PARAGON REIT

(Constituted in the Republic of Singapore pursuant to a trust deed dated 9 July 2013)

Financial Statements

For the financial year ended
31 December 2023

PARAGON REIT

Financial Statement
For the financial year ended 31 December 2023

C O N T E N T S

Report of the Trustee

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of PARAGON REIT (the "Trust") and its subsidiaries (the "Group") in trust for the holders ("Unitholders") of units in the Trust (the "Units"). In accordance with the Securities and Future Act 2001, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of PARAGON REIT Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 9 July 2013 supplemented by the First Supplemental Deed on 7 November 2016, Second Supplemental Deed on 6 January 2017, Third Supplemental Deed on 29 July 2022 and Fourth Supplemental Deed on 3 January 2023 between the Manager and the Trustee in each annual accounting year and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the financial period covered by these financial statements, set out on pages FS1 to FS65 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

Chan Kim Lim
Director

Singapore
5 February 2024

Statement by the Manager

In the opinion of the directors of PARAGON REIT Management Pte. Ltd, the accompanying financial statements set out on pages FS1 to FS65, comprising the Statements of Financial Position, Statements of Total Return, Distribution Statements, Statements of Changes in Unitholders' Funds, Consolidated Statement of Cash Flows, Portfolio Statements and Notes to the Financial Statements are drawn up so as to present fairly, in all material respects, the financial position of PARAGON REIT (the "Trust") and its subsidiaries (the "Group") as at 31 December 2023, the total return, distributable income, changes in Unitholders' funds and cash flows of the Group and the total return, distributable income and changes in Unitholders' funds of the Trust for the financial year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *"Reporting Framework for Investment Funds"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Trust will be able to meet its financial obligations as and when they materialise.

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

Leong Horn Kee
Chairman

Eugene Paul Lai Chin Look
Director

Singapore
5 February 2024

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Independent auditors' report

To the Unitholders of PARAGON REIT
(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 9 July 2013)

Opinion

We have audited the financial statements of PARAGON REIT (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 2023, and the Statements of Total Return, Distribution Statements, Statements of Changes in Unitholders' Funds of the Group and the Trust and the Statement of Cash Flows of the Group for the year then ended, and notes to the financial statements, including a summary of material accounting policies, as set out on pages FS1 to FS65.

In our opinion, the accompanying consolidated financial statements of the Group and the Statements of Financial Position, Portfolio Statements, Statements of Total Return, Distribution Statement and Statements of Changes in Unitholders' Funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position and the portfolio holdings of the Trust as at 31 December 2023 and the consolidated total return, consolidated distributable income, consolidated changes in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and changes in Unitholders' funds of the Trust for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Investment Funds* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

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

Key audit matters

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

Valuation of investment properties

(Refer to Note 5 and 24(h) to the financial statements)

Risk:

Investment properties represent the single largest category of assets on the Statements of Financial Position, at S$4.1 billion as at 31 December 2023 (2022: S$4.1 billion).

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

The valuation process involves determining the valuation methodologies and significant judgement in estimating the assumptions to be applied. The valuations are highly sensitive to key assumptions applied i.e. a small change in the assumptions can have a significant impact to the valuation.

Our response:

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 for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We held discussions with the external valuers and challenged the key assumptions used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

We also assessed whether the disclosures in the financial statements appropriately described the inherent degree of subjectivity and key assumptions in the valuations. This includes the relationships between the key unobservable inputs and fair values, in conveying the uncertainties.

Our findings:

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

The valuation methodologies adopted by the valuers are in line with generally accepted market practices and the key assumptions used are within range of available market data as at the date of valuation. The disclosures in the financial statements are appropriate in their description of the inherent subjectivity and estimation involved.

Other information

PARAGON REIT Management Pte Ltd, the Manager of the Trust ("Manager") is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon. We have obtained all other information prior to the date of this auditors' report except for the Statistics of Unitholdings ('the Report') which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

Responsibilities of the Manager for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
5 February 2024

Statements of Financial Position

	Note	Group 2023 S$'000	Group 2022 S$'000	Trust 2023 S$'000	Trust 2022 S$'000
Non-current assets					
Plant and equipment	4	105	250	105	250
Investment properties	5	4,121,829	4,112,265	3,401,000	3,338,700
Subsidiaries	6	-	-	166,104	168,210
Trade and other receivables	7	-	-	377,697	377,665
Derivative financial instruments	10	3,744	9,623	3,744	6,113
		4,125,678	4,122,138	3,948,650	3,890,938
Current assets					
Trade and other receivables	7	6,272	6,003	3,624	3,080
Derivative financial instruments	10	2,306	3,150	152	3,150
Cash and cash equivalents	8	134,467	125,601	106,925	94,217
		143,045	134,754	110,701	100,447
Total assets		**4,268,723**	**4,256,892**	**4,059,351**	**3,991,385**
Non-current liabilities					
Borrowings	9	1,045,647	1,176,653	879,225	898,915
Derivative financial instruments	10	4,923	3,294	4,923	3,294
Trade and other payables	11	39,305	38,283	39,305	38,283
Deferred tax liabilities	12	-	2,206	-	2,206
		1,089,875	1,220,436	923,453	942,698
Current liabilities					
Borrowings	9	223,042	94,974	114,968	94,974
Derivative financial instruments	10	515	-	515	-
Trade and other payables	11	64,056	62,382	55,099	47,667
		287,613	157,356	170,582	142,641
Total liabilities		**1,377,488**	**1,377,792**	**1,094,035**	**1,085,339**
Net assets		**2,891,235**	**2,879,100**	**2,965,316**	**2,906,046**
Represented by:					
Unitholders' funds		2,577,559	2,563,069	2,663,281	2,604,011
Perpetual securities holders' fund	13	302,035	302,035	302,035	302,035
Non-controlling interests	14	11,641	13,996	-	-
		2,891,235	**2,879,100**	**2,965,316**	**2,906,046**
Units in issue ('000)	15	**2,833,428**	**2,810,851**	**2,833,428**	**2,810,851**
Net asset value per unit (S$)		**0.91**	**0.91**	**0.94**	**0.93**

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

Statements of Total Return

	Note	Group 12 months 1 Jan 2023 to 31 Dec 2023 S$'000	Group 16 months 1 Sep 2021 to 31 Dec 2022 S$'000	Trust 12 months 1 Jan 2023 to 31 Dec 2023 S$'000	Trust 16 months 1 Sep 2021 to 31 Dec 2022 S$'000
Gross revenue	17	288,926	376,411	222,857	286,205
Property operating expenses	18	(73,857)	(96,482)	(53,733)	(69,802)
Net property income		**215,069**	**279,929**	**169,124**	**216,403**
Manager's management fees	19	(21,208)	(27,971)	(21,208)	(27,971)
Investment management fees		(2,777)	(3,885)	-	-
Trustee's fees		(591)	(798)	(570)	(767)
Trust expenses	20	(2,274)	(3,618)	(1,639)	(2,133)
Dividend income from subsidiaries		-	-	19,709	28,898
Finance income		3,957	1,181	7,048	7,108
Finance costs	21	(54,595)	(35,562)	(40,736)	(23,953)
Net income		**137,581**	**209,276**	**131,728**	**197,585**
Fair value change on investment properties	5	10,436	33,780	54,720	34,947
Net foreign currency exchange differences		(814)	4,131	(2,306)	(6,068)
Total return for the year/period before taxes and distribution		**147,203**	**247,187**	**184,142**	**226,464**
Less: income tax	22	(356)	(3,688)	1,791	(599)
Total return for the year/period after taxes and before distribution		**146,847**	**243,499**	**185,933**	**225,865**
Attributable to:					
Unitholders of the Trust		136,007	225,602	173,633	209,454
Perpetual securities holders	13	12,300	16,411	12,300	16,411
Non-controlling interests	14	(1,460)	1,486	-	-
		146,847	**243,499**	**185,933**	**225,865**
Earnings per unit (cents)					
Basic and diluted	23	4.80	8.02	6.13	7.45

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

Distribution Statements

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Income available for distribution to Unitholders at beginning of the financial year/period	**78,494**	**67,126**	**78,494**	**67,126**
Total return attributable to Unitholders	136,007	225,602	173,633	209,454
Add: Net tax adjustments (Note A)	(395)	(15,418)	(38,021)	730
Total income available for distribution to Unitholders for financial year/period	**214,106**	**277,310**	**214,106**	**277,310**
Distribution to Unitholders				
- Distribution of 1.58 cents per unit for the period from 1 June 2021 to 31 August 2021	-	(44,006)	-	(44,006)
- Distribution of 1.24 cents per unit for the period from 1 September 2021 to 30 November 2021	-	(34,750)	-	(34,750)
- Distribution of 1.44 cents per unit for the period from 1 December 2021 to 28 February 2022	-	(40,355)	-	(40,355)
- Distribution of 1.45 cents per unit for the period from 1 March 2022 to 31 May 2022	-	(40,675)	-	(40,675)
- Distribution of 1.39 cents per unit for the period from 1 June 2022 to 31 August 2022	-	(39,030)	-	(39,030)
- Distribution of 1.72 cents per unit for the period from 1 September 2022 to 31 December 2022	(48,347)	-	(48,347)	-
- Distribution of 2.42 cents per unit for the period from 1 January 2023 to 30 June 2023	(68,498)	-	(68,498)	-
	(116,845)	(198,816)	(116,845)	(198,816)
Income available for distribution to Unitholders at end of the financial year/period	**97,261**	**78,494**	**97,261**	**78,494**

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

Distribution Statements (cont'd)

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
<u>Note A - Net tax adjustments</u>				
Non-tax deductible items:				
Manager's management fees [1]	10,217	26,571	10,217	26,571
Trustee's fees	591	798	570	767
Amortisation of upfront fee for loan facility	715	994	400	582
Fair value change on investment properties	(10,436)	(33,780)	(54,720)	(34,947)
Net foreign currency exchange differences	814	(4,131)	2,306	6,068
Net income from subsidiaries	(5,528)	(11,301)	-	-
Straight-line rental adjustments	773	(410)	748	(465)
Deferred tax income	(2,206)	-	(2,206)	-
Rollover adjustment [2]	3,912	-	3,912	-
Other items	753	5,841	752	2,154
Net tax adjustments	**(395)**	**(15,418)**	**(38,021)**	**730**

1. For FY2023, 95% management fees for period from 1 January to 31 March 2023, 50% base fee from 1 April to 31 December 2023, 50% performance fee from 1 April to 30 June 2023 and 0% performance fee from 1 July to 31 December 2023, respectively were paid/payable in units.

   For FY2022, 100% management fees were paid out in units except for S$1,400,000 paid out in cash.

2. The rollover adjustment pertains to the tax deductibility of interest expenses in FY2022 (1 September 2021 to 31 December 2022) relating to the perpetual securities.

   The Manager has also assessed the deductibility of such interest expenses for FY2020 and FY2021. As at the balance sheet date, the Manager does not expect the tax impact (if any) for such years to be material and accordingly, no provision has been made.

Statements of Changes in Unitholders' Funds

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Balance as at beginning of financial year/period	**2,563,069**	**2,535,243**	**2,604,011**	**2,561,223**
<u>Operations</u>				
Total return for the year/period after tax attributable to Unitholders of the Trust	136,007	225,602	173,633	209,454
<u>Hedging reserve</u>				
Effective portion of changes in fair value of cash flow hedges	(2,503)	14,798	(2,618)	9,675
Net change in fair value of cash flow hedge reclassified to Statements of Total Return	(6,480)	(3,748)	(5,117)	(4,096)
<u>Foreign currency translation reserve</u>				
Translation differences from financial statements of foreign operations	(3,800)	(23,909)	-	-
Exchange differences on monetary item forming part of net investments in foreign operations	(2,106)	(12,672)	-	-
Net (loss)/gain recognised directly in Unitholders' funds	(14,889)	(25,531)	(7,735)	5,579
<u>Unitholders' transactions</u>				
Distribution to unitholders	(116,845)	(198,816)	(116,845)	(198,816)
Manager's fee paid/payable in units	10,217	26,571	10,217	26,571
	(106,628)	(172,245)	(106,628)	(172,245)
Balance as at end of financial year/period	**2,577,559**	**2,563,069**	**2,663,281**	**2,604,011**
<u>Perpetual securities holders' funds</u>				
Balance as at beginning of financial year/period	**302,035**	**297,924**	**302,035**	**297,924**
Amount reserved for distribution to perpetual securities holders	12,300	16,411	12,300	16,411
Distribution to perpetual securities holders	(12,300)	(12,300)	(12,300)	(12,300)
Balance as at end of financial year/period	**302,035**	**302,035**	**302,035**	**302,035**

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

Consolidated Statement of Cash Flows

	Group	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Cash flows from operating activities		
Total return for the financial year/period	146,847	243,499
Adjustments for:		
Fair value change on investment properties	(10,436)	(33,780)
Manager's fee paid/payable in units	10,217	26,571
Depreciation of plant and equipment	207	387
Finance income	(3,957)	(1,181)
Finance costs	54,595	35,562
Impairment loss on trade receivables	182	732
Income tax	356	3,688
Straight-line rental adjustments	773	(410)
Operating cash flow before working capital changes	198,784	275,068
Changes in operating assets and liabilities		
Trade and other receivables	(451)	4,581
Trade and other payables	(3,616)	24
Net cash from operating activities	194,717	279,673
Withholding tax paid	(2,562)	(3,688)
Net cash from operating activities	**192,155**	275,985
Cash flows from investing activities		
Additions to investment properties	(6,756)	(14,536)
Purchase of plant and equipment	(62)	(69)
Interest received	3,957	1,181
Net cash used in investing activities	**(2,861)**	**(13,424)**
Cash flows from financing activities		
Payment of transaction costs related to borrowing	(97)	(970)
Payment of bank loan	-	(95,751)
Proceeds from bank loan	-	95,751
Distribution to unitholders	(116,845)	(198,816)
Distributions to non-controlling interests of a subsidiary	(702)	(1,116)
Distribution to perpetual securities holders	(12,300)	(12,300)
Interest paid	(50,893)	(33,210)
Net cash used in financing activities	**(180,837)**	**(246,412)**
Net increase in cash and cash equivalents	**8,457**	**16,149**
Effect of exchange rate fluctuations on cash and cash equivalents held	409	(2,229)
Cash and cash equivalents at beginning of the financial year/period	125,601	111,681
Cash and cash equivalents at end of the financial year/period	**134,467**	**125,601**

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

Portfolio Statement of the Group

Description of Property	Location	Tenure of Land	Term of Lease	Remaining Term of Lease 31 Dec 2023	Occupancy Rate as at 31 Dec 2023 (%)	Occupancy Rate as at 31 Dec 2022 (%)	At Valuation 31 Dec 2023 S$'000	At Valuation 31 Dec 2022 S$'000	Percentage of Unitholders' funds 31 Dec 2023 (%)	Percentage of Unitholders' funds 31 Dec 2022 (%)
Investment properties in Singapore										
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 July 2013 (Listing date)	89 years	100.0	99.9	2,730,000	2,679,000	106	105
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 August 2010	86 years	100.0	100.0	609,000	597,500	24	24
The Rail Mall	380 to 400 & 422 to 484 (Even Nos) Upper Bukit Timah Road, Singapore 678040 to 678050 & 678051 to 678087	Leasehold	99 years, commencing on 18 March 1947	22 years	95.5	100.0	62,000	62,200	2	2
Investment property in Australia										
Figtree Grove Shopping Centre	19 & 23 Princes Highway, Figtree, Wollongong, NSW 2525	Freehold	-	-	97.9	99.4	168,599	184,487	7	7
Westfield Marion Shopping Centre	293-297 Diagonal Road, Oaklands Park, Adelaide, South Australia, 5046	Freehold	-	-	97.0	97.4	552,230	589,078	21	23
Portfolio of investment properties							4,121,829	4,112,265	160	161
Other assets and liabilities (net)							(1,230,594)	(1,233,165)	(48)	(48)
Net assets of the Group							2,891,235	2,879,100	112	113
Perpetual securities holders' funds							(302,035)	(302,035)	(12)	(12)
Non-controlling interests							(11,641)	(13,996)	-	(1)
Unitholders' funds							**2,577,559**	**2,563,069**	**100**	**100**

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

Portfolio Statement of the Trust

Description of Property	**Location**	**Tenure of Land**	**Term of Lease**	**Remaining Term of Lease 31 Dec 2023**	**Occupancy Rate as at 31 Dec**		**At Valuation 31 Dec**		**Percentage of Unitholders' funds 31 Dec**	
					2023 (%)	**2022 (%)**	**2023 S$'000**	**2022 S$'000**	**2023 (%)**	**2022 (%)**
Investment properties in Singapore										
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 July 2013 (Listing date)	89 years	100.0	99.9	2,730,000	2,679,000	103	104
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 August 2010	86 years	100.0	100.0	609,000	597,500	23	23
The Rail Mall	380 to 400 & 422 to 484 (Even Nos) Upper Bukit Timah Road, Singapore 678040 to 678050 & 678051 to 678087	Leasehold	99 years, commencing on 18 March 1947	22 years	95.5	100.0	62,000	62,200	2	2
Portfolio of investment properties							3,401,000	3,338,700	128	129
Other assets and liabilities (net)							(435,684)	(432,654)	(17)	(17)
Net assets of the Trust							2,965,316	2,906,046	111	112
Perpetual securities holders' funds							(302,035)	(302,035)	(11)	(12)
Unitholders' funds							**2,663,281**	**2,604,011**	**100**	100

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

Portfolio Details

Investment properties in Singapore

The carrying amount of the investment properties were based on independent valuations as at 31 December 2023 conducted by Jones Lang LaSalle Property Consultants Pte Ltd (2022: Savills Valuation and Professional Services (S) Pte Ltd (the "Independent Valuers"). The Independent Valuers have appropriate professional qualifications and experience in the locations and category of the properties being valued. The valuations of the investment properties were based on the discounted cash flow and capitalisation methods. The net change in fair value has been recognised in the Statements of Total Return.

Investment properties in Australia

The carrying amount of the investment properties were based on independent valuations as at 31 December 2023 conducted by Jones Lang LaSalle Advisory Services Pty Ltd and CBRE Valuation Pty Ltd ("CBRE") (2022: CBRE). The Independent Valuers have appropriate professional qualifications and experience in the locations and category of the properties being valued. The valuations of the investment properties were based on the discounted cash flow and capitalisation methods. The net change in fair value has been recognised in the Statements of Total Return.

Notes to the Financial Statements

These notes form an integral part of and should be read in conjunction with the financial statements.

1. General Information

PARAGON REIT (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 9 July 2013 supplemented by the First Supplemental Deed on 7 November 2016, Second Supplemental Deed on 6 January 2017, Third Supplemental Deed on 29 July 2022 and Fourth Supplemental Deed on 3 January 2023 (the "Trust Deed") between PARAGON REIT Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it 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") on 24 July 2013 and was included under the Central Provident Fund ("CPF") Investment Scheme on 17 July 2013.

With effect from 3 January 2023, the name of the Trust was changed from SPH REIT to PARAGON REIT.

The principal activity of the Trust and its subsidiaries is to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia-Pacific, as well as real estate-related assets with the primary objective of providing Unitholders with regular and stable distributions and sustainable long-term growth.

The financial statements of the Trust as at and for the year ended 31 December 2023 comprise the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

During the previous financial period, the Trust changed its financial year end from 31 August to 31 December and accordingly, the financial statements for the comparative period cover a period of 16 months from 1 September 2021 to 31 December 2022. The comparative amounts presented for the total return, distributable income, changes in Unitholders' funds and cash flows of the Group and the total return, distributable income and changes in Unitholders' funds of the Trust, and related disclosure notes are not entirely comparable.

The Trust 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:

(a) Trustee's fees

The Trustee's fee shall not exceed 0.1% per annum of the value of all the assets of the Trust ("Deposited Property") (subject to a minimum of S$15,000 per month) and shall be payable out of the Deposited Property monthly in arrears. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

1. General Information (cont'd)

(b) Manager's management fees

The Manager is entitled under the Trust Deed to the following management fees:

(i) a base fee of 0.25% per annum of the value of Deposited Property; and

(ii) an annual performance fee of 5.0% per annum of the Net Property Income (as defined in the Trust Deed)

The management fees payable to the Manager will be paid in the form of cash and/or units. The Management fees payable in units will be computed at the volume weighted average price for a unit for all trades on the SGX-ST in the ordinary course of trading on the SGX-ST for the period of 10 Business Days (as defined in the Trust Deed) immediately preceding the end date of the relevant financial quarter, to which such fees relate. The base fees are payable quarterly in arrears. The annual performance fees are payable annually in arrears.

For the period from 24 July 2013 (listing date) to 28 February 2017, from 1 September 2017 to 31 May 2019 and from 1 September 2019 to 31 August 2022, the Manager has elected to receive 100% of management fees in units.

The Manager has elected for partial payment of management fees in cash for the half year from 1 March 2017 to 31 August 2017, for the period from 1 June 2019 to 31 August 2019 and for the period from 1 September 2022 to 31 December 2023.

For all acquisitions or disposals of properties or investments, the Manager is entitled to receive acquisition fee at 0.75% of the purchase price for acquisition from related parties and 1.0% for all other cases and a divestment fee of 0.5% of the sale price.

(c) Property Manager's management fees

(i) Property management fees

Under the Property Management Agreement, Straits Retail Property Management Services Pte. Ltd. (the "Property Manager") is entitled to receive the following fees:

- 2.0% per annum of Gross Revenue for the relevant property;
- 2.0% per annum of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period); and
- 0.5% per annum of the Net Property Income for the relevant property (calculated before accounting for the property management fee in that financial period) in lieu of leasing commissions otherwise payable to the Property Manager and/or third party agents.

The property management fees are payable to the Property Manager in the form of cash and/or units. For the period from 24 July 2013 (listing date) to 31 December 2022, the property management fees are paid in cash.

1. General Information (cont'd)

(c) Property Manager's management fees (cont'd)

(ii) Project management fees

The Property Manager is entitled to receive project management fees ranging between 1.25% and 5% of the total construction cost, for the development or redevelopment, the refurbishment, retrofitting and renovation works on or in respect of a property. The project management fees are payable to the Property Manager in the form of cash and/or units.

2. Material Accounting Policies

(a) Basis of preparation

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 "*Reporting Framework for Investment Funds*" revised and 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 the accounting policies adopted to generally comply with the recognition and measurement principles of Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with RAP 7 requires the Manager to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

(b) Changes in accounting policies

New standards and amendments

The Group has applied the following FRSs, amendments to and interpretations of FRS for the first time for the annual period beginning on 1 January 2023:

- Amendments to FRS 12: *Deferred tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to FRS 12: *International Tax Reform – Pillar Two Model Rules*
- Amendments to FRS 1 and FRS Practice Statement 2: *Disclosure of Accounting Policies*
- Amendments to FRS 8: *Definition of Accounting Estimates*

Other than the below, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

2. Material Accounting Policies (cont'd)

(b) Changes in accounting policies (cont'd)

(i) Global minimum top-up tax

The Amendments to FRS 12: International Tax Reform – Pillar Two Model Rules provide a temporary mandatory exception from deferred tax accounting for the top-up tax that may arise from the jurisdictional adoption of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development ('OECD'), and require new disclosures about the Pillar Two tax exposure.

The mandatory exception is effective immediately and applies retrospectively. However, the amendments have no impact on the Group as the Group's consolidated revenue is less than EUR 750 million/year and it is not in scope of the Pillar Two model rules.

(ii) Material accounting policy information

The Group adopted Amendments to FRS 1 and FRS Practice Statement 2: Disclosure of Accounting Policies for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments.

2. Material Accounting Policies (cont'd)

(c) Group Accounting

(i) Subsidiaries

- Consolidation

The consolidated financial statements include the financial statements of the Trust and its subsidiaries made up to the end of the financial period.

Subsidiaries are entities controlled by the Group, generally accompanied by a shareholding of more than one half of the voting rights. 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. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests are that part of net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Trust. They are shown separately in the Statements of Total Return and Statements of Financial Position. Total return is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

- Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

2. Material Accounting Policies (cont'd)

(c) Group Accounting (cont'd)

(i) Subsidiaries (cont'd)

- Acquisitions (cont'd)

  Goodwill arising from business combination is the excess of the fair value of consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets and contingent liabilities acquired. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the Statements of Total Return.

  Goodwill arising from business combination is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

  The gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity sold.

- Disposal

  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 amounts previously recognised in other comprehensive income ("OCI") in respect of that entity are transferred to the Statements of Total Return or transferred directly to unitholders' funds if required by a specific standard.

  Any retained interest in the entity is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in the Statements of Total Return.

- Transactions with non-controlling interests

  Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with unitholders of the Group. Any difference between the change in the carrying amount of the non-controlling interest and the fair value of the consideration paid or received is recognised in unitholders' fund.

2. Material Accounting Policies (cont'd)

(c) Group Accounting (cont'd)

(ii) Joint Operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

When a group entity undertakes its activities under joint operations, the group as a joint operator recognises in relation to its interest in a joint operation:

- Its assets, including its share of any assets held jointly;
- Its liabilities, including its share of any liabilities incurred jointly;
- Its revenue from the sale of its share of the output arising from the joint operation;
- Its share of the revenue from the sale of the output by the joint operation; and
- Its expenses, including its share of any expenses incurred jointly.

The group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the FRSs applicable to the particular assets, liabilities, revenues and expenses.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the group's consolidated financial statements only to the extent of other parties' interests in the joint operation.

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the group does not recognise its share of the gains and losses until it resells those assets to a third party.

(d) Currency translation

(i) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("functional currency"). The financial statements are presented in Singapore Dollars ("presentation currency"), which is also the Trust's functional currency. All financial information presented in Singapore Dollars have been rounded to the nearest thousand, unless otherwise stated.

(ii) Transactions and balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are taken to the Statements of Total Return.

2. Material Accounting Policies (cont'd)

(d) Currency translation (cont'd)

(ii) Transactions and balances (cont'd)

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined. Non-monetary items that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction.

(iii) Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities are translated at the closing exchange rates at the reporting date;
- Income and expenses are translated at average exchange rates; and
- All resulting exchange differences are taken to unitholders' funds and transferred to the Statements of Total Return upon the disposal of the foreign operation as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rates at the reporting date.

Foreign currency differences are recognised in unitholders' funds. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to the Statements of Total Return as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to the Statements of Total Return.

(iv) Net investment in a foreign operation

When a derivative financial liability is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of foreign exchange gains and losses is recognised in unitholders' funds and presented in the foreign currency translation reserve. Any ineffective portion of the changes in the foreign exchange gains and losses is recognised in the Statements of Total Return. The amount recognised in unitholders' funds is reclassified to Statements of Total Return as a reclassification adjustment on disposal of the foreign operation.

2. Material Accounting Policies (cont'd)

(e) Investment properties

Investment properties comprise office and retail buildings that are held for long-term rental yields. Investment properties are initially recognised at cost and subsequently measured at fair value. Any gains or losses arising from the changes in their fair values are taken to the Statements of Total Return.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written-off to the Statements of Total Return. The cost of maintenance, repairs and minor improvements is charged to the Statements of Total Return when incurred.

Fair values are determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers at least once a year, in accordance with the CIS Code.

On disposal of an investment property, the difference between the net disposal proceeds and its carrying amount is taken to the Statements of Total Return.

(f) Financial instruments

(i) Recognition and initial measurement

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

2. Material Accounting Policies (cont'd)

(f) Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

- Financial assets at amortised cost

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

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

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

Non-derivative financial liabilities

Financial liabilities are classified as measured at amortised cost. Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in the Statements of Total Return.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when:

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

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

2. Material Accounting Policies (cont'd)

(f) Financial instruments (cont'd)

(iii) Derecognition (cont'd)

Financial liabilities

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

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

(iv) Impairment

Financial assets

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

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

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

Simplified approach

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

General approach

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

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

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

2. Material Accounting Policies (cont'd)

(f) Financial instruments (cont'd)

(iv) Impairment (cont'd)

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

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

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

Measurement of ECLs

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

Credit-impaired financial assets

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

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

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

Presentation of allowance for ECLs in the Statements of Financial Position

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

Write-off

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

2 Material Accounting Policies (cont'd)

(f) Financial instruments (cont'd)

(v) Offsetting

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

(g) Derivative financial instruments and hedging activities

Derivatives are used to manage exposure to foreign exchange and interest rate risks arising from operating, financing and investing activities.

A derivative is initially recognised at its fair value on the date the derivative contract is entered into and is subsequently carried at its fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Group designates its derivatives for hedging purposes as either hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge), or hedges of highly probable forecast transactions (cash flow hedge).

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategies for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items.

The carrying amount of a derivative designated as a hedge is presented as a non-current asset or liability if the remaining expected life of the hedged item is more than twelve months, and as a current asset or liability if the remaining expected life of the hedged item is less than twelve months. The fair value of a trading derivative is presented as a current asset or liability.

Hedges directly affected by interest rate benchmark reform

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

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

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

2. Material Accounting Policies (cont'd)

(g) Derivative financial instruments and hedging activities (cont'd)

(i) Cash flow hedge

The Group has entered into interest rate swaps that are cash flow hedges for the Group's exposure to interest rate risk on its borrowings. These contracts entitle the Group to receive interest at floating rates on notional principal amounts and oblige the Group to pay interest at fixed rates on the same notional principal amounts, thus allowing the Group to raise borrowings at floating rates and swap them into fixed rates.

The fair value changes on the effective portion of these interest rate swaps are recognised in OCI and accumulated in the hedging reserve, and transferred to the Statements of Total Return in the periods when the interest expense on the borrowings is recognised in the Statements of Total Return. The gain or loss relating to the ineffective portion is recognised immediately in the Statements of Total Return.

(ii) Net investment hedges

The Group designates certain derivatives as hedges of foreign exchange risk on its net investment in foreign operations.

When a derivative instrument is designated as the hedging instrument in a hedge of a net investment in a foreign operation, the effective portion of the change in fair value is recognised in OCI and presented in the translation reserve within equity. Any ineffective portion of the change in the fair value is recognised immediately in Statements of Total Return. The amount recognised in OCI is reclassified to the Statements of Total Return as a reclassification adjustment on disposal of the foreign operation.

(iii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of derivatives that do not qualify for hedge accounting are recognised immediately in the Statements of Total Return.

(h) Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices as at the reporting date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Trust uses a variety of methods and makes assumptions that are based on market conditions existing at each reporting date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The fair values of interest rate swaps are calculated as the present value of the estimated future cash flows discounted at actively quoted interest rates.

2. Material Accounting Policies (cont'd)

(i) Leases

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

(i) As a lessor

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

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

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

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies FRS 115 to allocate the consideration in the contract.

The Group applies the derecognition and impairment requirements in FRS 109 to the net investment in the lease (see Note 2(g)(iv)). The Group further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

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

2. Material Accounting Policies (cont'd)

(j) Revenue recognition

Rental income from operating leases

Rental income receivable under operating leases is recognised as 'revenue' 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, which include gross turnover rental, are recognised as income in the accounting period in which they are earned. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

Dividend income

Dividend income is recognised in the Statements of Total Return on the date that the right to receive payment is established.

(k) Income taxes

The Inland Revenue Authority of Singapore ("IRAS") has issued a tax ruling on the income tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90% of its taxable income, the Trust will not be assessed for tax on the portion of its taxable income that is distributed to Unitholders. Any portion of taxable income that is not distributed to Unitholders will be taxed at the prevailing corporate tax rate.

In the event that there are subsequent adjustments to the taxable income when the actual taxable income of the Trust is finally agreed with the IRAS, such adjustments are taken up as an adjustment to the amount distributed for the next distribution following the agreement with the IRAS.

The distributions made by the Trust out of its taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the Trust's distributions (the "tax transparency ruling"). The Trust is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust except:

- where the beneficial owners are individuals or Qualifying Unitholders, the Trust will make the distributions to such Unitholders without withholding any income tax; and
- where the beneficial owners are Qualifying foreign non-individual Unitholders, the Trust will deduct Singapore income tax at the reduced rate of 10% for distributions made up to 31 December 2025, unless concession is extended; or
- where the beneficial owners are Qualifying foreign funds, the Trust will deduct Singapore income tax at the reduced rate of 10% for distributions made during the period from 1 July 2019 to 31 December 2025.

2. Material Accounting Policies (cont'd)

(k) Income taxes (cont'd)

A "Qualifying Unitholder" is a Unitholder who is:

- an individual;
- a company incorporated and tax resident in Singapore;
- a body of persons, other than a company or a partnership, incorporated or registered in Singapore (for example, a town council, a statutory board, a registered charity, a registered co-operative society, a registered trade union, a management corporation, a club and a trade and industry association);
- a Singapore branch of a foreign company;
- an international organisation that is exempt from tax under the International Organisations (Immunities and Privileges) Act; or
- a real estate investment trust exchange-traded fund ("REIT ETFs") which have been accorded tax transparency treatment.

A "Qualifying foreign non-individual Unitholder" is a person who is not a resident of Singapore for income tax purposes and:

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

A "Qualifying foreign fund" is one who is a non-resident fund that qualifies for tax exemption under Section 13CA, 13X or 13Y of the Singapore Income Tax Act for income tax purposes and:

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

The above tax transparency ruling does not apply to gains from sale of real estate properties. Such gains, if they are considered as trading gains, are assessable to tax on the Trust. Where the gains are capital gains, the Trust will not be assessed to tax and may distribute the capital gains to Unitholders without having to deduct tax at source.

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

Apart from the above, the Trust receives foreign-sourced income that is tax exempt under Section 13(12) of the Singapore Income Tax Act. Distributions made by the Trust out of such tax exempt income are also exempt from Singapore income tax for all Unitholders.

2. Material t Accounting Policies (cont'd)

(l) 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 Chief Executive Officer of the Manager, who is the Group's chief operating decision maker, 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 that are reported to the Chief Executive Officer of the Manager include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

(m) Earnings per unit

Basic earnings per unit is calculated by dividing the total return for the year after tax attributable to unitholders of the Trust by the weighted average number of units outstanding during the year. Diluted earnings per unit is determined by adjusting the total return for the year after tax attributable to unitholders of the Trust and the weighted average number of units outstanding, adjusted for the effects of all dilutive potential units.

3. Critical Accounting Estimates, Assumptions and Judgements

The preparation of financial statements in conformity with RAP 7 requires the Manager to make estimates, assumptions and judgements 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 assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following note:

- Note 5 - determination of fair values of investment properties on the basis of significant unobservable inputs

4. Plant and Equipment

	Group and Trust Furniture fittings and equipment 2023 S$'000	2022 S$'000
Cost		
Beginning of financial year/period	2,174	2,117
Additions	62	69
Disposals	(13)	(12)
End of financial year/period	2,223	2,174
Accumulated depreciation		
Beginning of financial year/period	1,924	1,549
Depreciation charge	207	387
Disposals	(13)	(12)
End of financial year/period	2,118	1,924
Net book value		
Beginning of financial year/period	250	568
End of financial year/period	105	250

5. Investment Properties

	Group		Trust	
	2023 S$'000	**2022 S$'000**	**2023 S$'000**	**2022 S$'000**
Beginning of financial year/period	4,112,265	4,123,000	3,338,700	3,296,200
Additions	9,859	14,592	8,328	7,088
Fair value change	10,436	33,780	54,720	34,947
Straight-line rental adjustments	(773)	410	(748)	465
Translation differences	(9,958)	(59,517)	-	-
End of financial year/period	4,121,829	4,112,265	3,401,000	3,338,700

In determining the fair value, the independent external valuers have used valuation techniques that involve estimates or inputs. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The valuation reports are prepared in accordance with recognised appraisal and valuation standard.

The independent external valuers have used discounted cash flow analysis and capitalisation approach. The discounted cash flow analysis involves an assessment of the annual net income streams over an assumed investment horizon and discounting these net income streams with an internal rate of return. The capitalisation approach estimates the gross rent income at a mature sustainable basis from which total expenses have been deducted and net income capitalised at an appropriate rate. Details of valuation techniques and inputs used are disclosed in Note 24(h).

The net change in fair value of the investment properties has been recognised in the Statements of Total Return in accordance with the Group's accounting policies.

At 31 December 2023, investment properties with a carrying amount of approximately S$3,451 million (2022: S$3,453 million) are mortgaged to banks as security for the term loans (Note 9).

6. Subsidiaries

	Trust 2023 S$'000	Trust 2022 S$'000
Equity investments, at cost	3,816	3,816
Loan to a subsidiary – interest bearing	162,288	164,394
	166,104	168,210

The loan to a subsidiary is unsecured and the settlement is neither planned nor likely to occur in the foreseeable future.

The effective interest rate for the loan to a subsidiary is 2.71% per annum (2022: 2.71%).

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Effective Interests held by the Group 2023 %	Effective Interests held by the Group 2022 %
Held by the Trust			
PARAGON REIT (Investments) Pte. Ltd.[1]	Singapore	100	100
Held through subsidiaries			
Held by PARAGON REIT (Investments) Pte. Ltd.			
Orchard 290 Australia Trust[2]	Australia	100	100
Orchard 290 Marion Trust[4]	Australia	100	100
Marion Advertising Trust[4]	Australia	100	100
Held by Orchard 290 Australia Trust			
Orchard 290 MA Trust[2,3]	Australia	85	85
Held by Orchard 290 MA Trust			
Figtree Holding Trust[2,3]	Australia	85	85
Held by Figtree Holding Trust			
Figtree Trust[2,3]	Australia	85	85
Held by Orchard 290 Marion Trust			
Marion Sub Trust[4]	Australia	100	100

1 Audited by KPMG LLP Singapore
2 Exempted from statutory audit
3 Audited by KPMG LLP Australia in prior year
4 Audited by Ernst & Young LLP Australia

7. Trade and Other Receivables

	Group 2023 S$'000	Group 2022 S$'000	Trust 2023 S$'000	Trust 2022 S$'000
Non-current				
Amount owing by subsidiaries	-	-	377,697	377,665
Current				
Trade receivables	3,698	4,364	1,019	914
Impairment loss on trade receivables	(1,906)	(2,145)	-	(26)
	1,792	2,219	1,019	888
Amount owing by ultimate holding company	-	9	-	9
Amount owing by related parties	-	3	-	3
Other receivables	3,498	2,638	2,287	1,639
Deposits	62	445	62	445
Prepayments	920	689	256	96
	6,272	6,003	3,624	3,080

The amounts owing by subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand. The non-current amount is not expected to be repaid in the next 12 months.

The amounts owing by ultimate holding company and related parties were non-trade in nature, unsecured, interest free and repayable on demand.

Credit and market risks, and impairment losses

The Group's and the Trust's exposure to credit and currency risks, and impairment losses for trade and other receivables, are disclosed in Note 24.

8. Cash and Cash Equivalents

	Group 2023 S$'000	Group 2022 S$'000	Trust 2023 S$'000	Trust 2022 S$'000
Cash held as fixed bank deposit	85,178	60,000	85,178	60,000
Cash and bank balances	49,289	65,601	21,747	34,217
	134,467	125,601	106,925	94,217

Interest on cash and bank balances for the Group and Trust ranged from 0% to 5.10% (2022: 0% to 0.77%) and 0% to 3.43% (2022: 0% to 0.77%) per annum for the Group and the Trust respectively. The Group and the Trust's fixed bank deposits earn interest at rates ranging from 4.03% to 4.62% (2022: 4.22% to 4.33%) per annum.

9. Borrowings

	Group		Trust	
	2023	**2022**	**2023**	**2022**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Secured term loans	1,269,988	1,273,557	995,000	995,000
Less: Unamortised transaction costs	(1,299)	(1,930)	(807)	(1,111)
	1,268,689	1,271,627	994,193	993,889
Borrowings repayable:				
Within 1 year	223,042	94,974	114,968	94,974
Between 1 – 5 years	1,045,647	1,176,653	879,225	898,915
	1,268,689	1,271,627	994,193	993,889

The Group and the Trust secured term loans amounted to S$1.3 billion (2022: S$1.3 billion) and S$995 million (2022: S$995 million) respectively.

The exposure of the Group and the Trust to liquidity and interest rate risks related to interest-bearing borrowings are disclosed in Note 24.

Terms and debt repayment schedule

Terms and conditions of outstanding interest-bearing borrowings are as follows:

				2023		2022	
	Currency	**Weighted average nominal interest rate %**	**Year to maturity**	**Face value S$'000**	**Carrying amount S$'000**	**Face value S$'000**	**Carrying amount S$'000**
Group							
Floating rate loans	SGD	4.55	2024 – 2027	995,000	994,193	995,000	993,889
Floating rate loan	AUD	5.66	2024 – 2025	274,988	274,496	278,557	277,738
Trust							
Floating rate loans	SGD	4.55	2024 – 2027	995,000	994,193	995,000	993,889

The SGD term loan of S$995 million is secured, inter alia, by way of the following:
- First legal mortgage on Paragon (Note 5)
- Fixed and floating charges by way of debenture over the existing and future assets of Paragon (other than the excluded accounts)
- First legal charge over the tenancy account and sales proceeds account for Paragon
- Assignment of certain insurances taken in relation to Paragon

The AUD term loan balance of A$105 million and A$200 million is secured by way of mortgage on Figtree Grove Shopping Centre and Westfield Marion Shopping Centre respectively (Note 5).

In respect of bank borrowings, where appropriate, the Group's policy is to manage its interest rate risk exposure by entering into fixed rate loan and/or interest rate swaps over the duration of its borrowing. Accordingly, the Group entered into interest rate swap contracts to swap floating rates for fixed interest rates as part of their interest rate risk management. Under the interest rate swaps, the Group agreed with other parties to pay/receive at specified intervals, the difference between fixed rate and floating rate interest amounts calculated by reference to the agreed notional principal amounts.

9. Borrowings (cont'd)

As at 31 December 2023, the Group's and the Trust's loans hedged with interest rate swaps amounted to S$1,069 million (2022: S$1,071 million) and S$888 million (2022: S$888 million) respectively. The fixed interest rates of the Group and the Trust were from 2.60% to 5.43% (2022: 1.05% to 5.43%) and 3.39% to 4.84% (2022: 1.05% to 5.43%) per annum respectively. The floating rates of SGD term loans are referenced to Singapore overnight rate average (2022: Singapore dollar swap offer rate and Singapore overnight rate average) and repriced every three months. The floating rate of AUD term loan is referenced to Australian dollar bank bill swap rate and repriced every three months. The effective interest rates of the Group and the Trust as at the reporting date was 4.30% (2022: 2.05%) and 4.09% (2022: 1.80%) per annum respectively.

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

	Borrowings S$'000	Interest payable S$'000	Total S$'000
Group			
2023			
Beginning of financial year	1,271,627	3,943	1,275,570
Changes from financing cash flows			
Payment of transaction costs related to borrowing	(97)	-	(97)
Interest paid	-	(50,893)	(50,893)
Total changes from financing activities	(97)	(50,893)	(50,990)
Non-cash changes			
Finance costs	-	53,880	53,880
Amortisation of transaction costs	715	-	715
Translation differences	(3,556)	(22)	(3,578)
End of financial year	1,268,689	6,908	1,275,597
2022			
Beginning of financial period	1,293,054	2,585	1,295,639
Changes from financing cash flows			
Payment of transaction costs related to borrowing	(970)	-	(970)
Loan drawn down	95,751	-	95,751
Loan repayment	(95,751)	-	(95,751)
Interest paid	-	(33,210)	(33,210)
Total changes from financing activities	(970)	(33,210)	(34,180)
Non-cash changes			
Finance costs	-	34,568	34,568
Amortisation of transaction costs	994	-	994
Translation differences	(21,451)	-	(21,451)
End of financial period	1,271,627	3,943	1,275,570

10. Derivative Financial Instruments

	Group		Trust	
	Contract notional amount S$'000	Fair value amount* S$'000	Contract notional amount S$'000	Fair value amount* S$'000
2023				
Non-current assets				
- Cross currency interest-rate swaps	48,248	3,244	48,248	3,244
Cash flow hedge				
- Interest-rate swaps	105,000	500	105,000	500
Current assets				
Cash flow hedge				
- Interest-rate swaps	278,568	2,306	98,248	152
Non-current liabilities				
Cash flow hedge				
- Interest-rate swaps	535,000	(4,923)	535,000	(4,923)
Current liabilities				
Cash flow hedge				
- Interest-rate swaps	150,000	(515)	150,000	(515)
2022				
Non-current assets				
- Cross currency interest-rate swaps	48,248	3,021	48,248	3,021
Cash flow hedge				
- Interest-rate swaps	462,660	6,602	280,000	3,092
Current assets				
Cash flow hedge				
- Interest-rate swaps	425,000	3,150	425,000	3,150
Non-current liabilities				
Cash flow hedge				
- Interest-rate swaps	608,248	(3,294)	608,248	(3,294)

The cross currency interest-rate swaps and cross currency swaps will be collectively termed as "Cross currency interest-rate swaps".

10. Derivative Financial Instruments (cont'd)

The notional principal amounts of the outstanding cross currency interest-rate swaps, cross currency swaps and interest rate swap contracts and their corresponding fair values as at 31 December 2023 are:

	Group		Trust	
	2023	**2022**	**2023**	**2022**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Notional due:				
Within 1 year	428,568	425,000	248,248	425,000
Between 1 – 5 years	688,248	1,119,156	688,248	936,496
Total	1,116,816	1,544,156	936,496	1,361,496

* The fair values of cross currency interest-rate swaps, cross currency swaps and interest rate swap contracts had been calculated (using rates quoted by the Group's bankers) assuming the contracts are terminated at the reporting date. These interest rate swaps are contracted with counter-parties which are banks and financial institutions with acceptable credit ratings.

11. Trade and Other Payables

	Group		Trust	
	2023	**2022**	**2023**	**2022**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Non-current				
Deposits received	39,305	38,283	39,305	38,283
Current				
Trade payables	1,033	2,617	461	260
Amount owing to related parties	9,923	6,112	9,923	6,112
Other payables	9,148	6,805	7,276	5,266
Accrued expense	10,366	18,491	8,248	11,065
Interest payable	6,908	3,943	6,185	3,250
Deposits received	16,957	15,115	16,938	15,106
Collections in advance	5,932	4,249	3,396	3,505
Goods and services tax payable	3,168	3,055	2,672	2,798
Withholding tax payable	621	1,995	-	305
	64,056	62,382	55,099	47,667

The amount owing to related parties is trade in nature, unsecured, interest-free and repayable on demand.

12. Deferred tax liabilities

Deferred tax liabilities are attributable to the following:

	Group and Trust	
	2023	**2022**
	S$'000	**S$'000**
Investment properties	-	2,206

Movement in temporary differences during the year/period:

	Group and Trust	
	2023	**2022**
	S$'000	**S$'000**
<u>Investment properties</u>		
Beginning of financial year/period	2,206	2,206
Recognised in the Statements of Total Return	(2,206)	-
Beginning of financial year/period	-	2,206

13. Perpetual Securities Holders' Fund

On 30 August 2019, the Trust issued S$300.0 million of subordinated perpetual securities at a rate of 4.10% per annum, with the first distribution rate reset falling on 30 August 2024 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 is payable semi-annually at the discretion of the Trust and is non-cumulative. Accordingly, the perpetual securities are classified as equity. The expenses relating to the issue of the perpetual securities are deducted against the proceeds from the issue.

The perpetual securities are classified as equity instruments and recorded within the Group's and Trust's Statements of Financial Position. As at 31 December 2023, the S$302.0 million (2022: S$302.0 million) presented in the Statements of Financial Position represents the carrying value of the S$300.0 million (2022: S$300.0 million) perpetual securities issued, net of issue costs and includes the amount reserved for distribution to the perpetual securities holders as at year-end.

14. Non-Controlling Interests

The Group only had one subsidiary, Moelis Australia Trust, with non-controlling interest of 15%. The non-controlling interest is not material to the Group.

15. Units in Issue

	Group and Trust 2023 Number of Units '000	Group and Trust 2022 Number of Units '000
Units in issue		
Beginning of financial year/period	2,810,851	2,785,164
- Manager's fee paid in units	22,577	25,687
End of financial year/period	2,833,428	2,810,851

During the financial year, the Trust issued 22,576,952 (16 months from 1 Sep 2021 to 31 Dec 2022: 25,686,735) new units at the issue price range of S$0.8501 to S$0.9419 (2022: S$0.8515 to S$1.0136 per unit), in respect of the payment of management fees to the Manager in units. The issue prices were determined based on the volume weighted average traded price for all trades done on SGX-ST in the ordinary course of trading for the last 10 business days of the relevant quarter on which the fees accrued.

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 to it of any assets (or part thereof) or of any estate or interest in any asset (or part thereof) of the Trust; and
- 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.

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 for indemnifying the Trustee or any creditor of the Trustee in the event that the liabilities of the Trust exceed its assets.

16. Capital and Other Commitments

(a) Commitments for capital expenditure

	Group		Trust	
	2023	**2022**	**2023**	**2022**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Authorised and contracted for				
- investment properties	5,388	2,356	643	576

(b) Operating lease commitments – where the Group and the Trust is a lessor

The Group and the Trust leases retail space to third parties under non-cancellable operating lease agreements with varying terms, escalation clauses and renewal rights.

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date and excluding prevailing market rent adjustments.

	Group	**Trust**
	S$'000	**S$'000**
2023		
Less than one year	257,937	209,739
One to two years	196,937	159,454
Two to three years	133,408	101,799
Three to four years	65,889	38,341
Four to five years	28,148	5,847
More than five years	75,774	283
Total	758,093	515,463
2022		
Less than one year	236,024	193,198
One to two years	171,555	139,794
Two to three years	102,301	77,996
Three to four years	54,041	34,214
Four to five years	32,998	15,853
More than five years	60,670	4,657
Total	657,589	465,712

17. Gross Revenue

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Rental income[1,2]	274,366	357,089	213,130	275,222
Car park income	6,487	8,922	6,486	8,922
Other income	8,073	10,400	3,241	2,061
	288,926	376,411	222,857	286,205

[1] Included in prior year, rental assistance of approximately S$3.6 million for eligible tenants to cushion the impact of the COVID-19 pandemic for the period ended 31 December 2022.
[2] Includes service charges and advertising and promotion fees of approximately S$25.9 million (2022: S$33.9 million).

18. Property Operating Expenses

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Property tax	22,938	30,495	19,254	25,355
Maintenance and utilities	29,329	37,250	17,277	21,078
Property management fees	12,474	16,259	8,942	11,380
Marketing	3,220	5,053	3,107	4,892
Reimbursements paid to the Property Manager	4,560	6,194	4,560	6,194
Others	1,336	1,231	593	903
	73,857	96,482	53,733	69,802

Reimbursements paid to the Property Manager in respect of agreed employee expenditure incurred by the Property Manager for providing its services as provided for in the Property Management Agreement. There are no employees on the Group's payroll as its daily operations and administrative functions are provided by the Manager and the Property Manager.

19. Manager's Management Fees

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Base fee	10,491	14,141	10,491	14,141
Performance fee	10,717	13,830	10,717	13,830
	21,208	27,971	21,208	27,971

20. Trust Expenses

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Audit fees paid to:				
- auditors of the Trust	436	456	431	372
- other auditors	112	119	-	-
Non-audit fees paid to:				
- auditors of the Trust	173	94	165	91
- other auditors	8	8	-	-
Impairment loss/(written back) on trade receivables	182	732	3	(124)
Valuation expense	180	287	88	128
Consultancy and other professional fees	212	1,001	212	1,001
Other expenses	971	921	740	665
	2,274	3,618	1,639	2,133

21. Finance Costs

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Interest on borrowing	60,285	38,223	45,380	27,374
Amortisation of upfront fee for loan facility	715	994	400	582
Other financial expenses	75	93	73	93
Cash flow hedges – reclassified from Unitholders' Funds	(6,480)	(3,748)	(5,117)	(4,096)
	54,595	35,562	40,736	23,953

22. Income Tax

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Deferred tax expense				
- Origination and reversal of temporary differences	(2,206)	-	(2,206)	-
Withholding tax	2,562	3,688	415	599
	356	3,688	(1,791)	599

22. Income tax (cont'd)

The income tax expense on return for the financial year varies from the amount of income tax determined by applying the Singapore standard rate of income tax to total return for the year due to the following factors:

	Group		Trust	
	12 months 1 Jan 2023 to 31 Dec 2023 S$'000	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**	**12 months 1 Jan 2023 to 31 Dec 2023 S$'000**	**16 months 1 Sep 2021 to 31 Dec 2022 S$'000**
Total return for the year/period	147,203	247,187	184,142	226,464
Tax calculated at tax rate of 17% (2022: 17%)	25,025	42,022	31,304	38,499
Expenses not deductible for tax purposes	1,745	3,234	3,243	6,703
Income not subject to tax due to tax transparency	(21,214)	(30,492)	(21,214)	(30,492)
Other income not subject to tax	(7,762)	(14,764)	(15,539)	(14,710)
Withholding tax	2,562	3,688	415	599
	356	3,688	(1,791)	599

23. Earnings per Unit

Basic and diluted Earnings per Unit are based on:

	Group		Trust	
	2023 S$'000	**2022 S$'000**	**2023 S$'000**	**2022 S$'000**
Total return for the year/period after tax attributable to Unitholders of the Trust (S$'000)	136,007	225,602	173,633	209,454
Weighted average number of Units ('000)	2,833,680	2,811,343	2,833,680	2,811,343
Basic and diluted Earnings per Unit (cents)	4.80	8.02	6.13	7.45

Diluted earnings per Unit is the same as the basic earnings per Unit as there are no dilutive instruments in issue during the year.

24. Financial Risk Management

The Group's activities expose it to a variety of financial risks, particularly market risk (including interest rate risk and currency risk), credit risk and liquidity risk. Where appropriate, the Group's risk management policies seek to minimise potential adverse effects of these risks on the financial performance of the Group.

Matters pertaining to risk management strategies and execution require the decision and approval of the Board of Directors of the Manager. This is supported by a sound system of risk management and internal controls to manage the risks to acceptable levels. The Manager regularly reviews the risk management policies and adequacy of risk-mitigating measures to reflect changes in market conditions and the Group's activities.

The policies for managing these risks are summarised below.

(a) Interest rate risk

The Group determines the existence of an economic relationship between the hedging instrument and hedged item based on the reference interest rates, tenors, repricing dates and maturities and the notional or par amounts. If a hedging relationship is directly affected by uncertainty arising from interest rate benchmark reform, then the Group assumes for this purpose that the benchmark interest rate is not altered as a result of interest rate benchmark reform.

The Group assesses whether the derivative designated in each hedging relationship is expected to be effective in offsetting changes in cash flows of the hedged item using the hypothetical derivative method.

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

- the effect of the counterparty and the Group's own credit risk on the fair value of the swaps, which is not reflected in the change in the fair value of the hedged cash flows attributable to the change in interest rates; and
- differences in repricing dates between the swaps and the borrowings.

Hedging relationships that are impacted by interest rate benchmark reform may experience ineffectiveness because of a timing mismatch between the hedged item and the hedging instrument regarding interest rate benchmark reform transition. For further details, see 'Managing interest rate benchmark reform and associated risks' below.

Managing interest rate benchmark reform and associated risks

Overview

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates (referred to as 'IBOR reform'). The Group has exposures to SOR on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. In Singapore, the Steering Committee for SOR and SIBOR transition to SORA (SC-STS) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has identified the Singapore Overnight Rate Average (SORA) as the alternative interest rate benchmark to replace SIBOR and SOR in Singapore. The timeline for SORA to replace SOR and SIBOR is by the end of June 2023 and December 2024 respectively. In 2023, the Group had completed its amendments to its financial instruments with contractual terms indexed to SOR such that they incorporate the new benchmark rate (i.e. SORA).

24. Financial Risk Management (cont'd)

(a) Interest rate risk (cont'd)

Managing interest rate benchmark reform and associated risks (cont'd)

Non-derivative financial liabilities

Historically, the Group's IBOR exposures to non-derivative financial liabilities included secured bank loans and unsecured bond issues indexed to SOR. the Group has modified its non-derivatives financial liabilities indexed to SOR to reference SORA during the year ended 31 December 2022 and 2023.

Derivatives

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

Hedge accounting

The Group's hedged items and hedging instruments as at the reporting date are indexed to SORA. The benchmark rates are quoted each day and the cash flows are exchanged with its counterparties as usual.

The Group replaced its SOR interest rate derivatives used in cash flow hedging relationships with economically equivalent interest rate derivatives referencing SORA in 2022. Therefore, there is no longer uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. As a result, the Group no longer applies the Phase 1 Amendments to FRS 109 on Interest Rate Benchmark Reform to those hedging relationships.

24. Financial Risk Management (cont'd)

(a) Interest rate risk (cont'd)

Exposure to interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group has cash balances placed with reputable banks and financial institutions which generate interest income for the Group. The Group manages its interest rate risks by placing such balances on varying maturities and interest rate terms.

The Group's debt comprises mainly bank borrowing to finance the acquisition of its investment properties. Where appropriate, the Group seeks to mitigate its cash flow interest rate risk exposure by entering into fixed rate loan as well as interest rate swap contract to swap floating interest rate for fixed interest rate over the duration of its borrowing. The Group's borrowings are denominated in SGD and AUD.

Movements in interest rates will therefore have an impact on the Group. If the interest rate change 0.50% (2022: 0.50%) with all other variables being held constant, the annual total return and hedging reserve will change by the amounts shown below as a result of the change in interest expense and fair value of interest rate swaps respectively:

	Statements of Total Return		**Hedging Reserve**	
	Increase S$'000	**Decrease S$'000**	**Increase S$'000**	**Decrease S$'000**
Group				
2023				
Borrowings	(1,007)	1,007	-	-
Interest rate swap	-	-	6,538	(6,601)
	(1,007)	1,007	6,538	(6,601)
2022				
Borrowings	(1,013)	1,013	-	-
Interest rate swap	-	-	11,250	(11,411)
	(1,013)	1,013	11,250	(11,411)
Trust				
2023				
Borrowings	(534)	534	-	-
Interest rate swap	-	-	5,885	(5,944)
	(534)	534	5,885	(5,944)
2022				
Borrowings	(534)	534	-	-
Interest rate swap	-	-	9,743	(9,886)
	(534)	534	9,743	(9,886)

24. Financial Risk Management (cont'd)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, thereby resulting in financial loss to the Group. For trade receivables, the Group manages its credit risk through prior assessment of business proposition and credit standing of tenants, and monitoring procedures. Where appropriate, the Group obtains collateral in the form of deposits, and bankers'/insurance guarantees from its tenants. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties. As such, management has determined the credit quality of the tenants to be of acceptable risk.

The maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the Statements of Financial Position which comprise mainly trade receivables, and cash balances placed with banks. As at the reporting date, the Group has no significant concentration of credit risks. As at 31 December 2023 and 31 December 2022, majority of the trade receivables were backed by bankers'/insurance guarantees and/or deposits from tenants.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	Group		Trust	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Trade and other receivables, exclude prepayments (Note 7)	5,352	5,314	381,065	380,649
Cash and cash equivalents	134,467	125,601	106,925	94,217
	139,819	130,915	487,990	474,866

Impairment losses

Expected credit loss assessment for individual tenants as at 31 December 2023 and 31 December 2022

The Group uses an allowance matrix to measure the ECLs of trade receivables from individual tenants, which comprises a very large number of balances.

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

24. Financial Risk Management (cont'd)

(b) Credit risk (cont'd)

Impairment losses (cont'd)

The following table provides information about the exposure to credit risk for trade receivables for individual tenants at the reporting date:

	2023		**2022**	
	Gross carrying amount S$'000	**Impairment loss allowance S$'000**	**Gross carrying amount S$'000**	**Impairment loss allowance S$'000**
Group				
Current (not past due)	262	-	63	-
Past due 1 to 30 days	1,218	-	1,065	-
Past due 31 to 60 days	237	(180)	414	(125)
Past due 61 to 90 days	64	(19)	137	(8)
Past due over 90 days	1,917	(1,707)	2,685	(2,012)
	3,698	(1,906)	4,364	(2,145)
Trust				
Current (not past due)	-	-	-	-
Past due 1 to 30 days	807	-	681	-
Past due 31 to 60 days	125	-	143	-
Past due 61 to 90 days	10	-	8	-
Past due over 90 days	77	-	82	(26)
	1,019	-	914	(26)

Except for the above impairment loss, the Manager believes that no additional allowance for impairment is required in respect of trade receivables as these receivables mainly arose from tenants that have a good track record with the Group, and the Group has sufficient security deposits as collateral, and hence ECL is not material.

Movements in allowance for impairment in respect of trade receivables

	Group		**Trust**	
	2023 S$'000	**2022 S$'000**	**2023 S$'000**	**2022 S$'000**
Beginning of financial year/period	2,145	8,022	26	544
Impairment loss/(written back) recognised	182	732	3	(124)
Amount written-off	(392)	(5,920)	(29)	(394)
Translation differences	(29)	(689)	-	-
End of financial year/period	1,906	2,145	-	26

24. Financial Risk Management (cont'd)

(b) Credit risk (cont'd)

Impairment losses (cont'd)

Non-trade amounts owing by subsidiaries

The Trust has non-trade receivables from its subsidiaries of S$377,697,000 (2022: S$377,665,000). These balances are amounts lent to subsidiaries to satisfy their funding requirements. Based on an assessment of qualitative and quantitative factors that are indicative of the risk of default, these exposures are considered to have low credit risk. Therefore, impairment on these balances has been measured on the 12-month expected credit loss basis; and the amount of the allowance is insignificant.

Derivatives

The derivatives are entered into with bank and financial institution counterparties, which are rated A to AA-, based on Standard & Poor's ratings.

Cash and cash equivalents

Cash and fixed deposits are placed with financial institutions which are regulated. The Group and the Trust held cash and cash equivalents of S$134,467,000 (2022: S$125,601,000) and S$106,925,000 (2022: S$94,217,000) respectively at 31 December 2023. The cash and cash equivalents are held with bank and financial institution counterparties which are rated A to AA-, based on Standard & Poor's ratings.

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

(c) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting obligations associated with financial liabilities. To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents to finance the Group's operations and mitigate the effects of fluctuation in cash flows. The Group ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations. As at 31 December 2023, the Group has undrawn and committed long-term revolving credit facilities of up to S$225 million (2022: S$225 million) to cover the net current liabilities of the Group of approximately S$144.6 million (2022: S$22.6 million), as well as cash and cash equivalents of approximately S$134.5 million (2022: S$125.6 million).

In addition, the Group also monitors and observes the Property Fund Appendix issued by MAS concerning limits on total borrowings.

24. Financial Risk Management (cont'd)

(c) Liquidity risk (cont'd)

The table below analyses the maturity profile of the Group's financial liabilities (including derivative financial instruments) based on contractual undiscounted cash flows.

	Less than 1 year S$'000	**Between 1 and 2 years S$'000**	**Between 2 and 5 years S$'000**	**Over 5 years S$'000**
Group				
2023				
Net-settled interest rate swap	(1,539)	(3,622)	(353)	-
Cross currency swaps				
- Outflow	-	-	(44,629)	-
- Inflow	-	-	48,248	-
Trade and other payables *	(54,335)	(11,704)	(27,601)	-
Borrowings	(281,356)	(490,023)	(624,160)	-
	(337,230)	(505,349)	(648,495)	-
2022				
Net-settled interest rate swap	761	(1,838)	(2,204)	-
Cross currency swaps				
- Outflow	-	-	(45,208)	-
- Inflow	-	-	48,248	-
Trade and other payables *	(53,083)	(16,434)	(21,847)	(2)
Borrowings	(150,633)	(285,961)	(1,022,462)	-
	(202,955)	(304,233)	(1,043,473)	(2)
Trust				
2023				
Net-settled interest rate swap	(1,539)	(3,622)	(353)	-
Cross currency swaps				
- Outflow	-	-	(44,629)	-
- Inflow	-	-	48,248	-
Trade and other payables *	(49,031)	(11,704)	(27,601)	-
Borrowings	(158,031)	(314,473)	(624,160)	-
	(208,601)	(329,799)	(648,495)	-
2022				
Net-settled interest rate swap	761	(1,838)	(2,204)	-
Cross currency swaps				
- Outflow	-	-	(45,208)	-
- Inflow	-	-	48,248	-
Trade and other payables *	(41,059)	(16,434)	(21,847)	(2)
Borrowings	(136,646)	(152,349)	(829,128)	-
	(176,944)	(170,621)	(850,139)	(2)

* Excludes collections in advance, Goods and services tax payable and withholding tax payable

24. Financial Risk Management (cont'd)

(d) Currency risk

The Group is exposed to currency risk on distributions from its Australia operations. As at the reporting date, the Group had entered into cross currency swap contracts with a total notional amount of S$48,248,000 (2022: S$48,248,000) whereby the Group agreed with counterparties to repay its loan interests and principals in Australian Dollar ("AUD") in exchange of receiving Singapore Dollar in return at specified rates, on specified dates.

At the reporting date, the exposure to currency risk is as follows:

	Group		Trust	
	2023 AUD S$'000	2022 AUD S$'000	2023 AUD S$'000	2022 AUD S$'000
Loan to a subsidiary (Note 6)	-	-	162,288	164,394
Cash and cash equivalents	7,732	7,875	7,732	7,875
Statements of Financial Position exposure	7,732	7,875	170,020	172,269
Add: Effect of cross currency swaps	48,248	48,248	48,248	48,248
Less: Cross currency swaps designated for net investment hedge	(48,248)	(48,248)	-	-
Net exposure	7,732	7,875	218,268	220,517

Sensitivity analysis

A 5% strengthening (weakening) of the Singapore Dollar against Australian Dollar would increase/(decrease) total return (before any tax effects) by the amounts shown below. This analysis assumes that all other variables remain constant.

	Group		Trust	
	2023 S$'000	2022 S$'000	2023 S$'000	2022 S$'000
Statements of Total Return				
5% strengthening	387	394	10,913	11,026
5% weakening	(387)	(394)	(10,913)	(11,026)

24. Financial Risk Management (cont'd)

(e) Offsetting financial assets and liabilities

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

	Gross amount of recognised financial instruments S$'000	Gross amount of recognised financial instruments offset in the Statements of Financial Position S$'000	Net amount of financial instruments presented in the Statements of Financial Position S$'000	Related amount not offset in the Statements of Financial Position S$'000	Net amount S$'000
2023					
Group					
Financial Assets					
Cross currency interest-rate swaps	3,244	-	3,244	-	3,244
Interest rate swaps	2,806	-	2,806	-	2,806
Financial Liabilities					
Interest rate swaps	(5,438)	-	(5,438)	-	(5,438)
Trust					
Financial Assets					
Cross currency interest-rate swaps	3,244	-	3,244	-	3,244
Interest rate swaps	652	-	652	-	652
Financial Liabilities					
Interest rate swaps	(5,438)	-	(5,438)	-	(5,438)
2022					
Group					
Financial Assets					
Cross currency interest-rate swaps	3,021	-	3,021	-	3,021
Interest rate swaps	9,752	-	9,752	-	9,752
Financial Liabilities					
Interest rate swaps	(3,294)	-	(3,294)	-	(3,294)
Trust					
Financial Assets					
Cross currency interest-rate swaps	3,021	-	3,021	-	3,021
Interest rate swaps	6,242	-	6,242	-	6,242
Financial Liabilities					
Interest rate swaps	(3,294)	-	(3,294)	-	(3,294)

24. Financial Risk Management (cont'd)

(f) Hedge Accounting

Cash flow hedges

As at 31 December 2023, the Group and the Trust held the following instruments to hedge exposures to changes in interest rate.

	Within 1 year	Maturity Within 2 to 5 years	More than 5 years
2023			
Group			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	428,568	640,000	-
Average fixed interest rate	3.95%	4.22%	-
Cross currency interest rate swaps			
Net exposure (in S$'000)	-	48,248	-
Average fixed interest rate	-	5.43%	-
Trust			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	248,248	640,000	-
Average fixed interest rate	4.64%	4.22%	-
Cross currency interest rate swaps			
Net exposure (in S$'000)	-	48,248	-
Average fixed interest rate	-	5.43%	-
2022			
Group			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	425,000	1,070,908	-
Average fixed interest rate	1.06%	4.03%	-
Cross currency interest rate swaps			
Net exposure (in S$'000)	-	48,248	-
Average fixed interest rate	-	5.43%	-
Trust			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	425,000	888,248	-
Average fixed interest rate	1.06%	4.25%	-
Cross currency interest rate swaps			
Net exposure (in S$'000)	-	48,248	-
Average fixed interest rate	-	5.43%	-

24. Financial Risk Management (cont'd)

(f) Hedge Accounting (cont'd)

Cash flow hedges (cont'd)

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

	2023			During the year - 2023						
	Nominal amount S$'000	**Carrying amount (assets) S$'000**	**Carrying amount (liabilities) S$'000**	**Line item in the Statements of Financial Position where the hedging instrument is included**	**Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2023 S$'000**	**Hedging (gains) or losses recognised in Unitholder's Fund S$'000**	**Hedge ineffectiveness recognised in Statements of Total Return S$'000**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amounts reclassified from Hedging Reserve to Statements of Total Return S$'000**	**Line item in profit or loss affected by the reclassification**
Group										
Interest rate swaps	1,068,568	2,806	(5,438)	Derivative financial instruments	2,503	2,503	-	Not applicable	6,480	Finance costs
Trust										
Interest rate swaps	888,248	652	(5,438)	Derivative financial instruments	2,618	2,618	-	Not applicable	5,117	Finance costs

24. Financial Risk Management (cont'd)

(f) Hedge Accounting (cont'd)

Cash flow hedges (cont'd)

	2022				During the period - 2022					
	Nominal amount S$'000	**Carrying amount (assets) S$'000**	**Carrying amount (liabilities) S$'000**	**Line item in the Statements of Financial Position where the hedging instrument Included**	**Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2022 S$'000**	**Hedging (gains) or losses recognised in Unitholder's Fund S$'000**	**Hedge ineffectiveness recognised in Statements of Total Return S$'000**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amounts reclassified from Hedging Reserve to Statements of Total Return S$'000**	**Line item in profit or loss affected by the reclassification**
Group										
Cross currency interest rate swap	48,248	-	-	Derivative financial instruments	(563)	(563)	-	Not applicable	(1,019)	Finance costs
Interest rate swaps	1,495,908	9,752	(3,294)	Derivative financial instruments	(14,235)	(14,235)	-	Not applicable	4,767	Finance costs
Trust										
Cross currency interest rate swap	48,248	-	-	Derivative financial instruments	(563)	(563)	-	Not applicable	(1,019)	Finance costs
Interest rate swaps	1,313,248	6,242	(3,294)	Derivative financial instruments	(9,112)	(9,112)	-	Not applicable	5,115	Finance costs

24. Financial Risk Management (cont'd)

(f) Hedge Accounting (cont'd)

Net investment hedge

A foreign currency exposure arises from the Group's net investment in its subsidiary in Australia that has a AUD functional currency. The risk arises from the fluctuation in spot exchange rates between the AUD and the SGD, which causes the amount of the net investment to vary.

The hedged risk in the net investment hedges is the risk of a weakening AUD against the SGD that will result in a reduction in the carrying amount of the Group's net investment in its subsidiary in Australia.

Part of the Group's net investment is hedged through the use of AUD denominated cross currency interest rate swaps. The Group entered into cross currency interest rate swaps to swap fixed rate SGD loans for fixed rate AUD obligations.

24. Financial Risk Management (cd)

(f) Hedge Accounting (cont'd)

Net investment hedge (cont'd)

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

	2023			During the year - 2023					
Group	**Nominal amount S$'000**	**Carrying amount (assets) S$'000**	**Line item in the Statements of Financial Position where the hedging instrument included**	**Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2023 S$'000**	**Hedging (gains) or losses recognised in Unitholder's Fund S$'000**	**Hedge ineffectivenes s recognised in Statements of Total Return S$'000**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amounts reclassified from Hedging Reserve to Statements of Total Return S$'000**	**Line item in profit or loss affected by the reclassification**
Cross currency swaps	48,248	3,244	Derivative financial instruments	223	223	-	Net foreign currency exchange differences	-	Not applicable

	2022			During the period - 2022					
Group	**Nominal amount S$'000**	**Carrying amount (assets) S$'000**	**Line item in the Statements of Financial Position where the hedging instrument is included**	**Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2022 S$'000**	**Hedging (gains) or losses recognised in Unitholder's Fund S$'000**	**Hedge ineffectivenes s recognised in Statements of Total Return $'000**	**Line item in profit or loss that includes hedge ineffectiveness**	**Amounts reclassified from Hedging Reserve to Statements of Total Return S$'000**	**Line item in profit or loss affected by the reclassification**
Cross currency swaps	48,248	3,021	Derivative financial instruments	(2,986)	(2,477)	(509)	Net foreign currency exchange differences	-	Not applicable

24. Financial Risk Management (cont'd)

(f) Hedge Accounting (cont'd)

Net investment hedge (cont'd)

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

	2023	During the year - 2023	
	Change in value of the hedged item used for calculating hedge ineffectiveness S$'000	**Foreign currency translation reserve S$'000**	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied S$'000**
AUD net investment	(1,014)	(3,244)	-

	2022	During the period - 2022	
	Change in value of the hedged item used for calculating hedge ineffectiveness S$'000	**Foreign currency translation reserve S$'000**	**Balances remaining in the foreign currency translation reserve from hedging relationships for which hedge accounting is no longer applied S$'000**
AUD net investment	(3,998)	(2,477)	-

24. Financial Risk Management (cont'd)

(g) Capital management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise unitholders' value. In order to maintain or achieve an optimal capital structure, the Group may issue new units or obtain new borrowings.

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

As at reporting date, the Group has a gearing of 29.6% (2022: 29.8%), and is in compliance with the Aggregate Leverage limit of 50% (2022: 50%).

(h) Fair value measurements

Fair value hierarchy

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

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

	Level 1	Level 2	Level 3	Total
	S$'000	S$'000	S$'000	S$'000
Group				
2023				
Assets				
Investment properties	-	-	4,121,829	4,121,829
Derivative financial instruments	-	6,050	-	6,050
Liabilities				
Derivative financial instruments	-	(5,438)	-	(5,438)
2022				
Assets				
Investment properties	-	-	4,112,265	4,112,265
Derivative financial instruments	-	12,773	-	12,773
Liabilities				
Derivative financial instruments	-	(3,294)	-	(3,294)

24. Financial Risk Management (cont'd)

(h) Fair value measurements (cont'd)

<u>Fair value hierarchy (cont'd)</u>

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Trust				
2023				
Assets				
Investment properties	-	-	3,401,000	3,401,000
Derivative financial instruments	-	3,896	-	3,896
Liabilities				
Derivative financial instruments	-	(5,438)	-	(5,438)
2022				
Assets				
Investment properties	-	-	3,338,700	3,338,700
Derivative financial instruments	-	9,263	-	9,263
Liabilities				
Derivative financial instruments	-	(3,294)	-	(3,294)

<u>Level 2</u>
The fair value of interest rate swap contracts and cross currency swap contracts (which are not traded in an active market) is determined from information provided by financial institutions using valuation techniques with observable inputs that are based on market information existing at each reporting date.

<u>Level 3</u>
The valuation for investment properties is determined by independent professional valuers with appropriate professional qualifications and experience in the locations and category of the properties being valued. The valuation is generally sensitive to the various unobservable inputs tabled below. Management reviews the appropriateness of the valuation methodologies and assumptions adopted and address any significant issues that may arise.

Description	Valuation technique(s)	Significant unobservable inputs	Inter-relationship between significant unobservable inputs and fair value measurement
Investment properties	**Discounted cash flow**	Discount rate 6.50% - 8.00% (2022: 6.50% to 8.00%) Terminal Yield 4.00% to 6.75% (2022: 4.00% to 6.50%)	Significant reduction in the capitalisation rate, discount rate and/or terminal yield in isolation would result in a significantly higher fair value of the investment properties.

24. Financial Risk Management (cont'd)

(h) Fair value measurements (cont'd)

Fair value hierarchy (cont'd)

Description	**Valuation technique(s)**	**Significant unobservable inputs**	**Inter-relationship between significant unobservable inputs and fair value measurement**
Investment properties	**Income capitalisation**	Capitalisation rate 3.75% to 6.50% (2022: 3.75% to 6.00%) Market rent S$60.61 psf to S$232.16 psf (2022: S$60.37 psf to S$236.70 psf)	Significant reduction in the market rent rates in isolation would result in a significantly lower fair value of the investment properties

Key unobservable inputs correspond to:

- Discount rate, based on the risk-free rate for 10-year bonds issued by the Singapore government, adjusted for a risk premium to reflect the increased risk of investing in the asset class;
- Terminal yield reflects the uncertainty, functional/economic obsolescence and the risk associated with the investment properties;
- Capitalisation rate correspond to a rate of return on investment properties based on the expected income that the property will generate; and
- Market rent rate reflects the expected income that the property will generate.

Movement in Level 3 financial instruments for the financial year is as shown in investment properties (Note 5).

Fair value

The basis for fair value measurement of financial assets and liabilities is set out above. The fair values of other financial assets and liabilities approximate their carrying amounts.

24. Financial Risk Management (cont'd)

(i) Financial instruments by category

Group	Fair value – hedging instruments S$'000	Amortised cost S$'000	Other financial liabilities S$'000	Total S$'000
2023				
Assets				
Trade and other receivables [1]	-	5,352	-	5,352
Derivative financial instruments	6,050	-	-	6,050
Cash and cash equivalents	-	134,467	-	134,467
	6,050	139,819	-	145,869
Liabilities				
Trade and other payables [2]	-	-	(93,640)	(93,640)
Borrowings	-	-	(1,268,689)	(1,268,689)
Derivative financial instruments	(5,438)	-	-	(5,438)
	(5,438)	-	(1,362,329)	(1,367,767)
2022				
Assets				
Trade and other receivables [1]	-	5,314	-	5,314
Derivative financial instruments	12,773	-	-	12,773
Cash and cash equivalents	-	125,601	-	125,601
	12,773	130,915	-	143,688
Liabilities				
Trade and other payables [2]	-	-	(91,366)	(91,366)
Borrowings	-	-	(1,271,627)	(1,271,627)
Derivative financial instruments	(3,294)	-	-	(3,294)
	(3,294)	-	(1,362,993)	(1,366,287)

[1] Excludes prepayments
[2] Excludes collections in advance, Goods and services tax payable and withholding tax payable

24. Financial Risk Management (cont'd)

(i) Financial instruments by category (cont'd)

	Fair value – hedging instruments S$'000	Amortised cost S$'000	Other financial liabilities S$'000	Total S$'000
Trust				
2023				
Assets				
Trade and other receivables [1]	-	381,065	-	381,065
Derivative financial instruments	3,896	-	-	3,896
Cash and cash equivalents	-	106,925	-	106,925
	3,896	487,990	-	491,886
Liabilities				
Trade and other payables [2]	-	-	(88,336)	(88,336)
Borrowings	-	-	(994,193)	(994,193)
Derivative financial instruments	(5,438)	-	-	(5,438)
	(5,438)	-	(1,082,529)	(1,087,967)
2022				
Assets				
Trade and other receivables [1]	-	380,649	-	380,649
Derivative financial instruments	9,263	-	-	9,263
Cash and cash equivalents	-	94,217	-	94,217
	9,263	474,866	-	484,129
Liabilities				
Trade and other payables [2]	-	-	(79,342)	(79,342)
Borrowings	-	-	(993,889)	(993,889)
Derivative financial instruments	(3,294)	-	-	(3,294)
	(3,294)	-	(1,073,231)	(1,076,525)

[1] Excludes prepayments
[2] Excludes collections in advance, Goods and services tax payable and withholding tax payable

25. Related Parties Transactions

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 parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group is subject to common significant influence. Related parties may be individuals or other entities. The Manager (PARAGON REIT Management Pte. Ltd.) and the Property Manager (Straits Retail Property Management Services Pte. Ltd.) are subsidiaries of a substantial Unitholder of the Group.

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

	Group	
	2023 S$'000	**2022 S$'000**
Manager's management fees paid to a related company	21,208	27,971
Property management fees paid/payable to a related company	8,942	11,380
Investment management fees paid/payable to non-controlling interests	2,777	3,885
Trustee's fees paid/payable to the Trustee	570	767
Staff reimbursements paid/payable to a related company	4,560	6,194
Rental and other income received/receivable from related companies	3,396	3,031
Other expenses paid/payable to related companies	1,790	2,070

26. Operating Segments

For the purpose of making resource allocation decisions and the assessment of segment performance, the management of the Manager reviews internal/management reports of its investment properties. This forms the basis of identifying the operating segments of the Group.

Segment revenue comprises mainly of income generated from each segment's tenants. Segment net property income represents the income earned by each segment after deducting property operating expenses. This is the measure reported to the management for the purpose of assessment of segment performance. In addition, the management monitors the non-financial assets as well as financial assets attributable to each segment when assessing segment performance.

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 management fees, Group expenses, finance income and finance expenses.

	Paragon S$'000	**The Clementi Mall S$'000**	**The Rail Mall S$'000**	**Figtree Grove S$'000**	**Westfield Marion[1] S$'000**	**Total S$'000**
2023						
Result						
Gross revenue	172,296	44,152	6,409	14,785	51,284	288,926
Property operating expenses	(39,906)	(12,633)	(1,193)	(4,091)	(16,034)	(73,857)
Segment net property income	132,390	31,519	5,216	10,694	35,250	215,069

26. Operating Segments (cont'd)

	Paragon S$'000	The Clementi Mall S$'000	The Rail Mall S$'000	Figtree Grove S$'000	Westfield Marion[1] S$'000	Total S$'000
2023						
Unallocated amounts:						
Manager's management fees						(21,208)
Investment management fees						(2,777)
Trustee's fee						(591)
Other Group expenses						(2,274)
Finance income						3,957
Finance costs						(54,595)
Net income						137,581
Net foreign currency exchange differences						(814)
Fair value change on investment properties	44,449	10,605	(334)	(14,171)	(30,113)	10,436
Total return for the financial year before taxes and distribution						147,203
Less: income tax						(356)
Total loss for the financial year after taxes and before distribution						146,847
Segment assets	2,730,071	609,030	62,004	168,599	552,230	4,121,934
Segment assets includes:						
- Plant and equipment	71	30	4	-	-	105
- Investment properties	2,730,000	609,000	62,000	168,599	552,230	4,121,829
Unallocated assets						146,789
Total assets						4,268,723
Segment liabilities	42,761	11,789	1,693	-	19	56,262
Unallocated liabilities:						
- Borrowings						1,268,689
- Others						52,537
Total liabilities						1,377,488
Other information						
Additions to:						
- Plant and equipment	49	13	-	-	-	62
- Investment properties	7,218	1,025	86	838	692	9,859
Depreciation of plant and equipment	161	41	5	-	-	207

26. Operating Segments (cont'd)

	Paragon S$'000	The Clementi Mall S$'000	The Rail Mall S$'000	Figtree Grove S$'000	Westfield Marion[1] S$'000	Total S$'000
2022						
Result						
Gross revenue	221,304	56,951	7,950	21,281	68,925	376,411
Property operating expenses	(51,944)	(16,258)	(1,598)	(5,107)	(21,575)	(96,482)
Segment net property income	169,360	40,693	6,352	16,174	47,350	279,929
Unallocated amounts:						
Manager's management fees						(27,971)
Investment management fees						(3,885)
Trustee's fee						(798)
Other Group expenses						(3,618)
Finance income						1,181
Finance costs						(35,562)
Net income						209,276
Net foreign currency exchange differences						4,131
Fair value change on investment properties	32,360	2,741	(154)	1,403	(2,570)	33,780
Total return for the year before taxes and distribution						247,187
Less: income tax						(3,688)
Total loss for the year after taxes and before distribution						243,499
Segment assets	2,679,184	597,558	62,208	184,487	589,078	4,112,515
Segment assets includes:						
- Plant and equipment	184	58	8	-	-	250
- Investment properties	2,679,000	597,500	62,200	184,487	589,078	4,112,265
Unallocated assets						144,377
Total assets						4,256,892
Segment liabilities	40,771	11,011	1,608	-	8	53,398

26. Operating Segments (cont'd)

	Paragon S$'000	The Clementi Mall S$'000	The Rail Mall S$'000	Figtree Grove S$'000	Westfield Marion[1] S$'000	Total S$'000
<u>2022</u>						
Unallocated liabilities:						
- Borrowings						1,271,627
- Others						52,767
Total liabilities						1,377,792
Other information						
Additions to:						
- Plant and equipment	18	44	7	-	-	69
- Investment properties	6,063	857	168	503	7,001	14,592
Depreciation of plant and equipment	297	85	5	-	-	387

<u>Geographical information</u>

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the corresponding investment properties.

	Group 2023 S$'000	Group 2022 S$'000
<u>Revenue</u>		
Singapore	222,857	286,205
Australia	66,069	90,206
	288,926	376,411
<u>Non-current assets</u> (1)		
Singapore	3,401,105	3,338,950
Australia	720,829	773,565
	4,121,934	4,112,515

(1) Non-current assets exclude financial instruments

27. New standards and interpretations not adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these financial statements.

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

- Amendments to FRS1: *Classification of Liabilities as Current or Non-Current and Non-current Liabilities with Covenants*
- Amendments to FRS 7 and FRS 107: *Supplier Finance Arrangements*
- Amendments to FRS 116: *Lease Liability in a Sale and Leaseback*
- Amendments to FRS 21: *Lack of Exchangeability*

28. Financial Ratios

	Group 2023	Group 2022
Ratio of expenses to weighted average net assets value[1]		
- including performance component of Manager's management fees	0.92%	0.93%
- excluding performance component of Manager's management fees	0.55%	0.57%
Total operating expenses to net asset value[2]	3.40%	4.49%
Interest coverage ratio[3]	3.5 times	6.8 times
Adjusted interest coverage ratio[3] (includes perpetual securities)	2.9 times	4.7 times
Portfolio turnover rate[4]	-	-

Notes:

[1] The annualised ratio is computed in accordance with guidelines of Investment Management Association of Singapore dated 25 May 2005. The expenses used in the computation relate to expenses of the Group, excluding property expenses and finance expense.

[2] The ratio is computed based on the total property expenses, including all fees and charges paid to the Trustee, the Manager and related parties for the financial year and as a percentage of net asset value as at the end of the financial year.

[3] The ratio is calculated by dividing the trailing 12 months EBITDA by the trailing 12 months interest expense (excluding FRS 116 finance expense) in accordance with MAS guidelines.

[4] The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value. The portfolio turnover rate was nil for the year ended 31 December 2023 and 31 December 2022, as there were no sales of investment properties.

29. Subsequent Event

Subsequent to the reporting date, the Manager announced a distribution of 2.60 cents per unit, for the period from 1 July 2023 to 31 December 2023.

30. Authorisation of Financial Statement

The financial statements were authorised for issue by the Manager and the Trustee on 5 February 2024.