–	(255)
At 31 December 2015	17,361	385	17,746
At 1 January 2016	17,361	385	17,746
Additions	1,255	–	1,255
Disposals	(499)	–	(499)
Transfer to serviced residence properties (Note 4)	–	(385)	(385)
At 31 December 2016	18,117	–	18,117

	Office equipment, computers and furniture $'000	Assets under construction $'000	Total $'000
Trust			
Accumulated depreciation			
At 1 January 2015	10,438	–	10,438
Charge for the year	2,571	–	2,571
Disposals	(172)	–	(172)
At 31 December 2015	12,837	–	12,837
At 1 January 2016	12,837	–	12,837
Charge for the year	1,757	–	1,757
Disposals	(475)	–	(475)
At 31 December 2016	14,119	–	14,119
Carrying amounts			
At 1 January 2015	6,307	–	6,307
At 31 December 2015	4,524	385	4,909
At 31 December 2016	3,998	–	3,998

6 Subsidiaries

	Trust 2016 $'000	Trust 2015 $'000
Unquoted equity shares, at cost	355,922	355,498
Allowance for impairment loss	(22,526)	(7,963)
	333,396	347,535

The Trust recognised an impairment loss of $14,563,000 (2015: $3,715,000) on its investment in certain subsidiaries due to lower valuations of the properties held by these subsidiaries. The Trust assessed the recoverable amount of its investment in subsidiaries based on their fair value less costs to sell. The recoverable amounts for the relevant subsidiaries were determined based on the fair value of their net assets as at the reporting date, taking into consideration the fair values of the underlying properties held by the subsidiaries, where applicable. This fair value measurement is categorised under Level 3 in the fair value hierarchy.

(a) Details of the significant subsidiaries directly held by the Trust are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2016 %	2015 %
Somerset FG Pte. Ltd.	China/Singapore	100	100
Ascott REIT MTN Pte. Ltd.	Singapore	100	100
Ascott REIT MTN (Euro) Pte. Ltd.	Singapore	100	100

(b) Other significant subsidiaries in the Group are as follows:

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2016 %	2015 %
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)]	China	100	100
Gain Mark Properties (Shanghai) Ltd. [(a)]	China	100	100
Guangzhou Hai Yi Property Development Company [(a)]	China	100	100
Shanghai Xin Wei Property Development Co., Ltd. [(a)]	China	100	100
Somerset Heping (Shenyang) Property Co., Ltd. [(a)]	China	100	100
Suzhou Chong Rui Xin Shi Ji Real Estate Co., Ltd. [(a)]	China	100	100
Tianjin Consco Property Development Co., Ltd. [(a)]	China	100	100
Wangze (Dalian) Enterprise Co., Limited [(a)]	China	100	100
Wuhan Citadines Property Development Co., Ltd. [(a)]	China	100	100
Oriville SAS [(a)]	France	100	100
PT Bumi Perkasa Andhika [(a)]	Indonesia	100	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)]	Jersey	100	100
Somerset Ampang (Malaysia) Sdn. Bhd. [(a)]	Malaysia	100	100
Ascott Hospitality Holdings Philippines, Inc [(a)]	Philippines	100	100
Ascott Makati, Inc [(a)]	Philippines	100	100
SQ Resources, Inc [(a)]	Philippines	63	63

Name of subsidiaries	Principal place of business/ Country of incorporation	Effective equity interest held by the Group 2016 %	2015 %
SN Resources, Inc [(a)]	Philippines	97	97
SM Ascott LLC [(a)]	United States of America	100	100
Tribeca Ascott LLC [(a), (c)]	United States of America	100	–
Hanoi Tower Center Company Ltd [(a)]	Vietnam	76	76
Mekong-Hacota Joint Venture Company Ltd [(a)]	Vietnam	65	66
Saigon Office and Serviced Apartment Co. Limited [(a)]	Vietnam	67	67
Somerset Hoa Binh Joint Venture Company Limited [(a)]	Vietnam	90	90
West Lake Development Company Limited [(a)]	Vietnam	70	70

All significant subsidiaries are audited by KPMG LLP Singapore except for the following:

(a) Audited by other member firms of KPMG International.

(b) Not required to be audited by laws of country of incorporation.

(c) The subsidiary is wholly-owned by Tribeca Hotel REIT LLC, which itself is 100% owned by the Trust. These two subsidiaries were established in the United States of America. See Note 34.

7 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 2016 %	2015 %
PT Ciputra Liang Court	Indonesia	42.6	42.6
Hanoi Tower Center Company Ltd	Vietnam	24.0	24.0
Mekong-Hacota Joint Venture Company Ltd	Vietnam	35.3	34.4
Saigon Office and Serviced Apartment Co. 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 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 Ltd $'000	Mekong-Hacota Joint Venture Company Ltd $'000	Saigon Office and Serviced Apartment Co. Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
2016								
Revenue	7,456	15,536	6,103	9,253	6,434	2,477		
Profit/(loss)	1,209	9,263	716	4,914	495	(745)		
Attributable to NCI:								
- Profit	301	2,223	247	1,622	50	(224)	233	4,452
Non-current assets	46,140	115,794	50,140	63,566	46,522	15,654		
Current assets	4,048	5,207	657	10,928	2,851	555		
Non-current liabilities	–	(14,279)	(8,188)	(13,191)	–	–		
Current liabilities	(4,157)	(9,149)	(1,141)	(2,628)	(14,989)	(5,810)		
Net assets	46,031	97,573	41,468	58,675	34,384	10,399		
Net assets attributable to NCI	19,596	23,418	14,650	19,363	3,438	3,120	926	84,511
Cash flows from operating activities	3,079	8,670	2,012	5,060	2,617	682		
Cash flows used in investing activities	(62)	(1,191)	(6,676)	(8)	(92)	(50)		
Cash flows (used in)/from financing activities	(4,413)	(11,806)	2,379	(3,865)	(2,401)	(1,700)		
Net (decrease)/increase in cash and cash equivalents	(1,396)	(4,327)	(2,285)	1,187	124	(1,068)		
Dividends paid to NCI	(1,823)	(935)	(302)	(916)	(59)	(38)		

2015	Citadines Shinjuku TMK [1] $'000	PT Ciputra Liang Court $'000	Hanoi Tower Center Company Ltd $'000	Mekong-Hacota Joint Venture Company Ltd $'000	Saigon Office and Serviced Apartment Co. Limited $'000	Somerset Hoa Binh Joint Venture Company Limited $'000	West Lake Development Company Limited $'000	Other individually immaterial subsidiaries $'000	Total $'000
Revenue	5,092	7,149	15,060	6,446	8,957	6,684	2,739		
Profit/(loss)	17,489[2]	(651)	8,765	1,943	6,584	230	(944)		
Attributable to NCI:									
- Profit	6,995	(277)	2,104	653	2,173	23	(283)	2,419	13,807
Non-current assets	–	41,735	112,019	45,045	63,011	48,229	16,977		
Current assets	–	10,233	10,100	2,848	9,955	2,501	1,565		
Non-current liabilities	–	–	(5,118)	–	(13,857)	–	–		
Current liabilities	–	(7,413)	(24,883)	(6,261)	(2,606)	(16,250)	(7,258)		
Net assets	–	44,555	92,118	41,632	56,503	34,480	11,284		
Net assets attributable to NCI	–	18,967	22,108	14,338	18,646	3,448	3,385	876	81,768
Cash flows from operating activities	2,090	1,148	7,511	2,102	4,743	2,733	933		
Cash flows used in investing activities	(32)	(1,483)	(388)	(1,895)	–	(14)	(14)		
Cash flows used in financing activities	(1,861)	(138)	(7,405)	(928)	(4,781)	(4,615)	(1,311)		
Net increase/(decrease) in cash and cash equivalents	197	(473)	(282)	(721)	(38)	(1,896)	(392)		
Dividends paid to NCI	–	–	(1,426)	(250)	(1,225)	(126)	(81)		

(1) The remaining 40% interest in Citadines Shinjuku TMK was acquired by the Group on 31 July 2015. See Note 34.
(2) Included in the profit for Citadines Shinjuku TMK is an amount of $15.3 million relating to revaluation gain from a serviced residence property.

8 Associate

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Interest in an associate	3,505	3,479	3,990	3,958

Details of the associate are as follows:

Company name	East Australia Trading Company Limited
Nature of relationship with the Group	Investment holding company held by the Group
Principal place of business/Country of incorporation	Hong Kong
Ownership interest/Voting rights held	40% (2015: 40%)

The associate is immaterial to the Group.

A member firm of KPMG International is the auditor of the associate.

In 2016 and 2015, 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:

	2016 $'000	2015 $'000
(Loss)/Profit after taxation	(6)	7

9 Financial derivatives

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Financial derivative assets				
Non-current				
Interest rate swaps	3,661	–	245	–
Cross currency interest rate swaps	3,464	–	3,464	–
	7,125	–	3,709	–
Financial derivative liabilities				
Non-current				
Interest rate swaps	(7,185)	(7,115)	(3,375)	(3,900)
Cross currency interest rate swaps	(10,560)	(3,198)	(10,560)	(3,198)
	(17,745)	(10,313)	(13,935)	(7,098)

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Financial derivative liabilities				
Current				
Interest rate swaps	(104)	(900)	(104)	(823)
Forward exchange contracts	–	(322)	–	(322)
	(104)	(1,222)	(104)	(1,145)

During the year, the Group entered into cross currency interest rate swaps to:

(i) swap fixed rate SGD loans of $120.0 million for fixed rate EUR obligations. The SGD loans, which together with the cross currency interest rate swaps arrangement, have been used to hedge the Group's foreign exchange risk on the net investment in the subsidiaries in Europe.

(ii) swap floating rate USD loan of $72.5 million 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 exchange risk on the net investment in the subsidiaries in Japan.

The hedge relationships for which hedge accounting have been adopted are effective in the financial year ended 31 December 2016. As at 31 December 2016, the Group held cross currency interest rate swaps with a notional principal amount of $392.5 million (2015: $200.0 million) maturing between 2022 to 2024.

As at 31 December 2015, the Group held forward exchange contracts with a total notional principal amount of $38.4 million to hedge the foreign currency income from the overseas assets. These contracts were settled within one year.

10 Deferred tax

Movements in deferred tax assets and liabilities (prior to offsetting of balances) are as follows:

Group	At 1 January 2015 $'000	Credited/ (charged) to Statement of Total Return (Note 26) $'000	Acquisition of subsidiaries (Note 34) $'000	Translation differences $'000	At 31 December 2015 $'000	Credited/ (charged) to Statement of Total Return (Note 26) $'000	Translation differences $'000	At 31 December 2016 $'000
Deferred tax assets								
Unutilised capital allowances	146	101	–	(23)	224	(89)	(5)	130
Unutilised tax losses	2,557	190	–	(138)	2,609	1,922	(50)	4,481
Provisions and accruals	195	(75)	–	5	125	32	(5)	152
Unrealised foreign exchange loss – trade	484	528	–	13	1,025	148	(45)	1,128
	3,382	744	–	(143)	3,983	2,013	(105)	5,891
Deferred tax liabilities								
Serviced residence properties	(65,312)	(12,823)	–	1,260	(76,875)	(6,389)	836	(82,428)
Unrealised foreign exchange gain – trade	–	(316)	–	–	(316)	314	2	–
Provisions	(1,976)	55	–	149	(1,772)	78	(27)	(1,721)
Plant and equipment	(9,956)	(296)	–	378	(9,874)	(628)	573	(9,929)
Unremitted interests	–	–	(14)	–	(14)	15	(1)	–
	(77,244)	(13,380)	(14)	1,787	(88,851)	(6,610)	1,383	(94,078)
Net deferred tax (liabilities)/assets	(73,862)	(12,636)	(14)	1,644	(84,868)	(4,597)	1,278	(88,187)

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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred tax assets	5,891	3,983	–	–
Deferred tax liabilities	(94,078)	(88,851)	–	–

As at 31 December 2016, deferred tax liabilities amounting to $599,000 (2015: $450,000) 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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Tax losses	53,758	54,339	–	–
Deductible temporary differences	3,667	2,899	–	–
	57,425	57,238	–	–

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 $7,229,000 (2015: $3,795,000) expired during the year. In addition, $7,677,000 (2015: $8,777,000) of the losses brought forward were utilised to set off against current year's taxable profit. In 2015, unrecognised tax losses arising from the acquisition of subsidiaries amounted to $693,000. The remaining balance of $39,433,000 (2015: $44,486,000) and unrecognised tax losses arising during the year of $14,325,000 (2015: $9,160,000) have been carried forward. Tax losses that have been carried forward and are subject to expiration as follows:

	Group		Trust	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Expiry dates				
- Within 1 to 5 years	46,831	42,733	–	–
- After 5 years	6,927	11,606	–	–
	53,758	54,339	–	–

11 Deposits

The deposits as at 31 December 2015 relates to the 5% deposit paid upon the execution of the sale and purchase agreement with related corporations for the acquisition of Ascott Orchard Singapore upon the satisfaction of conditions precedent in 2017.

As at 31 December 2016, the deposits of $20,250,000 were reclassified to trade and other receivables (Note 12) as current assets as the acquisition of Ascott Orchard Singapore is expected to be completed in 2017.

12 Trade and other receivables

	Group		Trust	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Trade receivables	18,808	16,817	1,133	1,028
Impairment loss	(128)	(148)	–	–
	18,680	16,669	1,133	1,028
Non-trade amounts due from subsidiaries	–	–	2,320,925	2,327,461
Impairment loss	–	–	(51,463)	(59,514)
	–	–	2,269,462	2,267,947
Amounts due from related parties:				
- trade	1,173	1,079	13	–
- non-trade	6,427	8,807	–	–
Deposits	22,781	2,192	20,319	39
Other receivables	10,335	11,842	2,684	1,001
Impairment loss	(106)	(312)	–	–
	10,229	11,530	2,684	1,001
	59,290	40,277	2,293,611	2,270,015
Prepayments	9,422	9,430	102	96
	68,712	49,707	2,293,713	2,270,111

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. The Group's historical experience in the collection of accounts receivables falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date by geographic region was:

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	24,149	2,067	2,293,611	2,270,015
Australia	1,359	991	–	–
China	10,067	13,511	–	–
Europe (excluding United Kingdom)	4,284	3,426	–	–
Indonesia	2,580	5,266	–	–
Japan	3,509	2,327	–	–
Malaysia	564	409	–	–
Philippines	5,305	4,270	–	–
United Kingdom	2,718	2,923	–	–
United States of America	3,492	3,460	–	–
Vietnam	1,263	1,627	–	–
	59,290	40,277	2,293,611	2,270,015

Non-trade amounts due from subsidiaries and related parties are unsecured, interest-free and repayable on demand.

Impairment losses

The ageing of trade and other receivables (excluding prepayments) at the reporting date is as follows:

	Gross 2016 $'000	Impairment losses 2016 $'000	Gross 2015 $'000	Impairment losses 2015 $'000
Group				
Not past due	52,472	–	33,673	–
Past due 0 - 30 days	4,647	–	3,944	–
Past due 30 - 60 days	1,662	–	1,861	–
Past due more than 60 days	743	(234)	1,259	(460)
	59,524	(234)	40,737	(460)
Trust				
Not past due	2,293,301	–	2,269,803	–
Past due 0 - 30 days	192	–	173	–
Past due 30 - 60 days	79	–	38	–
Past due more than 60 days	51,502	(51,463)	59,515	(59,514)
	2,345,074	(51,463)	2,329,529	(59,514)

The movement in impairment losses in respect of trade and other receivables during the year is as follows:

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	460	444	59,514	55,512
Impairment losses recognised/ (reversed)	124	7	(8,051)	4,002
Utilised during the year	(305)	(7)	–	–
Translation difference	(45)	16	–	–
At 31 December	234	460	51,463	59,514

Based on historical default rates, the Group believes that, except for those recognised, no additional impairment is necessary in respect of trade receivables and other receivables not past due. These receivables relate to customers that have a good credit record with the Group.

The non-trade amounts due from subsidiaries are written down to their respective recoverable amounts, taking into consideration the fair values of the underlying properties held by the subsidiaries, where applicable.

13 Assets held for sale

The Group announced on 18 October 2013 that it had launched the strata sale of the 81 individual units in Fortune Garden Apartments (formerly known as Somerset Grand Fortune Garden Property Beijing). In view of the Group's commitment to the strata sale plan, the plant and equipment and serviced residence property pertaining to these 81 units were classified as assets held for sale in the consolidated Statement of Financial Position as at 31 December 2013 until completion of the strata sale.

During the year ended 31 December 2016, 62 units (2015: eight units) were disposed at net proceeds of $74.5 million (2015: $9.1 million), recognising an uplift in fair value of $4.3 million (2015: $0.3 million) over the previous independent valuation at 31 December 2015.

As at 31 December 2016, the fair value less cost to sell of the five unsold units (2015: 67 unsold units) amounted to $6.5 million (2015: $84.2 million). The fair value was estimated by the Manager based on the contracted sale price (2015: based on independent valuation undertaken by CBRE).

An aggregate fair value loss of $3.1 million (2015: fair value gain of $5.9 million) was recognised as net change in fair value of serviced residence properties and assets held for sale within the Statement of Total Return during the year ended 31 December 2016. Such fair value loss comprises translation loss of $4.1 million, decrease in fair value of the five unsold units of $3.3 million and uplift in fair value on those 62 units disposed during the year of $4.3 million.

14 Cash and cash equivalents

	Group		Trust	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash at bank and in hand	119,268	123,694	3,148	4,913
Fixed deposits with financial institutions	23,806	96,773	2,630	33,237
	143,074	220,467	5,778	38,150

As at 31 December 2016, the interest rates per annum for cash and cash equivalents for the Group and the Trust ranged from 0% to 5.0% (2015: 0% to 7.5%) and 0% to 0.8% (2015: 0% to 1.3%) respectively.

15 Financial liabilities

	Group		Trust	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Non-current liabilities				
Secured bank loans	910,681	806,687	234,052	175,897
Unsecured bank loans	26,271	103,167	26,271	103,167
Medium term notes	775,409	640,635	–	–
Finance lease liabilities	3,298	6,284	–	–
	1,715,659	1,556,773	260,323	279,064
Current liabilities				
Intra-group financial guarantees	–	–	1,285	1,306
Secured bank loans	108,389	254,060	–	199,627
Unsecured bank loans	35,513	1,452	35,513	1,452
Finance lease liabilities	3,071	2,892	–	–
	146,973	258,404	36,798	202,385
	1,862,632	1,815,177	297,121	481,449

Finance lease liabilities

The Group had obligations under finance leases that are payable as follows:

	31 December 2016		
	Principal	Interest	Payments
	$'000	$'000	$'000
Repayable:			
Within 1 year	3,071	56	3,127
After 1 year but within 5 years	3,298	18	3,316
	6,369	74	6,443

	31 December 2015		
	Principal	**Interest**	**Payments**
	$'000	**$'000**	**$'000**
Repayable:			
Within 1 year	2,892	94	2,986
After 1 year but within 5 years	6,284	74	6,358
	9,176	168	9,344

(a) The Group's secured bank loans are secured on the following:

- serviced residence properties with an aggregate carrying value of $2,459,831,000 (2015: $2,456,330,000);
- pledge of shares of certain subsidiaries;
- assignment of rental proceeds from the properties;
- assignment of insurance policies on the properties; and
- corporate guarantee from the Trust.

The Trust's secured bank loans are secured on the following:

- serviced residence properties with an aggregate carrying value of $344,312,000 (2015: $563,091,000);
- pledge of shares of certain subsidiaries;
- assignment of rental proceeds from the properties; and
- assignment of insurance policies on the properties.

(b) On 9 September 2009, a subsidiary, Ascott REIT MTN Pte. Ltd., launched a $1.0 billion Multi-currency Medium Term Note Programme ("MTN Programme"). Under this MTN Programme, Ascott REIT MTN Pte. Ltd. may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed or floating interest rate notes with aggregate principal amounts of $1.0 billion.

On 30 November 2011, a subsidiary, Ascott REIT MTN (Euro) Pte. Ltd., established a US$2.0 billion Euro-Medium Term Note Programme ("EMTN Programme"). Under this EMTN Programme, Ascott REIT MTN (Euro) Pte. Ltd. may, subject to any applicable legal or regulatory restrictions, from time to time issue fixed or floating interest rate notes in series or tranches in Euro, 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 2016, notes issued by the Group are as follows:

- under the MTN Programme:

  (i) $420.0 million (2015: $300.0 million) of fixed rate notes maturing between 2018 to 2024; and

  (ii) JPY19.3 billion (2015: JPY19.3 billion) of fixed rate notes maturing between 2018 to 2022.

- under the EMTN Programme:

  (i) EUR80.0 million (2015: EUR80.0 million) of fixed rate notes maturing in 2024.

(c) The weighted average effective interest rates per annum relating to bank loans and medium term notes at the reporting date for the Group and Trust are 2.22% (2015: 2.78%) and 1.77% (2015: 2.72%) respectively.

Included in the Group's and the Trust's bank loans and medium term notes is an amount of $14,349,000 (2015: $12,800,000) and $3,796,000 (2015: $3,383,000) respectively, relating to unamortised transaction costs. Transaction costs amortised during the year by the Group and the Trust of $4,168,000 (2015: $2,957,000) and $1,227,000 (2015: $1,257,000) respectively, were recognised as finance costs in the Statement of Total Return.

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					
2016					
Medium term notes	EUR	2.75	2024	121,409	120,875
Medium term notes	SGD	4.00 – 4.30	2018 – 2024	420,000	418,920
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	235,614	235,614
Secured floating rate loans	EUR	0.99 – 1.30	2021	95,472	94,486
Secured floating rate loans	GBP	1.68 – 2.28	2018 – 2021	68,418	67,896
Secured floating rate loans	JPY	0.24 – 6.36	2017 – 2022	338,770	336,164
Secured floating rate loan	MYR	3.86	2021	9,896	9,830
Secured floating rate loans	RMB	4.66 – 5.23	2017 – 2026	89,956	89,946
Secured floating rate loans	USD	1.79 – 4.53	2017 – 2023	427,840	420,748
Unsecured floating rate loans	JPY	1.75 – 1.80	2017 – 2022	63,237	61,784
Finance leases	EUR	1.25	2018 – 2019	6,369	6,369
				1,876,981	1,862,632
2015					
Medium term notes	EUR	2.75	2024	119,780	119,186
Medium term notes	SGD	4.21 – 4.30	2018 – 2022	300,000	299,306
Medium term notes	JPY	1.17 – 2.01	2018 – 2022	222,143	222,143
Secured fixed rate loan	USD	3.75	2016	9,895	9,893
Secured floating rate loans	EUR	1.05 – 1.99	2016 – 2021	298,608	297,237
Secured floating rate loans	GBP	1.85 – 2.49	2016 – 2021	96,546	95,732
Secured floating rate loans	JPY	0.35 – 6.97	2017 – 2021	333,308	329,922
Secured floating rate loan	MYR	4.85	2021	11,632	11,551
Secured floating rate loans	RMB	4.66 – 6.33	2017 – 2026	104,449	104,430
Secured floating rate loans	USD	1.86 – 4.18	2016 – 2022	216,585	211,982
Unsecured floating rate loan	AUD	4.09	2016	472	442
Unsecured floating rate loans	EUR	1.75 – 1.79	2016 – 2017	7,820	7,701
Unsecured floating rate loan	GBP	2.33	2017	30,164	29,937
Unsecured floating rate loans	JPY	1.83 – 1.88	2017 – 2022	59,622	58,820
Unsecured floating rate loan	USD	2.12	2017	7,777	7,719
Finance leases	EUR	1.25	2018 – 2019	9,176	9,176
				1,827,977	1,815,177

	Currency	Nominal interest rate %	Year of maturity	Face value $'000	Carrying amount $'000
Trust					
2016					
Secured floating rate loans	EUR	0.99 – 1.30	2021	95,472	94,486
Secured floating rate loans	GBP	1.68 – 2.28	2018 – 2021	68,418	67,896
Unsecured floating rate loans	JPY	1.75 – 1.80	2017 – 2022	63,237	61,784
Secured floating rate loan	USD	1.79	2023	72,505	71,670
				299,632	295,836
2015					
Secured floating rate loans	EUR	1.05 – 1.80	2016 – 2021	281,125	279,792
Secured floating rate loans	GBP	1.85 – 2.49	2016 – 2021	96,546	95,732
Unsecured floating rate loan	AUD	4.09	2016	472	442
Unsecured floating rate loans	EUR	1.75 – 1.79	2016 – 2017	7,820	7,701
Unsecured floating rate loan	GBP	2.33	2017	30,164	29,937
Unsecured floating rate loans	JPY	1.83 – 1.88	2017 – 2022	59,622	58,820
Unsecured floating rate loan	USD	2.12	2017	7,777	7,719
				483,526	480,143

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees given by the Trust to banks in respect of various banking facilities amounting to $50,119,000 (2015: $71,354,000) granted to subsidiaries which expire in 2017, 2020, 2021 and 2022. The earliest period that the guarantees could be called is within one year (2015: one year) from the reporting date.

At the reporting date, the Trust does not consider it probable that a claim will be made against the Trust under the guarantees.

16 Trade and other payables

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Trade payables and accrued operating expenses	60,853	60,960	13,161	13,152
Amounts due to:				
- associate (non-trade)	2,083	2,076	–	–
- subsidiaries (non-trade)				
- interest-free	–	–	132,266	82,619
- interest-bearing	–	–	777,023	641,923
- related parties				
- trade	6,632	8,823	771	522
- non-trade	5,923	7,393	–	–
- the Manager	3,449	5,588	3,449	5,446
- the Trustee	121	118	121	118
- non-controlling interests (non-trade)	1,131	1,332	–	–
Interest payable	8,372	6,033	1,562	1,456
Rental deposits and advance rental	44,427	44,130	1,109	1,455
	132,991	136,453	929,462	746,691

Non-trade amounts due to subsidiaries are unsecured and repayable on demand. The interest-bearing amounts due to subsidiaries bore interest rates ranging from 1.17% to 4.30% (2015: 1.17% to 4.30%) per annum. Non-trade amounts due to associate and related parties are unsecured, interest-free and repayable on demand.

17 Unitholders' funds

Foreign currency translation reserve

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign entities, 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.

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 with effect from 1 January 2016, the total borrowings and deferred payments (the "Aggregate Leverage") of a property fund should not exceed 45.0% of the fund's Deposited Property. Prior to 1 January 2016, the Aggregate Leverage of a property fund should not exceed 35.0% of the fund's Deposited Property. The Aggregate Leverage of a property fund may exceed 35.0% of the fund's Deposited Property (to a maximum of 45.0%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public.

As at the reporting date, the Group has a credit rating of Baa3 (2015: Baa3) from Moody's. The Aggregate Leverage of the Group as at 31 December 2016 was 39.8% (2015: 39.3%) 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 2016 Number of Units '000	Group and Trust 2015 Number of Units '000
At 1 January	1,548,736	1,535,023
Issue of new Units:		
- Equity placement	94,787	–
- As Manager's management fees paid in Units	9,948	11,334
- As Manager's acquisition fees paid in Units	–	2,379
At 31 December	1,653,471	1,548,736

During the financial year ended 31 December 2016, the Trust issued Units as follows:

(a) On 23 March 2016, the Trust issued 94,787,000 Units at an issue price of $1.055 per Unit amounting to $100,000,000 by way of an equity placement to institutional and other investors.

(b) 9,947,694 Units were issued at issue prices ranging from $1.1162 to $1.1458 per Unit, amounting to $11,233,000 as payment of the Manager's management fees for the period from 1 October 2015 to 30 September 2016.

During the financial year ended 31 December 2016, the Trust issued Units as follows:

(a) 11,334,276 Units were issued at issue prices ranging from $1.2136 to $1.2860 per Unit, amounting to $14,265,000 as payment of the Manager's management fees for the period from 1 October 2014 to 30 September 2015.

(b) On 14 October 2015, the Trust issued 2,378,952 Units at an issue price of $1.2202 per Unit as payment of the acquisition fee in relation to the completion of the acquisition (directly or indirectly through the acquisition of shareholding interests) of four rental housing properties in Japan, the remaining 40% interest in two serviced residence properties in Japan and one serviced residence property in Australia.

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.

(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 (2015: $397,094,000) presented on the Statements of Financial Position represents the $400,000,000 (2015: $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	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Gross rental income	455,480	399,210	33,009	35,090
Hospitality income	18,349	20,511	121	101
Car park income	1,761	1,393	–	–
	475,590	421,114	33,130	35,191

20 Direct expenses

	Group		Trust	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Operations and maintenance expenses	46,359	42,684	3,493	3,292
Staff costs	57,635	47,730	3,461	3,417
Serviced residence management fees	25,791	28,216	2,035	2,133
Property tax	22,525	17,001	1,662	1,865
Depreciation of plant and equipment	12,941	16,634	1,757	2,571
Marketing and selling expenses	24,122	15,353	582	688
Administrative and general expenses	28,709	23,520	1,450	1,052
Operating lease expense	17,816	5,035	–	–
Other direct expenses	17,532	20,371	904	2,068
	253,430	216,544	15,344	17,086

Included in the Group's and Trust's staff costs are contributions to defined contribution plans of $5,854,000 (2015: $5,636,000) and $436,000 (2015: $419,000) respectively.

21 Finance income and costs

	Group		Trust	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Finance income				
Bank deposits	1,799	1,603	62	178
Finance costs				
Amortisation of transaction costs	(4,168)	(2,957)	(1,227)	(1,257)
Interest on bank loans and interest rate swaps	(52,151)	(46,707)	(8,968)	(14,168)
Cross currency interest rate swaps*	7,234	502	7,234	502
Interest on amounts due to subsidiaries	–	–	(23,644)	(16,911)
Others	(960)	(694)	(783)	(441)
	(50,045)	(49,856)	(27,388)	(32,275)

* 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 $13,513,000 (2015: $12,032,000) and performance fees of $8,665,000 (2015: $7,788,000).

The total units issued/to be issued for Manager's management fees amounted to 13,891,775 (2015: 12,203,288) Units, amounting to $15,892,000 (2015: $14,768,000).

23 Professional fees

Professional fees of the Group and the Trust include valuation fees of $850,000 (2015: $836,000).

24 Net income/(loss)

The following items have been included in arriving at net income/(loss) for the year:

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-audit fees paid to*:				
- auditors of the Trust	–	12	–	12
- other auditors	59	50	–	–
(Gain)/loss on disposal of plant and equipment	(86)	81	11	82
Impairment of subsidiaries	–	–	14,563	3,715
Impairment loss on trade and other receivables recognised/(reversed)	124	7	(8,051)	4,002
Write-off of trade and other receivables	159	15	–	–

* Total non-audit fees amounted to $59,000. In 2015, total non-audit fees amounted to $213,000, of which $81,000 has been capitalised as capital expenditure and $70,000 has been included in issue expenses (see Note 28).

25 Profit from divestments

	Group	
	2016	**2015**
	$'000	**$'000**
Gain on divestment	–	12,128
Divestment expenses	–	(2,204)
Profit from divestments	–	9,924

In 2015, profit from divestments relate to the divestment of six rental housing properties in the regional cities of Japan and a serviced residence property in the Philippines.

26 Income tax expense/(credit)

	Group		Trust	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Current tax expense/(credit)				
Current year	20,054	21,076	–	–
Under/(over) provided in prior years	288	(670)	–	(2)
Withholding tax	6,812	3,719	–	–
	27,154	24,125	–	(2)
Deferred tax expense				
Origination and reversal of temporary differences	4,939	12,583	–	–
(Over)/under provided in prior years	(342)	53	–	–
	4,597	12,636	–	–
Income tax expense/(credit)	31,751	36,761	–	(2)
Reconciliation of effective tax rate				
Total return before income tax	179,515	215,751	(30,468)	51,195
Income tax using the Singapore tax rate of 17% (2015: 17%)	30,518	36,678	(5,180)	8,703
Effect of different tax rates in foreign jurisdictions	28,713	35,299	–	–
Tax rebate/relief/exemption	(11)	(36)	(10,247)	(11,091)
Income not subject to tax	(63,417)	(63,097)	(89)	(5,791)
Tax benefits not recognised	3,624	3,026	–	–
Expenses not deductible for tax purposes	29,222	27,524	17,058	10,053
Utilisation of previously unrecognised tax losses	(2,114)	(3,861)	–	–
Tax transparency	(1,542)	(1,874)	(1,542)	(1,874)
Over provision in prior years	(54)	(617)	–	(2)
Withholding tax	6,812	3,719	–	–
	31,751	36,761	–	(2)

No income tax effects have been recognised for those items recognised directly in Unitholders' funds.

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 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Total return attributable to Unitholders/perpetual securities holders	143,312	165,183	(30,468)	51,197
Less: Total return attributable to perpetual securities holders	(19,253)	(13,430)	(19,253)	(13,430)
Total return attributable to Unitholders	124,059	151,753	(49,721)	37,767

	Group and Trust 2016 Number of Units '000	Group and Trust 2015 Number of Units '000
Issued Units at the beginning of the year	1,548,736	1,535,023
Effect of issue of new Units:		
- As equity placement	73,551	–
- As Manager's management fees paid in Units	5,939	5,872
- As Manager's acquisition fees paid in Units	–	515
Weighted average number of Units outstanding during the year	1,628,226	1,541,410

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 revision of 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	
	2016	**2015**
	Number of Units '000	**Number of Units '000**
Weighted average number of Units used in calculation of basic earnings per Unit	1,628,226	1,541,410
Weighted average number of unissued Units from base and performance fees	11,496	–
Weighted average number of Units outstanding (diluted) during the year	1,639,722	1,541,410

28 Issue expenses

	Group and Trust	
	2016	**2015**
	$'000	**$'000**
Underwriting fees and selling commissions	650	2,068
Professional fees	159	180
Other expenses	80	73
	889	2,321
These expenses were deducted/(credited) directly against:		
Unitholders' funds	922	–
Perpetual securities	(33)*	2,321
	889	2,321

* Reversal of over provision of expenses for the issuance of perpetual securities in 2015.

In 2015, issue expenses included non-audit fees paid to auditors of the Group and the Trust of $70,000 for services performed in connection with the issuance of perpetual securities.

29 Financial instruments

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements. There were no changes in the Group's approach to financial risk management during the year.

Risk management framework

The Manager has overall responsibility for the establishment and oversight of the Group's risk management framework.

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

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

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

The Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the serviced residence management companies before lease agreements are entered into with customers. Cash and fixed deposits are placed with financial institutions which are regulated. Transactions involving derivative financial instruments are allowed only with counterparties that are of high quality.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main component of this allowance is a specific loss component that relates to individually significant exposures.

As at 31 December 2016 and 31 December 2015, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the Statements of Financial Position.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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 2016, the Group has unutilised credit facilities of approximately $528.7 million (2015: $282.6 million) expiring between March 2017 and November 2023 (2015: February 2016 and June 2022), that can be drawn down to meet short-term financing needs.

In addition, the Group has put in place a $1.0 billion MTN Programme, under which notes of $655.6 million (2015: $522.1 million) have been issued as at 31 December 2016. In 2011, the Group established a US$2.0 billion EMTN Programme, under which notes of $121.4 million (2015: $119.8 million) have been issued as at 31 December 2016.

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

		----------Cash flows----------			
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
Group					
2016					
Non-derivative financial liabilities					
Floating rate loans	1,080,854	(1,164,500)	(163,781)	(869,896)	(130,823)
Fixed rate notes	775,409	(910,987)	(24,816)	(326,515)	(559,656)
Finance lease liabilities	6,369	(6,443)	(3,127)	(3,316)	–
Trade and other payables*	126,289	(126,289)	(126,289)	–	–
	1,988,921	(2,208,219)	(318,013)	(1,199,727)	(690,479)
Derivative financial instruments					
Interest rate swaps					
- assets	(3,661)	4,541	(737)	5,278	–
- liabilities	7,289	(7,763)	(2,957)	(4,806)	–
Cross currency interest rate swaps					
- assets	(3,464)	16,930	1,463	8,896	6,571
- liabilities	10,560	44,110	6,891	27,654	9,565
	10,724	57,818	4,660	37,022	16,136
	1,999,645	(2,150,401)	(313,353)	(1,162,705)	(674,343)
2015					
Non-derivative financial liabilities					
Floating rate loans	1,155,473	(1,243,723)	(266,800)	(636,010)	(340,913)
Fixed rate notes/loans	650,528	(769,308)	(29,716)	(304,791)	(434,801)
Finance lease liabilities	9,176	(9,344)	(2,986)	(6,358)	–
Trade and other payables*	130,152	(130,152)	(130,152)	–	–
	1,945,329	(2,152,527)	(429,654)	(947,159)	(775,714)

		Cash flows			
	Carrying amount $'000	**Contractual cash flows $'000**	**Within 1 year $'000**	**Within 1 to 5 years $'000**	**More than 5 years $'000**
Group					
2015					
Derivative financial instruments					
Interest rate swaps					
- liabilities	8,015	(11,588)	(5,330)	(5,716)	(542)
Forward exchange contracts	322	(322)	(322)	–	–
Cross currency interest rate swaps					
- liabilities	3,198	32,635	4,671	18,647	9,317
	11,535	20,725	(981)	12,931	8,775
	1,956,864	(2,131,802)	(430,635)	(934,228)	(766,939)
Trust					
2016					
Non-derivative financial liabilities					
Floating rate loans	295,836	(319,650)	(40,280)	(176,555)	(102,815)
Trade and other payables^	928,998	(928,998)	(928,998)	–	–
	1,224,834	(1,248,648)	(969,278)	(176,555)	(102,815)
Derivative financial instruments					
Interest rate swaps					
- assets	(245)	242	43	199	–
- liabilities	3,479	(3,629)	(1,847)	(1,782)	–
Cross currency interest rate swaps					
- assets	(3,464)	16,930	1,463	8,896	6,571
- liabilities	10,560	44,110	6,891	27,654	9,565
	10,330	57,653	6,550	34,967	16,136
	1,235,164	(1,190,995)	(962,728)	(141,588)	(86,679)
2015					
Non-derivative financial liabilities					
Floating rate loans	480,143	(503,439)	(207,281)	(128,371)	(167,787)
Trade and other payables^	745,819	(745,819)	(745,819)	–	–
	1,225,962	(1,249,258)	(953,100)	(128,371)	(167,787)

	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					
2015					
Derivative financial instruments					
Interest rate swaps					
- liabilities	4,723	(5,292)	(2,908)	(2,384)	–
Forward exchange contracts	322	(322)	(322)	–	–
Cross currency interest rate swaps					
- liabilities	3,198	32,635	4,671	18,647	9,317
	8,243	27,021	1,441	16,263	9,317
	1,234,205	(1,222,237)	(951,659)	(112,108)	(158,470)

* Excluding advance rental, liability for employee benefits and effect of the offsetting of financial assets and financial liabilities under enforceable master netting arrangement.

^ 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.

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. As at the reporting date, the carrying amount of these EUR, GBP, JPY and USD denominated borrowings was $500,891,000 (2015: $649,098,000) and the fair value of the borrowings was $503,843,000 (2015: $652,517,000). As at the reporting date, the fair value of the cross currency interest rate swaps was $7,096,000 (2015: $3,198,000). The net investment hedges were effective during the year.

The Group's and Trust's exposures to foreign currencies risk were as follows based on notional amounts:

	Singapore Dollar S$'000	Australian Dollar S$'000	Chinese Renminbi S$'000	Euro S$'000	Sterling Pound S$'000	Hong Kong Dollar S$'000	Indonesian Rupiah S$'000	Japanese Yen S$'000	Malaysian Ringgit S$'000	Philippine Peso S$'000	US Dollar S$'000	Vietnamese Dong S$'000	Total foreign currencies S$'000
Group													
31 December 2016													
Loan receivables – intra-group and associate	29,500	142,026	–	278,959	98,625	–	–	–	20,749	–	73,532	–	643,391
Trade and other receivables*	23,866	1,358	10,067	3,398	3,604	–	2,222	3,510	564	5,371	4,067	1,263	59,290
Intra-group receivables	471,116	265,121	111,847	551,380	359,087	(26)	2,318	364,065	9,417	3,602	721,736	–	2,859,663
Cash and cash equivalents	3,392	3,362	20,403	8,266	16,426	2	2,632	40,107	776	9,176	20,787	17,745	143,074
Loan payables – intra-group	(29,500)	(142,026)	–	(278,959)	(98,625)	–	–	–	(20,749)	–	(69,542)	–	(639,401)
Trade and other payables^	(11,774)	(4,818)	(33,752)	(11,037)	(9,711)	(14,250)	(3,406)	(11,009)	(1,140)	(5,663)	(927)	(6,810)	(114,297)
Intra-group payables	(471,116)	(265,121)	(111,847)	(551,380)	(359,087)	26	(2,318)	(364,065)	(9,417)	(3,602)	(721,736)	–	(2,859,663)
Financial liabilities	(415,123)	–	(89,691)	(222,716)	(68,418)	–	–	(635,016)	(9,830)	–	(421,838)	–	(1,862,632)
Gross currency exposure	(399,639)	(98)	(92,973)	(222,089)	(58,099)	(14,248)	1,448	(602,408)	(9,630)	8,884	(393,921)	12,198	(1,770,575)
Add/(less): Net exposure denominated in the respective entities' functional currencies	322,979	158,058	83,341	418,426	105,652	(141)	2,318	398,461	39,796	(8,473)	329,382	(12,198)	1,837,601
Add: Loan designated for net investment hedge	–	–	–	216,881	12,135	–	–	202,804	–	–	72,505	–	504,325
Add/(less): Loan receivables/ payables – quasi-equity	29,500	(142,026)	–	(278,959)	(98,625)	–	–	–	(20,749)	–	(30,780)	–	(541,639)
Net exposure	(47,160)	15,934	(9,632)	134,259	(38,937)	(14,389)	3,766	(1,143)	9,417	411	(22,814)	–	29,712

* Excluding prepayments.
^ Excluding advance rental and liability for employee benefits.

Group	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
31 December 2015													
Loan receivables – intra-group and associate	29,500	142,341	–	275,217	117,757	–	–	–	21,603	–	72,939	–	659,357
Trade and other receivables*	2,073	991	13,511	2,525	3,824	–	4,078	2,321	409	4,336	4,579	1,630	40,277
Intra-group receivables	479,531	266,560	20,339	566,073	429,443	(3)	2,252	335,570	9,927	4,097	565,975	–	2,679,764
Cash and cash equivalents	32,083	10,397	23,426	7,320	18,858	10	2,903	57,986	1,886	22,305	19,145	24,148	220,467
Loan payables – intra-group	(29,500)	(142,341)	–	(275,217)	(117,757)	–	–	–	(21,603)	–	(68,981)	–	(655,399)
Trade and other payables^	(11,665)	(5,465)	(33,790)	(14,257)	(11,269)	(14,143)	(2,908)	(15,068)	(1,280)	(4,983)	3,573	(7,001)	(118,256)
Intra-group payables	(479,531)	(266,560)	(20,339)	(566,073)	(429,443)	3	(2,252)	(335,570)	(9,927)	(4,097)	(565,975)	–	(2,679,764)
Financial liabilities	(295,329)	(472)	(104,430)	(435,346)	(126,710)	–	–	(611,687)	(11,551)	–	(229,652)	–	(1,815,177)
Gross currency exposure	(272,838)	5,451	(101,283)	(439,758)	(115,297)	(14,133)	4,073	(566,448)	(10,536)	21,658	(198,397)	18,777	(1,668,731)
Add/(less): Net exposure denominated in the respective entities' functional currencies	185,308	152,264	76,637	439,841	125,102	(173)	2,252	384,205	42,053	(20,944)	200,630	(18,777)	1,568,398
Add: Loan designated for net investment hedge	–	–	–	408,724	60,276	–	–	183,159	–	–	–	–	652,159
Add/(less): Loan receivables/ payables – quasi-equity	29,500	(142,341)	–	(275,217)	(117,757)	–	–	–	(21,603)	–	(30,532)	–	(557,950)
Net exposure	(58,030)	15,374	(24,646)	133,590	(47,676)	(14,306)	6,325	916	9,914	714	(28,299)	–	(6,124)

* Excluding prepayments.
^ Excluding advance rental and liability for employee benefits.

Results of the analysis as presented in the above table represent an aggregation of the effects on each of the Group entities' statements of financial position measured in the respective functional currencies, translated into Singapore dollars at the exchange rate at the reporting date for presentation purposes.

	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 2016										
Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	3,990	3,990
Trade and other receivables*	23,865	–	–	–	–	–	–	–	284	24,149
Intra-group receivables	416,628	250,538	19,027	416,252	310,812	(34)	238,143	3,191	614,905	2,269,462
Cash and cash equivalents	3,372	1,634	–	57	28	–	621	–	66	5,778
Trade and other payables^	(8,418)	–	(9,588)	(1,341)	(63)	–	(24)	–	(276)	(19,710)
Intra-group payables	(413,158)	(12,474)	–	(121,528)	–	–	(279,997)	–	(82,131)	(909,288)
Financial liabilities	3,796	–	–	(95,472)	(68,418)	–	(63,237)	–	(72,505)	(295,836)
Gross currency exposure	26,085	239,698	9,439	197,968	242,359	(34)	(104,494)	3,191	464,333	1,078,545
Less: Net exposure denominated in the respective entities' functional currencies	(26,085)	–	–	–	–	–	–	–	–	(26,085)
Less: Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	(3,990)	(3,990)
Net exposure	–	239,698	9,439	197,968	242,359	(34)	(104,494)	3,191	460,343	1,048,470

* Excluding prepayments and intra-group receivables.
^ Excluding advance rental, liability for employee benefits and intra-group payables.

	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 2015										
Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	3,958	3,958
Trade and other receivables*	2,068	–	–	–	–	–	–	–	–	2,068
Intra-group receivables	479,492	250,481	20,339	431,358	374,765	(34)	226,616	3,338	481,592	2,267,947
Cash and cash equivalents	32,054	182	–	255	2,293	–	2,130	–	1,236	38,150
Trade and other payables^	(9,564)	(2)	(10,249)	(1,263)	(159)	–	(12)	–	(28)	(21,277)
Intra-group payables	(253,410)	(3,508)	–	(119,897)	–	–	(246,186)	–	(101,541)	(724,542)
Financial liabilities	3,383	(472)	–	(288,945)	(126,710)	–	(59,622)	–	(7,777)	(480,143)
Gross currency exposure	254,023	246,681	10,090	21,508	250,189	(34)	(77,074)	3,338	377,440	1,086,161
Less: Net exposure denominated in the respective entities' functional currencies	(254,023)	–	–	–	–	–	–	–	–	(254,023)
Less: Loan receivables – quasi-equity (associate)	–	–	–	–	–	–	–	–	(3,958)	(3,958)
Net exposure	–	246,681	10,090	21,508	250,189	(34)	(77,074)	3,338	373,482	828,180

* Excluding prepayments and intra-group receivables.
^ Excluding advance rental, liability for employee benefits and intra-group payables.

Sensitivity analysis

The following table indicates the approximate increase/(decrease) in the Group's Statement of Total Return and Unitholders' funds in response to a 10% increase in foreign exchange rates to which the Group has significant exposure at the reporting date as compared to the functional currencies of the respective entities. The sensitivity analysis includes balances in group companies where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

	31 December 2016		31 December 2015	
	Statement of Total Return $'000	Unitholders' funds $'000	Statement of Total Return $'000	Unitholders' funds $'000
Group				
Singapore Dollar [1]	(4,716)	–	(5,803)	–
Australian Dollar [2]	1,593	–	1,537	–
Chinese Renminbi [2]	(963)	–	(2,465)	–
Euro [2]	13,426	–	13,359	–
Sterling Pound [2]	(3,894)	–	(4,768)	–
Hong Kong Dollar [2]	(1,439)	–	(1,431)	–
Indonesian Rupiah [3]	377	–	633	–
Japanese Yen [4]	(114)	–	92	–
Malaysian Ringgit [2]	942	–	991	–
Philippine Peso [2]	41	–	71	–
US Dollar [5]	(2,281)	–	(2,830)	–
Trust				
Australian Dollar [2]	23,970	–	24,668	–
Chinese Renminbi [2]	944	–	1,009	–
Euro [2]	19,797	–	2,151	–
Sterling Pound [2]	24,236	–	25,019	–
Hong Kong Dollar [2]	(3)	–	(3)	–
Japanese Yen [2]	(10,449)	–	(7,707)	–
Philippine Peso [2]	319	–	334	–
US Dollar [2]	46,034	–	37,348	–

(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, on the basis that all other variables remain constant.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates. Generally, the interest rate exposure is managed through the use of interest rate swaps and/or fixed rate borrowings.

The Group classifies these interest rate swaps as cash flow hedges which were effective during the year.

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

	Group Carrying amount		Trust Carrying amount	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Fixed rate instruments				
Financial liabilities	(775,409)	(650,528)	–	–
Variable rate instruments				
Financial liabilities	(1,087,223)	(1,164,649)	(295,836)	(480,143)

The Group enters into interest rate swaps to manage its exposure to interest rate movements on its variable rate financial liabilities. As at 31 December 2016, the Group and Trust held interest rate swaps with a total notional principal amount of $770.3 million (2015: $787.2 million) and $266.0 million (2015: $400.5 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 profit or loss, and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rate at the reporting date would not affect the Statement of Total Return.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis point ("bp") in interest rate at the reporting date would increase/(decrease) Unitholders' funds and Statement of Total Return by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2015.

	Statement of Total Return		Unitholders' funds	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
	$'000	**$'000**	**$'000**	**$'000**
Group				
31 December 2016				
Variable rate financial liabilities	(11,000)	11,000	–	–
Interest rate swaps	7,703	(7,703)	2,240	(2,240)
Cash flow sensitivity (net)	(3,297)	3,297	2,240	(2,240)

	Statement of Total Return		Unitholders' funds	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 December 2015				
Variable rate financial liabilities	(11,762)	11,762	–	–
Interest rate swaps	7,872	(7,872)	2,233	(2,233)
Cash flow sensitivity (net)	(3,890)	3,890	2,233	(2,233)
Trust				
31 December 2016				
Variable rate financial liabilities	(2,996)	2,996	–	–
Interest rate swaps	2,660	(2,660)	665	(665)
Cash flow sensitivity (net)	(336)	336	665	(665)
31 December 2015				
Variable rate financial liabilities	(4,835)	4,835	–	–
Interest rate swaps	4,005	(4,005)	1,006	(1,006)
Cash flow sensitivity (net)	(830)	830	1,006	(1,006)

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.

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 2016					
Financial assets					
Interest rate swaps	3,661	–	3,661	–	3,661
Cross currency interest rate swaps	3,464	–	3,464	–	3,464
Trade and other receivables	11,992	(11,992)	–	–	–
Financial liabilities					
Interest rate swaps	(7,289)	–	(7,289)	–	(7,289)
Cross currency interest rate swaps	(10,560)	–	(10,560)	–	(10,560)
Trade and other payables	(14,075)	11,992	(2,083)	–	(2,083)
31 December 2015					
Financial assets					
Trade and other receivables	11,896	(11,896)	–	–	–
Financial liabilities					
Interest rate swaps	(8,015)	–	(8,015)	–	(8,015)
Cross currency interest rate swaps	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	(322)	–	(322)	–	(322)
Trade and other payables	(13,972)	11,896	(2,076)	–	(2,076)
Trust					
31 December 2016					
Financial assets					
Interest rate swaps	245	–	245	–	245
Cross currency interest rate swaps	3,464	–	3,464	–	3,464

	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
31 December 2016					
Financial liabilities					
Interest rate swaps	(3,479)	–	(3,479)	–	(3,479)
Cross currency interest rate swaps	(10,560)	–	(10,560)	–	(10,560)
31 December 2015					
Financial liabilities					
Interest rate swaps	(4,723)	–	(4,723)	–	(4,723)
Cross currency interest rate swaps	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	(322)	–	(322)	–	(322)

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, forward exchange contracts and interest rate swaps – fair value; and
- trade and other receivables and trade and other payables – amortised cost.

30 Related parties

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

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

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

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Acquisition fees paid/payable to the Manager	2,133	5,121	–	1,141
Divestment fees paid/payable to the Manager	559	347	–	–
Rental income received/receivable from related corporations	(526)	(430)	(13)	(30)
Rental income received/receivable from master lease arrangements with related corporations	(42,939)	(44,407)	(7,987)	(9,298)
Serviced residence properties management fees paid/payable to related corporations	23,522	26,815	2,035	2,133
Service fee paid/payable to related corporations	16,392	13,815	1,846	1,979

31 Financial ratios

	Group	
	2016	**2015**
	%	**%**
Ratio of expenses to average net asset value [1]		
- including performance component of Manager's management fees	1.09	1.03
- excluding performance component of Manager's management fees	0.77	0.72
Portfolio turnover rate [2]	2.80	2.67

Notes:

(1) The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore. The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, borrowing costs and foreign exchange gains/(losses).

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying serviced residence properties of the Group expressed as a percentage of weighted average net asset value.

32 Operating segments

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of the different economic environments in which they operate in. For each of the reportable segments, the CEO of the Manager reviews internal management reports on 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.

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 2016								
Gross rental income	33,009	34,279	9,358	61,085	32,469	8,398	16,628	195,226
Other income	121	1,213	675	1,933	2,544	832	605	7,923
Gross revenue	33,130	35,492	10,033	63,018	35,013	9,230	17,233	203,149
Direct expenses	(15,392)	(16,854)	(7,954)	(44,115)	(2,803)	(821)	(10,461)	(98,400)
Segment gross profit	17,738	18,638	2,079	18,903	32,210	8,409	6,772	104,749
Net change in fair value of serviced residence properties and assets held for sale	(10,758)	7,656	40	6,361	(1,771)	6,579	(1,525)	6,582

Geographical segments

	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 2016									
Gross rental income	60,171	6,208	19,796	7,237	49,523	79,217	38,102	260,254	455,480
Other income	6,800	48	1,571	390	963	715	1,700	12,187	20,110
Gross revenue	66,971	6,256	21,367	7,627	50,486	79,932	39,802	272,441	475,590
Direct expenses	(28,059)	(4,212)	(15,329)	(4,201)	(26,775)	(58,592)	(17,862)	(155,030)	(253,430)
Segment gross profit	38,912	2,044	6,038	3,426	23,711	21,340	21,940	117,411	222,160
Net change in fair value of serviced residence properties and assets held for sale	33,428	(2,117)	4,075	14,251	(16,533)	(8,608)	(1,091)	23,405	29,987
Finance income									1,799
Finance costs									(50,045)
Unallocated net expense									(24,386)
Reportable segment profit before income tax									179,515
Income tax expense									(31,751)
Total return for the year									147,764

Geographical segments

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
Year ended 31 December 2015								
Gross rental income	35,090	21,417	11,881	66,650	32,671	8,029	16,840	192,578
Other income	101	693	878	3,242	2,370	1,000	747	9,031
Gross revenue	35,191	22,110	12,759	69,892	35,041	9,029	17,587	201,609
Direct expenses	(17,139)	(9,084)	(9,400)	(51,152)	(2,630)	(1,332)	(11,203)	(101,940)
Segment gross profit	18,052	13,026	3,359	18,740	32,411	7,697	6,384	99,669
Net change in fair value of serviced residence properties and assets held for sale	4,241	(10,871)	2,904	(23,767)	19,964	281	(1,722)	(8,970)

Geographical segments

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
Year ended 31 December 2015									
Gross rental income	52,540	6,798	25,104	6,917	56,334	21,388	37,551	206,632	399,210
Other income	5,895	54	3,021	377	1,037	154	2,335	12,873	21,904
Gross revenue	58,435	6,852	28,125	7,294	57,371	21,542	39,886	219,505	421,114
Direct expenses	(24,202)	(5,106)	(18,641)	(3,950)	(30,713)	(13,490)	(18,502)	(114,604)	(216,544)
Segment gross profit	34,233	1,746	9,484	3,344	26,658	8,052	21,384	104,901	204,570
Net change in fair value of serviced residence properties and assets held for sale	55,322	827	(2,061)	2,700	21,418	10,587	4,495	93,288	84,318
Finance income									1,603
Finance costs									(49,856)
Unallocated net expense									(24,884)
Reportable segment profit before income tax									215,751
Income tax expense									(36,761)
Total return for the year									178,990

Geographical segments

	Singapore $'000	Australia $'000	Belgium $'000	China $'000	France $'000	Germany $'000	Indonesia $'000	Subtotal $'000
2016								
Assets and liabilities								
Reportable segment assets	590,739	300,886	58,284	688,901	518,808	122,806	113,906	2,394,330
Reportable segment liabilities	132,826	5,880	45,037	183,465	398,363	90,525	9,688	865,784
Other Segmental Information								
Capital expenditure:								
- plant and equipment	1,255	838	108	1,541	–	–	181	3,923
- serviced residence properties	284	9	354	4,548	–	370	146	5,711
Depreciation	1,757	804	522	3,900	–	–	744	7,727
2015								
Assets and liabilities								
Reportable segment assets	628,564	287,538	58,206	805,398	510,044	113,825	123,564	2,527,139
Reportable segment liabilities	136,644	5,787	52,609	193,713	477,942	97,149	11,184	975,028
Other Segmental Information								
Capital expenditure:								
- plant and equipment	1,256	92	181	2,325	–	–	485	4,339
- serviced residence properties	157	13,264	583	12,402	–	278	1,458	28,142
Depreciation	2,571	356	577	5,021	–	–	798	9,323

Geographical segments

	Japan $'000	Malaysia $'000	Philippines $'000	Spain $'000	United Kingdom $'000	United States of America $'000	Vietnam $'000	Subtotal $'000	Total $'000
2016									
Assets and liabilities									
Reportable segment assets	808,289	53,912	171,297	69,399	480,662	501,102	312,290	2,396,951	4,791,281
Reportable segment liabilities	729,187	10,739	18,459	53,019	102,637	275,943	53,250	1,243,234	2,109,018
Other Segmental Information									
Capital expenditure:									
- plant and equipment	146	187	2,341	1,778	4,772	1,062	2,485	12,771	16,694
- serviced residence properties	585	5	11,394	38	56	16,472	6,409	34,959	40,670
Depreciation	522	126	661	186	2,181	483	1,055	5,214	12,941
2015									
Assets and liabilities									
Reportable segment assets	750,485	59,112	170,924	55,491	586,044	262,826	312,585	2,197,467	4,724,606
Reportable segment liabilities	637,191	12,696	17,444	46,552	168,739	140,628	57,752	1,081,002	2,056,030
Other Segmental Information									
Capital expenditure:									
- plant and equipment	514	118	4,313	83	1,174	47	958	7,207	11,546
- serviced residence properties	2,278	–	82	60	254	5,049	2,273	9,996	38,138
Depreciation	451	891	1,317	154	2,451	61	1,986	7,311	16,634

Major customers

Revenue from related corporations accounted for approximately $42,939,000 (2015: $44,407,000) of the gross revenue of the Group. Such revenue is attributable to the France segment, Germany segment and Singapore segment.

33 Fair value of assets and liabilities

(a) Determining fair value

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods and processes. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Serviced residence properties

The Group's 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 portfolio is discussed with the Audit Committee and Board of Directors in accordance with the Group's reporting policies.

(ii) Assets held for sale

On 31 December 2016, the Group's assets held for sale are estimated by the Manager based on the contracted sale price of the remaining units.

On 31 December 2015, the Group's assets held for sale are valued by an independent external valuer. The valuer has considered the direct comparison and income capitalisation approaches in arriving at the open market value as at the reporting date. In determining the fair value, the valuer used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of assets held for sale include market-corroborated capitalisation rate.

(iii) Financial derivatives

The fair values of cross currency interest rate swaps, forward exchange contracts and interest rate swaps are based on broker quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates or exchange rates, where applicable, for a similar financial instrument at the measurement date.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(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.

(b) Accounting classifications and fair values

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

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2016										
Financial assets measured at fair value										
Interest rate swaps	9	–	3,661	–	–	3,661	–	3,661	–	3,661
Cross currency interest rate swaps	9	–	3,464	–	–	3,464	–	3,464	–	3,464
		–	7,125	–	–	7,125				
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	59,290	–	59,290				
Cash and cash equivalents	14	–	–	143,074	–	143,074				
		–	–	202,364	–	202,364				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(7,289)	–	–	(7,289)	–	(7,289)	–	(7,289)
Cross currency interest rate swaps	9	–	(10,560)	–	–	(10,560)	–	(10,560)	–	(10,560)
		–	(17,849)	–	–	(17,849)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(1,019,070)	(1,019,070)				
Unsecured bank loans	15	–	–	–	(61,784)	(61,784)				
Medium term notes	15	–	–	–	(775,409)	(775,409)	–	(786,055)	–	(786,055)
Finance lease liabilities	15	–	–	–	(6,369)	(6,369)				
Trade and other payables^	16	–	–	–	(114,297)	(114,297)				
		–	–	–	(1,976,929)	(1,976,929)				

* Excluding prepayments.
^ Excluding advance rental and liability for employee benefits.

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Group										
31 December 2015										
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	40,277	–	40,277				
Cash and cash equivalents	14	–	–	220,467	–	220,467				
		–	–	260,744	–	260,744				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(8,015)	–	–	(8,015)	–	(8,015)	–	(8,015)
Cross currency interest rate swaps	9	–	(3,198)	–	–	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	9	(322)	–	–	–	(322)	–	(322)	–	(322)
		(322)	(11,213)	–	–	(11,535)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(1,060,747)	(1,060,747)				
Unsecured bank loans	15	–	–	–	(104,619)	(104,619)				
Medium term notes	15	–	–	–	(640,635)	(640,635)	–	(650,301)	–	(650,301)
Finance lease liabilities	15	–	–	–	(9,176)	(9,176)				
Trade and other payables^	16	–	–	–	(118,256)	(118,256)				
		–	–	–	(1,933,433)	(1,933,433)				

* Excluding prepayments.
^ Excluding advance rental and liability for employee benefits.

	Note	Carrying amount					Fair value			
		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 2016										
Financial assets measured at fair value										
Interest rate swaps	9	–	245	–	–	245	–	245	–	245
Cross currency interest rate swaps	9	3,464	–	–	–	3,464	–	3,464	–	3,464
		3,464	245	–	–	3,709				
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	2,293,611	–	2,293,611				
Cash and cash equivalents	14	–	–	5,778	–	5,778				
		–	–	2,299,389	–	2,299,389				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(3,479)	–	–	(3,479)	–	(3,479)	–	(3,479)
Cross currency interest rate swaps	9	(10,560)	–	–	–	(10,560)	–	(10,560)	–	(10,560)
		(10,560)	(3,479)	–	–	(14,039)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(234,052)	(234,052)				
Unsecured bank loans	15	–	–	–	(61,784)	(61,784)				
Intra-group financial guarantees	15	–	–	–	(1,285)	(1,285)				
Trade and other payables^	16	–	–	–	(928,998)	(928,998)				
		–	–	–	(1,226,119)	(1,226,119)				

* Excluding prepayments.
^ Excluding advance rental and liability for employee benefits.

		Carrying amount					Fair value			
	Note	Designated at fair value $'000	Fair value – hedging instruments $'000	Loans and receivables $'000	Other financial liabilities $'000	Total $'000	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Trust										
31 December 2015										
Financial assets not measured at fair value										
Trade and other receivables*	12	–	–	2,270,015	–	2,270,015				
Cash and cash equivalents	14	–	–	38,150	–	38,150				
		–	–	2,308,165	–	2,308,165				
Financial liabilities measured at fair value										
Interest rate swaps	9	–	(4,723)	–	–	(4,723)	–	(4,723)	–	(4,723)
Cross currency interest rate swaps	9	(3,198)	–	–	–	(3,198)	–	(3,198)	–	(3,198)
Forward exchange contracts	9	(322)	–	–	–	(322)	–	(322)	–	(322)
		(3,520)	(4,723)	–	–	(8,243)				
Financial liabilities not measured at fair value										
Secured bank loans	15	–	–	–	(375,524)	(375,524)				
Unsecured bank loans	15	–	–	–	(104,619)	(104,619)				
Intra-group financial guarantees	15	–	–	–	(1,306)	(1,306)				
Trade and other payables^	16	–	–	–	(745,819)	(745,819)				
		–	–	–	(1,227,268)	(1,227,268)				

* Excluding prepayments.
^ Excluding advance rental and liability for employee benefits.

The following table shows the carrying amounts and fair values of significant non-financial assets, including their values in the fair value hierarchy.

		Fair value			
	Note	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group					
31 December 2016					
Serviced residence properties	4	–	–	4,504,416	4,504,416
Assets held for sale	13	–	–	6,549	6,549
		–	–	4,510,965	4,510,965
31 December 2015					
Serviced residence properties	4	–	–	4,289,711	4,289,711
Assets held for sale	13	–	–	84,207	84,207
		–	–	4,373,918	4,373,918
Trust					
31 December 2016					
Serviced residence properties	4	–	–	553,002	553,002
31 December 2015					
Serviced residence properties	4	–	–	563,091	563,091

(c) Level 3 fair value measurements

(i) Reconciliation of Level 3 fair value

The following table presents the reconciliation from the beginning balances to the ending balances for Level 3 fair values.

	Group $'000	**Trust $'000**
Serviced residence properties		
Balance at 1 January 2016	4,289,711	563,091
Acquisition of serviced residence properties and subsidiaries	211,857	–
Capital expenditure	40,670	284
Transfer from plant and equipment	3,481	385
Translation difference	(73,893)	–
Balance at 31 December 2016	4,471,826	563,760
Gains and losses for the year		
Net change in fair value recognised in Statement of Total Return	33,133	(10,758)
Assets written off	(543)	–
Balance at 31 December 2016	4,504,416	553,002

	Group $'000	Trust $'000
Serviced residence properties		
Balance at 1 January 2015	3,724,036	558,693
Acquisition of serviced residence properties and subsidiaries	461,618	–
Capital expenditure	38,138	157
Divestment of serviced residence properties	(48,175)	–
Transfer from plant and equipment	683	–
Translation difference	38,668	–
Balance at 31 December 2015	4,214,968	558,850
Gains and losses for the year		
Net change in fair value recognised in Statement of Total Return	78,460	4,241
Assets written off	(3,717)	–
Balance at 31 December 2015	4,289,711	563,091

	Group	
	2016 $'000	2015 $'000
Assets held for sale		
Balance at 1 January	84,207	87,403
Disposal of assets held for sale	(74,512)	(9,054)
Balance at 31 December	9,695	78,349
Gains and losses for the year		
Net change in fair value recognised in Statement of Total Return	(3,146)	5,858
Balance at 31 December	6,549	84,207

(ii) ***Valuation techniques and significant unobservable inputs***

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

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Serviced residence properties	*Discounted cash flow*: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate and occupancy rate. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location, tenant credit quality and lease terms.	<u>Group</u> • Discount rate: South East Asia and Australia: 6.75% - 13.75% (2015: 6.75% - 13.75%) North Asia: 3.80% - 7.75% (2015: 3.90% - 7.50%) Europe and United States of America: 7.75% - 9.75% (2015: 8.25% - 10.50%)	The estimated fair value would increase (decrease) if: • the discount rate were lower (higher); or • the terminal capitalisation rate were lower (higher).

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
		Group • Terminal capitalisation rate: South East Asia and Australia: 4.00% - 9.50% (2015: 4.00% - 9.50%) North Asia: 4.10% - 6.00% (2015: 4.13% - 6.10%) Europe and United States of America: 5.25% - 7.25% (2015: 5.00% - 7.50%) **Trust** • Discount rate: Singapore: 6.75% - 7.50% (2015: 6.75% - 7.50%) • Terminal capitalisation rate: Singapore: 4.00% - 4.35% (2015: 4.00% - 4.50%)	
Assets held for sale	The fair values are based on contracted sale price of the remaining units. (2015: *Direct comparison and income capitalisation approaches:* The direct comparison approach is used by making reference to comparable sales and asking prices of similar properties in the relevant market, with adjustments made to differentiate the comparables in terms of location, area, quality and other relevant matters. The income capitalisation approach is used by capitalising the income potential.)	Not applicable (2015: Capitalisation rate: 3.50% Direct comparison – price/sqm: $9,069/sqm)	Not applicable (2015: The estimated fair value would increase (decrease) if the capitalisation rate were lower (higher).)

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Cross currency interest rate swaps, forward exchange contracts and interest rate swaps	*Market comparison technique:* The fair values are based on broker quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

Financial instruments not measured at fair value for which fair values are disclosed

Type	Valuation technique	Significant unobservable inputs
Medium term notes	Discounted cash flows	Not applicable

Sensitivity analysis for key unobservable inputs

The significant unobservable inputs used in the fair value measurement of the Group's serviced residence properties and assets held for sale are discount rate, terminal capitalisation rate and capitalisation rate. Significant decreases in the discount rate, terminal capitalisation rate and capitalisation rate in isolation would result in a significantly higher fair value measurement. Conversely, a significant increase would result in a significantly lower fair value measurement.

(iii) Transfer between Level 1 and 2

During the years ended 31 December 2016 and 2015, there were no transfers between Level 1 and 2 of the fair value hierarchy.

34 Acquisition of serviced residence properties and non-controlling interests, net of cash movements

Acquisition of serviced residence properties and subsidiaries

On 29 April 2016, the Group acquired the property, Sheraton Tribeca New York Hotel, from an unrelated third party.

From the acquisition date to 31 December 2016, Sheraton Tribeca New York Hotel contributed profit after tax of $1,654,000. If the acquisition had occurred on 1 January 2016, the Manager estimates that the contribution to the Group in terms of revenue and loss after tax would have been $10,476,000 and $317,000 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 2016.

On 31 July 2015, the Group acquired the following subsidiaries and property interests from related corporations:

- a 100% interest in Citadines Melbourne on Bourke Unit Trust and Citadines Melbourne on Bourke Pty Ltd, which owns the leasehold interest in the property, Citadines on Bourke Melbourne, from Citadines Melbourne on Bourke (BVI) Limited.
- the land on which the property, Citadines on Bourke Melbourne, is located from Citadines Melbourne on Bourke Land Pty Ltd.
- a 100% interest in ARC-CapitaLand Four TMK from CapitaLand Singapore Management Limited (as trustee of both GPH Investments Pte Ltd and CRL Investment Pte Ltd) and ArcResidential Japan Investments Limited. Both GPH Investments Pte Ltd and ArcResidential Japan Investments Limited are unrelated third parties. ARC-CapitaLand Four TMK holds the trust beneficial interests in respect of the four rental housing properties.

On 19 August 2015, the Group acquired the property, Element New York Times Square West, from an unrelated third party.

From the respective acquisition dates to 31 December 2015, the serviced residence properties and subsidiaries contributed loss after tax of $1,511,000, mainly arising from a loss on revaluation of these serviced residence properties. If the acquisitions had occurred on 1 January 2015, the Manager estimates that the contribution to the Group in terms of revenue and profit after tax would have been $44,965,000 and $11,517,000 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 2015.

The cash flows and net assets and liabilities of serviced residence properties and subsidiaries acquired are provided below:

	Recognised values on acquisition	
	2016	**2015**
	$'000	**$'000**
Serviced residence properties	211,857	461,618
Plant and equipment	2,189	2,802
Inventories	–	14
Trade and other receivables	–	1,411
Cash and cash equivalents	–	15,352
Trade and other payables	–	(4,415)
Financial liabilities	–	(42,540)
Current tax liabilities	–	(41)
Deferred tax liabilities	–	(14)
Net identifiable assets and liabilities acquired	214,046	434,187
Total consideration	(214,046)	(434,187)
Cash of subsidiaries acquired	–	15,352
Cash outflow on acquisition of serviced residence properties	(214,046)	(418,835)

Acquisition of serviced residence properties and subsidiaries are complex in nature and can be material to the financial statements. Assessment is required to determine the most appropriate accounting treatment of assets acquired and of potential contractual arrangements relating to the acquisitions. The acquisitions during 2016 and 2015 were accounted for as acquisitions of serviced residence properties based on the assessment by the Manager.

Acquisition of ownership interests in subsidiaries with no change in control

On 31 July 2015, the Group acquired from related corporations:

- an additional 40% interest in Citadines Kyoto Gojo TMK through the acquisition of 25% of the common shares and 40% of the preference shares of Citadines Kyoto Gojo TMK for $10,091,000 in cash, increasing its ownership interest from 60% to 100%. The carrying amount of the net assets of Citadines Kyoto Gojo TMK in the Group's financial statements on the date of acquisition was $25,227,000.
- an additional 40% interest in Citadines Shinjuku TMK through the acquisition of 100% of the issued shares in Citadines Shinjuku (S) Pte Ltd and Citadines Shinjuku Tokyo Godo Kaisha (which in aggregate directly own 25% of the common shares and 40% of the preference shares of Citadines Shinjuku TMK) for $21,278,000 in cash, increasing its ownership interest from 60% to 100%. The carrying amount of the net assets of Citadines Shinjuku TMK in the Group's financial statements on the date of acquisition was $53,208,000.

The following summarises the effect of the change in the Group's ownership interest in Citadines Kyoto Gojo TMK and Citadines Shinjuku TMK:

	$'000
Consideration paid for acquisition of non-controlling interests	(31,369)
Transaction costs	(183)
	(31,552)
Decrease in equity attributable to non-controlling interests	31,374
Decrease in equity attributable to Unitholders	(178)

35 Commitments

As at the reporting date, the Group and the Trust had the following commitments:

(a) Capital commitments

	Group 2016 $'000	Group 2015 $'000	Trust 2016 $'000	Trust 2015 $'000
Capital expenditure commitments:				
- contracted but not provided for	5,719	32,835	372	497

(b) Operating leases as lessor

The Group leases out some of its serviced residence properties on long term arrangements. The leases have tenure ranging from four to 19 years, with options to renew for some of the leases. The operating lease receivables are based on the fixed component of the rent receivable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Non-cancellable operating lease rentals are receivable as follows:

	Group		Trust	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Within 1 year	58,609	58,332	5,303	7,150
After 1 year but within 5 years	76,586	100,579	–	5,303
After 5 years	51,143	61,882	–	–
	186,338	220,793	5,303	12,453

(c) Operating leases as lessee

The Group leases the land on which three (2015: two) of the serviced residence properties are constructed. The leases have an initial tenure ranging from 24 to 25 years. The operating lease payables are based on the fixed component of the rent payable under the lease agreements, adjusted for increases in rent where such increases have been provided for in the agreements.

Future minimum lease payments for the Group on non-cancellable operating leases are as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Within 1 year	17,224	9,590
After 1 year but within 5 years	69,887	39,601
After 5 years	346,881	194,470
	433,992	243,661

(d) DBS Trustee Limited, as trustee of the Trust, entered into a sale and purchase agreement for the acquisition of Ascott Orchard Singapore at a consideration of $405.0 million. A deposit of $20.3 million was made on 31 December 2013 and the remaining $384.7 million is expected to be paid in 2017 upon completion of the acquisition.

36 Subsequent events

On 24 January 2017, the Manager declared a distribution of 4.392 cents per Unit amounting to $72,627,000 in respect of the period from 1 July 2016 to 31 December 2016.

On 7 February 2017, the Trust issued 7,522,632 Units at an issue price of $1.1396 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 2016 to 31 December 2016 and the performance fee component of the Management Fees for the period from 1 January 2016 to 31 December 2016. The balance of the Management Fees of $3,450,000 (excluding applicable goods and services tax) was paid in cash.