FINANCIAL CONTENTS

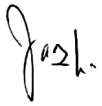
REPORT OF THE TRUSTEE

For the financial year ended 31 August 2021

DBS Trustee Limited (the "Trustee") is under a duty to take into custody and hold the assets of SPH 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 Futures Act, Chapter 289 of Singapore, its subsidiary legislation and the Code on Collective Investment Schemes, the Trustee shall monitor the activities of SPH 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 and Second Supplemental Deed on 6 January 2017 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 year covered by these financial statements, set out on pages 132 to 203 in accordance with the limitations imposed on the investment and borrowing powers set out in the Trust Deed.

For and on behalf of the Trustee,
DBS Trustee Limited



Jane Lim
Director

Singapore
4 October 2021

STATEMENT BY THE MANAGER

For the financial year ended 31 August 2021

In the opinion of the directors of SPH REIT Management Pte. Ltd., the accompanying financial statements set out on pages 132 to 203, 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 SPH REIT (the "Trust") and its subsidiaries (the "Group") as at 31 August 2021, 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 Unit Trusts"* issued by the Institute of Singapore Chartered Accountants and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Trust will be able to meet its financial obligations as and when they materialise.

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

Leong Horn Kee
Chairman

Soon Tit Koon
Director

Singapore
4 October 2021

INDEPENDENT AUDITORS' REPORT

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

Opinion

We have audited the financial statements of SPH 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 August 2021, 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 a summary of significant accounting policies and other explanatory information, as set out on pages 132 to 203.

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 August 2021 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 on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Trust 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 25(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 August 2021 (2020: 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.

Certain valuation reports obtained from the external valuers also highlighted that real estate sectors in certain jurisdictions are experiencing significantly lower levels of transaction activity and liquidity due to Coronavirus Disease 2019 ("COVID-19") pandemic. Consequently, less certainty and a higher degree of caution should be attached to these valuations than would normally be the case. Values may change more rapidly and significantly than during standard market conditions and the external valuers have also recommended to keep the valuation of these properties under frequent review.

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, as well as understand how the implications of the COVID-19 pandemic were considered in the valuations.

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

SPH 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.

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

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal 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.

INDEPENDENT AUDITORS' REPORT

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

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
4 October 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 August 2021

	Note	Group 2021 S$'000	Group 2020 S$'000	Trust 2021 S$'000	Trust 2020 S$'000
Non-current assets					
Plant and equipment	4	**568**	589	**568**	589
Investment properties	5	**4,123,000**	4,125,447	**3,296,200**	3,286,200
Subsidiaries	6	**–**	–	**180,882**	184,410
Trade and other receivables	7	**–**	–	**375,673**	377,876
		4,123,568	4,126,036	**3,853,323**	3,849,075
Current assets					
Trade and other receivables	7	**11,316**	32,653	**8,335**	26,612
Cash and cash equivalents	8	**111,681**	81,974	**80,379**	52,770
		122,997	114,627	**88,714**	79,382
Total assets		**4,246,565**	4,240,663	**3,942,037**	3,928,457
Non-current liabilities					
Borrowings	9	**1,138,111**	1,083,708	**838,751**	778,759
Derivative financial instruments	10	**3,292**	9,398	**1,546**	6,607
Trade and other payables	11	**38,135**	34,217	**38,135**	34,217
Deferred tax liabilities	12	**2,206**	3,119	**2,206**	3,119
		1,181,744	1,130,442	**880,638**	822,702
Current liabilities					
Borrowings	9	**154,943**	214,877	**154,943**	214,877
Derivative financial instruments	10	**1,051**	680	**1,051**	680
Trade and other payables	11	**60,959**	79,955	**46,258**	65,817
		216,953	295,512	**202,252**	281,374
Total liabilities		**1,398,697**	1,425,954	**1,082,890**	1,104,076
Net assets		**2,847,868**	2,814,709	**2,859,147**	2,824,381
Represented by:					
Unitholders' funds		**2,535,243**	2,503,324	**2,561,223**	2,526,457
Perpetual securities holders' fund	13	**297,924**	297,924	**297,924**	297,924
Non-controlling interests	14	**14,701**	13,461	**–**	–
		2,847,868	2,814,709	**2,859,147**	2,824,381
Units in issue ('000)	15	**2,785,164**	2,763,122	**2,785,164**	2,763,122
Net asset value per unit (S$)		**0.91**	0.91	**0.92**	0.91

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

STATEMENTS OF TOTAL RETURN

For the financial year ended 31 August 2021

	Note	Group 2021 S$'000	Group 2020 S$'000	Trust 2021 S$'000	Trust 2020 S$'000
Gross revenue	17	**277,179**	241,463	**206,894**	188,080
Property operating expenses	18	**(74,552)**	(59,520)	**(53,181)**	(44,875)
Net property income		**202,627**	181,943	**153,713**	143,205
Manager's management fees	19	**(20,434)**	(19,245)	**(20,434)**	(19,245)
Investment management fees		**(2,950)**	(2,143)	**–**	–
Trustee's fees		**(600)**	(585)	**(574)**	(562)
Trust expenses	20	**(1,395)**	(1,697)	**(1,027)**	(6,966)
Impairment loss on trade receivables		**(2,823)**	(8,100)	**(916)**	–
Dividend income from subsidiaries		**–**	–	**22,877**	6,958
Finance income		**200**	1,775	**5,133**	5,034
Finance costs	21	**(23,994)**	(32,905)	**(16,015)**	(26,155)
Grant income		**2,903**	24,774	**2,903**	24,774
Grant expense		**(2,903)**	(24,774)	**(2,903)**	(24,774)
Net income		**150,631**	119,043	**142,757**	102,269
Fair value change on investment properties	5	**3,421**	(179,939)	**4,160**	(126,041)
Net foreign currency exchange differences		**(567)**	917	**(2,525)**	8,808
Total return/(loss) for the year before taxes and distribution		**153,485**	(59,979)	**144,392**	(14,964)
Less: income tax	22	**(1,397)**	(4,045)	**446**	(3,425)
Total return/(loss) for the year after taxes and before distribution		**152,088**	(64,024)	**144,838**	(18,389)
Attributable to:					
Unitholders of the Trust		**137,348**	(74,907)	**132,538**	(30,722)
Perpetual securities holders	13	**12,300**	12,333	**12,300**	12,333
Non-controlling interests	14	**2,440**	(1,450)	**–**	–
		152,088	(64,024)	**144,838**	(18,389)
Earnings per unit (cents)					
Basic and diluted	23	**4.93**	(2.75)	**4.76**	(1.13)

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

DISTRIBUTION STATEMENTS

For the financial year ended 31 August 2021

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Income available for distribution to Unitholders at beginning of the year	**36,547**[1]	40,046	**36,547**[1]	40,046
Total return/(loss) attributable to Unitholders	**137,348**	(74,907)	**132,538**	(30,722)
Add: Net tax adjustments (Note A)	**14,306**	167,133	**19,116**	122,948
Total income available for distribution to Unitholders for the year	**188,201**	132,272	**188,201**	132,272
Distribution to Unitholders				
– Distribution of 1.46 cents per unit for the period from 1 June 2019 to 31 August 2019	**–**	(37,795)	**–**	(37,795)
– Distribution of 1.38 cents per unit for the period from 1 September 2019 to 30 November 2019	**–**	(35,859)	**–**	(35,859)
– Distribution of 0.30 cents per unit for the period from 1 December 2019 to 28 February 2020	**–**	(8,272)	**–**	(8,272)
– Distribution of 0.50 cents per unit for the period from 1 March 2020 to 31 May 2020	**–**	(13,799)	**–**	(13,799)
– Distribution of 0.54 cents per unit for the period from 1 June 2020 to 31 August 2020	**(14,921)**	–	**(14,921)**	–
– Distribution of 1.20 cents per unit for the period from 1 September 2020 to 30 November 2020	**(33,307)**	–	**(33,307)**	–
– Distribution of 1.24 cents per unit for the period from 1 December 2020 to 28 February 2021	**(34,457)**	–	**(34,457)**	–
– Distribution of 1.38 cents per unit for the period from 1 March 2021 to 31 May 2021	**(38,390)**	–	**(38,390)**	–
	(121,075)	(95,725)	**(121,075)**	(95,725)
Income available for distribution to Unitholders at end of the year	**67,126**	36,547[1]	**67,126**	36,547[1]

1 Approximately $14.5 million of the income available for distribution for the year ended 31 August 2020 has been deferred, as allowed under the COVID-19 relief measures announced by IRAS.

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

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Note A – Net tax adjustments				
Non-tax deductible items:				
Manager's management fees	**20,434**	19,245	**20,434**	19,245
Trustee's fees	**600**	585	**574**	562
Amortisation of upfront fee for loan facility	**1,020**	1,125	**637**	832
Fair value change on investment properties	**(3,421)**	179,939	**(4,160)**	126,041
Net foreign currency exchange differences	**567**	(642)	**2,525**	(8,716)
Net income from subsidiaries	**(1,245)**	(14,529)	**2,369**	(2,521)
Cost incurred to acquire subsidiaries	**–**	–	**–**	5,681
Net adjustment on property tax rebates passed on to tenants	**–**	(4,971)	**–**	(4,971)
Straight-line rental adjustments	**(4,106)**	(1,135)	**(3,720)**	(619)
Deferred tax expense	**(913)**	3,119	**(913)**	3,119
Capital allowances	**–**	(15,000)	**–**	(15,000)
Other items	**1,370**	(603)	**1,370**	(705)
Net tax adjustments	**14,306**	167,133	**19,116**	122,948

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

STATEMENTS OF CHANGES IN UNITHOLDERS' FUNDS

For the financial year ended 31 August 2021

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Balance as at beginning of year	**2,503,324**	2,458,864	**2,526,457**	2,471,777
Operations				
Total return/(loss) for the year after tax attributable to Unitholders of the Trust	**137,348**	(74,907)	**132,538**	(30,722)
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	**(889)**	(6,939)	**(979)**	(4,024)
Net change in fair value of cash flow hedge reclassified to Statements of Total Return	**4,796**	3,405	**3,848**	3,083
Foreign currency translation reserve				
Translation differences from financial statements of foreign operations	**(5,167)**	23,178	**–**	–
Exchange differences on monetary item forming part of net investments in foreign operations	**(3,528)**	13,380	**–**	–
Net (loss)/gain recognised directly in Unitholders' funds	**(4,788)**	33,024	**2,869**	(941)
Unitholders' transactions				
Distribution to unitholders	**(121,075)**	(95,725)	**(121,075)**	(95,725)
Issuance of new units	**–**	164,477	**–**	164,477
Issuance costs for the new units	**–**	(1,654)	**–**	(1,654)
Manager's fee paid/payable in units	**20,434**	19,245	**20,434**	19,245
	(100,641)	86,343	**(100,641)**	86,343
Balance as at end of year	**2,535,243**	2,503,324	**2,561,223**	2,526,457
Perpetual securities holders' funds				
Balance as at beginning of year	**297,924**	297,924	**297,924**	297,924
Amount reserved for distribution to perpetual securities holders	**12,300**	12,333	**12,300**	12,333
Distribution to perpetual securities holders	**(12,300)**	(12,333)	**(12,300)**	(12,333)
Balance as at end of year	**297,924**	297,924	**297,924**	297,924

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 August 2021

	Group	
	2021 S$'000	2020 S$'000
Cash flows from operating activities		
Total return/(loss) for the year	**152,088**	(64,024)
Adjustments for:		
Fair value change on investment properties	**(3,421)**	179,939
Manager's fee paid/payable in units	**20,434**	19,245
Depreciation of plant and equipment	**255**	224
Finance income	**(200)**	(1,775)
Finance costs	**23,994**	32,905
Impairment loss on trade receivables	**2,823**	8,100
Income tax	**(913)**	3,119
Straight-line rental adjustments	**(4,106)**	(1,135)
Operating cash flow before working capital changes	**190,954**	176,598
Changes in operating assets and liabilities		
Trade and other receivables	**18,589**	(35,880)
Trade and other payables	**(6,998)**	25,591
Net cash from operating activities	**202,545**	166,309
Cash flows from investing activities		
Acquisition of investment property	**–**	(627,594)
Additions to investment properties	**(13,044)**	(9,047)
Purchase of plant and equipment	**(234)**	(183)
Interest received	**200**	1,792
Net cash used in investing activities	**(13,078)**	(635,032)
Cash flows from financing activities		
Payment of transaction costs related to borrowing	**(580)**	(560)
Proceeds from the issuance of new units	**–**	164,477
Payment of issuance costs for the new units	**–**	(1,654)
Proceeds from bank loan (net of transaction costs)	**–**	184,469
Distribution to unitholders	**(121,075)**	(95,725)
Distributions to non-controlling interests of a subsidiary	**(924)**	(810)
Distribution to perpetual securities holders	**(12,300)**	(12,333)
Interest paid	**(23,385)**	(31,872)
Net cash (used in)/from financing activities	**(158,264)**	205,992
Net increase/(decrease) in cash and cash equivalents	**31,203**	(262,731)
Effect of exchange rate fluctuations on cash and cash equivalents held	**(1,496)**	2,048
Cash and cash equivalents at beginning of the year	**81,974**	342,657
Cash and cash equivalents at end of the year	**111,681**	81,974

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

PORTFOLIO STATEMENT OF THE GROUP

For the financial year ended 31 August 2021

Description of Property	Location	Tenure of Land	Term of Lease
Investment properties in Singapore			
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 July 2013 (Listing date)
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 August 2010
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
Investment properties in Australia			
Figtree Grove Shopping Centre	19 & 23 Princes Highway, Figtree, Wollongong, NSW 2525	Freehold	–
Westfield Marion Shopping Centre	293-297 Diagonal Road, Oaklands Park, Adelaide, South Australia, 5046	Freehold	–
Portfolio of investment properties			
Other assets and liabilities (net)			
Net assets of the Group			
Perpetual securities holders' funds			
Non-controlling interests			
Unitholders' funds			

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

Remaining Term of Lease 31 August 2021	Occupancy Rate as at 31 August 2021 (%)	Occupancy Rate as at 31 August 2020 (%)	At Valuation 31 August 2021 S$'000	At Valuation 31 August 2020 S$'000	Percentage of Unitholders' funds 31 August 2021 (%)	Percentage of Unitholders' funds 31 August 2020 (%)
91 years	**99.1**	97.8	**2,640,000**	2,640,000	**104**	106
88 years	**99.9**	99.6	**594,000**	584,000	**23**	23
25 years	**92.2**	92.2	**62,200**	62,200	**2**	2
–	**99.1**	99.2	**196,740**	190,627	**8**	8
–	**98.8**	97.4	**630,060**	648,620	**25**	26
			4,123,000	4,125,447	**162**	165
			(1,275,132)	(1,310,738)	**(49)**	(52)
			2,847,868	2,814,709	**113**	113
			(297,924)	(297,924)	**(12)**	(12)
			(14,701)	(13,461)	**(1)**	(1)
			2,535,243	2,503,324	**100**	100

PORTFOLIO STATEMENT OF THE TRUST

For the financial year ended 31 August 2021

Description of Property	Location	Tenure of Land	Term of Lease
Investment properties in Singapore			
Paragon	290 Orchard Road, Singapore 238859	Leasehold	99 years, commencing on 24 July 2013 (Listing date)
The Clementi Mall	3155 Commonwealth Avenue West, Singapore 129588	Leasehold	99 years, commencing on 31 August 2010
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
Portfolio of investment properties			
Other assets and liabilities (net)			
Net assets of the Trust			
Perpetual securities holders' funds			
Unitholders' funds			

PORTFOLIO DETAILS

Investment properties in Singapore

The carrying amount of the investment properties were based on independent valuations as at 31 August 2021 conducted by Savills Valuation and Professional Services (S) Pte Ltd ("Savills") (2020: Edmund Tie & Company (SEA) Pte Ltd ("ETC")) (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 August 2021 conducted by Jones Lang LaSalle Advisory Services Pty Ltd ("JLL") and CBRE Valuation Pty Ltd ("CBRE") (2020: JLL and Urbis Valuations Pty Ltd ("Urbis")) (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.

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

Remaining Term of Lease 31 August 2021	Occupancy Rate as at 31 August 2021 (%)	Occupancy Rate as at 31 August 2020 (%)	At Valuation 31 August 2021 S$'000	At Valuation 31 August 2020 S$'000	Percentage of Unitholders' funds 31 August 2021 (%)	Percentage of Unitholders' funds 31 August 2020 (%)
91 years	**99.1**	97.8	**2,640,000**	2,640,000	**103**	105
88 years	**99.9**	99.6	**594,000**	584,000	**23**	23
25 years	**92.2**	92.2	**62,200**	62,200	**2**	2
			3,296,200	3,286,200	**128**	130
			(437,053)	(461,819)	**(16)**	(18)
			2,859,147	2,824,381	**112**	112
			(297,924)	(297,924)	**(12)**	(12)
			2,561,223	2,526,457	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 August 2021

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

1. GENERAL INFORMATION

SPH 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 and Second Supplemental Deed on 6 January 2017 (the "Trust Deed") between SPH 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.

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 August 2021 comprise the Trust and its subsidiaries (together referred to as the "Group" and individually as "Group entities").

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 $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.

(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.

1. GENERAL INFORMATION (CONT'D)

(b) Manager's management fees (cont'd)

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

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 2021, 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 and for the period from 1 June 2019 to 31 August 2019.

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, SPH 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 August 2021, the property management fees are paid in cash.

(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. SIGNIFICANT 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 Unit Trusts*" 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.

Changes in accounting policies

New standards and amendments and revised recommended accounting practice

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 September 2020:

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

In addition to the above, the Group had early adopted the following amendments to standards which are effective for annual periods beginning on 1 September 2020 with earlier application permitted:

- *Interest Rate Benchmark Reform (Amendments to FRS 109 and FRS 107)*

The application of the amendments to standards and interpretations do not have a material effect on the Group's financial statements.

Revised recommended accounting practice

In July 2020, ISCA issued a revised version of RAP 7 which is effective for the Group's financial statements for the year ended 31 August 2021, and has been applied in preparing these financial statements. The application of the revised RAP 7 does not have a significant impact on the financial statements of the Group.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) 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 year.

  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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) 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.

(c) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Currency translation (cont'd)

(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.

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) 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.

(e) Plant and equipment

(i) Measurement

Plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(ii) Depreciation

Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the expected useful lives of the assets. The estimated useful lives for this purpose are:

Plant and equipment	3 – 10 years

The residual values, estimated useful lives and depreciation method of plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in the Statements of Total Return when the changes arise.

No depreciation is charged on capital work-in-progress.

(iii) Subsequent expenditure

Subsequent expenditure relating to plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in the Statements of Total Return when incurred.

(iv) Disposal

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Cash and cash equivalents

For the purpose of presentation in the Statement of Cash Flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

(g) 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.

- Financial assets at amortised cost

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

  – it is held within a business model whose objective is to hold assets to collect contractual cash flows; and

  – its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  Financial assets: Business model assessment

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

  – the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

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

Financial assets: Business model assessment (cont'd)

- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

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

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

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

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

Financial assets at amortised cost

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

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

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

(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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Financial instruments (cont'd)

(iv) Impairment (cont'd)

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.

(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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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

A fundamental review and reform of major interest rate benchmarks is being undertaken globally. The Group has exposure to IBORs on its financial instruments that will be replaced or reformed as part of this market-wide initiative. There is uncertainty as to the timing and the methods of transition for replacing existing benchmark IBORs with alternative rates.

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

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

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Hedges directly affected by interest rate benchmark reform (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.

(i) 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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) 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 lessee

Short-term leases and leases of low-value assets

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

(ii) As a lessor

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. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Impairment of non-financial assets

– Plant and equipment

Plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, recoverable amount (i.e. the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating-units ("CGU") to which the asset belongs.

An impairment loss is recognised when the carrying amount of the asset (or CGU) exceeds the recoverable amount of the asset (or CGU). Recoverable amount of the asset (or CGU) is the higher of the asset's (or CGU's) fair value less cost to sell and value-in-use.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in the Statements of Total Return.

(l) Units and unit issuance expenses

Unitholders' funds represent the unitholders' residual interest in the Trust's net assets upon termination and is classified as equity.

Incremental costs directly attributable to the issue of units are recognised as a deduction from unitholders' funds.

(m) Government grants

Government grants are recognised when there is reasonable assurance that they will be received and the Group comply with the conditions associated with the grants.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) 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.

Interest income

Interest income is recognised using the effective interest method.

(o) Income taxes

Current tax for current and prior years is recognised at the amount expected to be paid to (or recovered from) the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

Deferred tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements, except when the deferred tax arises from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable returns.

Deferred tax is measured:

(i) at the tax rates that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date; and

(ii) based on the tax consequence that will follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amounts of its assets and liabilities.

Deferred tax liabilities are recognised on temporary differences arising on investments in subsidiaries except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Current and deferred taxes are recognised as income or expense in the Statements of Total Return, except to the extent that the tax arises from a transaction which is recognised directly in unitholders' funds.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income taxes (cont'd)

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. Under the COVID-19 relief measures announced by IRAS, the Trust will have until 31 December 2021 (or any extension allowed) to distribute at least 90% of the annual taxable income derived in the financial year ended 31 August 2020. As at 31 August 2021, the Trust has distributed more than 90% of its deferred taxable income derived from the year ended 31 August 2020.

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.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(o) Income taxes (cont'd)

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.

(p) Distribution policy

The Trust distribution policy is to distribute at least 90% of its specified taxable income, comprising rental and other property related income from its business of property letting, interest income and top-up payments from income support and after deducting allowable expenses and applicable tax allowances. The actual level of distribution will be determined at the Manager's discretion, taking into consideration the Trust's capital management and funding requirements.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(q) Expenses

(i) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(a).

(ii) Manager's management fees

Manager's management fees are recognised on an accrual basis using the applicable formula stipulated in Note 1(b).

(iii) Property operating expenses

Property operating expenses are recognised on an accrual basis. Included in property operating expenses are property management fees which are based on the applicable formula stipulated in Note 1(c).

(iv) Finance costs

Finance costs are recognised in the Statements of Total Return using the effective interest method.

(r) 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.

(s) 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	
	2021 S$'000	2020 S$'000
Cost		
Beginning of financial year	**1,891**	1,708
Additions	**234**	183
Disposals	**(8)**	–
End of financial year	**2,117**	1,891
Accumulated depreciation		
Beginning of financial year	**1,302**	1,078
Depreciation charge	**255**	224
Disposals	**(8)**	–
End of financial year	**1,549**	1,302
Net book value		
Beginning of financial year	**589**	630
End of financial year	**568**	589

5. INVESTMENT PROPERTIES

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Beginning of financial year	**4,125,447**	3,597,756	**3,286,200**	3,405,800
Acquisition of investment property[1, 2]	**–**	633,923	**–**	–
Additions	**6,194**	9,143	**2,120**	5,635
Fair value change	**3,421**	(179,939)	**4,160**	(126,041)
Straight-line rental adjustments	**4,106**	1,135	**3,720**	806
Translation differences	**(16,168)**	63,429	**–**	–
End of financial year	**4,123,000**	4,125,447	**3,296,200**	3,286,200

1 Includes acquisition fees and acquisition related expenses of S$11.091 million in 2020.

2 On 6 December 2019, SPH REIT, through its indirect wholly-owned subsidiary, Marion Sub Trust, acquired a 50% interest in Westfield Marion Shopping Centre for a total consideration of approximately S$633.9 million. Westfield Marion Shopping Centre's principal place of business is in Australia. The Group has classified its 50% interest in Westfield Marion Shopping Centre as a joint operation as the shopping centre is held directly and jointly as tenants in common. The shopping centre is proportionately consolidated and included as part of the Group's investment properties as at the reporting date.

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 standards, and have included a material valuation uncertainty clause due to the disruption to the market at that date caused by the COVID-19 outbreak. The inclusion of this clause indicates that there is substantially more uncertainty than normal and therefore a higher likelihood that the assumptions upon which the external valuers have based their valuations prove to be inaccurate. The carrying amounts of the Group's investment properties were current as at 31 August 2021 only and may change significantly after the balance sheet date as the impact of the COVID-19 outbreak worsens.

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 25(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 August 2021, investment properties with a carrying amount of approximately S$3,467 million (2020: S$3,479 million) are mortgaged to banks as security for the term loans (Note 9).

6. SUBSIDIARIES

	Trust	
	2021 S$'000	2020 S$'000
Equity investments, at cost	**3,816**	3,816
Loan to a subsidiary – interest bearing	**177,066**	180,594
	180,882	184,410

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 (2020: 2.71%).

Details of the subsidiaries are as follows:

Name of subsidiaries	Country of Incorporation	Effective Interests held by the Group	
		2021 %	2020 %
Held by the Trust			
SPH REIT (Investments) Pte. Ltd.[1]	Singapore	**100**	100
Held through subsidiaries			
Held by SPH REIT (Investments) Pte. Ltd.			
SPH REIT Australia Trust[2]	Australia	**100**	100
SPH REIT Marion Trust[4]	Australia	**100**	100
Marion Advertising Trust[4]	Australia	**100**	100
Held by SPH REIT Australia Trust			
SPH REIT Moelis Australia Trust[3]	Australia	**85**	85
Held by SPH REIT Moelis Australia Trust			
Figtree Holding Trust[3]	Australia	**85**	85
Held by Figtree Holding Trust			
Figtree Trust[3]	Australia	**85**	85
Held by SPH REIT 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
4 Audited by Ernst & Young LLP Australia

7. TRADE AND OTHER RECEIVABLES

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Non-current				
Amount owing by subsidiaries	**–**	–	**375,673**	377,876
Current				
Trade receivables	**17,574**	25,927	**8,304**	13,509
Impairment loss on trade receivables	**(8,022)**	(8,517)	**(544)**	–
	9,552	17,410	**7,760**	13,509
Amount owing by ultimate holding company	**6**	–	**6**	–
Amount owing by a subsidiary	**–**	–	**–**	2,342
Amount owing by related parties	**2**	3	**2**	3
Amount owing by a third party	**–**	2,899	**–**	–
Other receivables	**1,051**	1,218	**364**	–
Grant receivable	**–**	10,473	**–**	10,473
Deposits	**63**	126	**63**	126
Prepayments	**642**	524	**140**	159
	11,316	32,653	**8,335**	26,612

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 are non-trade in nature, unsecured, interest free and repayable on demand.

The amount owing by a third party relates to settlement adjustments due from the previous owner of the 50% interest in Westfield Marion Shopping Centre.

The grant receivable relates to property tax rebates and other cash grants as part of the COVID-19 relief measures and has been fully received during the year ended 31 August 2021.

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 25.

8. CASH AND CASH EQUIVALENTS

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Cash held as fixed bank deposit	**20,000**	–	**20,000**	–
Cash and bank balances	**91,681**	81,974	**60,379**	52,770
	111,681	81,974	**80,379**	52,770

Cash at banks earn interest at floating rates based on daily bank deposit rates ranging from 0% to 1.24% (2020: 0% to 2.10%) and 0% to 1.24% (2020: 0% to 2.10%) per annum for the Group and the Trust respectively. During the financial year, the Group and the Trust's fixed bank deposit earn interest at rate of 0.48% per annum.

9. BORROWINGS

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Secured term loans	**1,295,029**	1,301,007	**995,000**	995,000
Less: Unamortised transaction costs	**(1,975)**	(2,422)	**(1,306)**	(1,364)
	1,293,054	1,298,585	**993,694**	993,636
Borrowings repayable:				
Within 1 year	**154,943**	214,877	**154,943**	214,877
Between 1 – 5 years	**1,138,111**	1,083,708	**838,751**	778,759
	1,293,054	1,298,585	**993,694**	993,636

The Group and the Trust secured term loans amounted to S$1.3 billion (2020: S$1.3 billion) and S$995 million (2020: 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 25.

9. BORROWINGS (CONT'D)

Terms and debt repayment schedule

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

	Currency	Weighted average nominal interest rate %	Year to maturity	2021 Face value S$'000	2021 Carrying amount S$'000	2020 Face value S$'000	2020 Carrying amount S$'000
Group							
Fixed rate loans	SGD	2.65	2022	**55,000**	**54,975**	185,000	184,861
Fixed rate loan	AUD	3.69	2023	**83,615**	**83,541**	85,281	85,097
Floating rate loans	SGD	0.84	2022 – 2026	**940,000**	**938,719**	810,000	808,775
Floating rate loan	AUD	1.55	2023 – 2025	**216,414**	**215,819**	220,726	219,852
Trust							
Fixed rate loans	SGD	2.65	2022	**55,000**	**54,975**	185,000	184,861
Floating rate loans	SGD	0.84	2022 – 2026	**940,000**	**938,719**	810,000	808,775

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.

As at 31 August 2021, the Group's and the Trust's fixed rate loan and loans hedged with interest rate swaps amounted to S$986 million (2020: S$646 million) and S$804 million (2020: S$460 million) respectively. The fixed interest rates of the Group and the Trust were from 0.35% to 3.69% (2020: 0.39% to 3.69%) and 0.35% to 3.28% (2020: 0.39% to 3.28%) per annum respectively. The floating rates of SGD term loans are referenced to Singapore dollar swap offer rate 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 1.84% (2020: 2.66%) and 1.60% (2020: 2.62%) per annum respectively.

9. BORROWINGS (CONT'D)

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

	Borrowings S$'000	Interest payable S$'000	Total S$'000
Group			
2021			
Beginning of financial year	**1,298,585**	**2,996**	**1,301,581**
Changes from financing cash flows			
Payment of transaction costs related to borrowing	**(580)**	**–**	**(580)**
Interest paid	**–**	**(23,385)**	**(23,385)**
Total changes from financing activities	**(580)**	**(23,385)**	**(23,965)**
Non-cash changes			
Finance costs	**–**	**22,974**	**22,974**
Amortisation of transaction costs	**1,020**	**–**	**1,020**
Translation differences	**(5,971)**	**–**	**(5,971)**
End of financial year	**1,293,054**	**2,585**	**1,295,639**
2020			
Beginning of financial year	1,091,139	3,088	1,094,227
Changes from financing cash flows			
Payment of transaction costs related to borrowing	(560)	–	(560)
Proceeds from bank loans (net of transaction costs)	184,469	–	184,469
Interest paid	–	(31,872)	(31,872)
Total changes from financing activities	183,909	(31,872)	152,037
Non-cash changes			
Finance costs	–	31,780	31,780
Amortisation of transaction costs	1,125	–	1,125
Translation differences	22,412	–	22,412
End of financial year	1,298,585	2,996	1,301,581

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
2021				
Non-current liabilities				
– Cross currency interest-rate swaps	**39,452**	**(1,243)**	**39,452**	**(1,243)**
– Cross currency swaps	**9,863**	**(55)**	**9,863**	**(55)**
	49,315	**(1,298)**	**49,315**	**(1,298)**
Cash flow hedge				
– Interest-rate swaps	**523,370**	**(1,994)**	**425,000**	**(248)**
Current liabilities				
– Cross currency interest-rate swaps	**39,452**	**(247)**	**39,452**	**(247)**
– Cross currency swaps	**9,370**	**(2)**	**9,370**	**(2)**
	48,822	**(249)**	**48,822**	**(249)**
Cash flow hedge				
– Interest-rate swaps	**245,000**	**(802)**	**245,000**	**(802)**
2020				
Non-current liabilities				
– Cross currency interest-rate swaps	78,904	(4,402)	78,904	(4,402)
– Cross currency swaps	19,233	(404)	19,233	(404)
	98,137	(4,806)	98,137	(4,806)
Cash flow hedge				
– Interest-rate swaps	250,330	(4,592)	150,000	(1,801)
Current liabilities				
Cash flow hedge				
– Interest-rate swaps	45,000	(680)	45,000	(680)

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

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 August 2021 are:

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Notional due:				
Within 1 year	**293,822**	45,000	**293,822**	45,000
Between 1 – 5 years	**572,685**	348,467	**474,315**	248,137
Total	**866,507**	393,467	**768,137**	293,137

* 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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Non-current				
Deposits received	**38,135**	34,217	**38,135**	34,217
Current				
Trade payables	**999**	3,609	**231**	103
Amount owing to ultimate holding company	**–**	17	**–**	17
Amount owing to related parties	**2,892**	10,352	**2,892**	10,352
Amount owing to non-controlling interests	**–**	331	**–**	–
Other payables	**5,580**	2,844	**3,970**	3,118
Accrued expense	**18,261**	13,811	**12,295**	8,214
Interest payable	**2,585**	2,996	**1,663**	2,023
Deposits received	**17,125**	21,398	**17,116**	21,389
Collections in advance	**7,782**	15,218	**5,892**	14,784
Deferred grant liability	**–**	5,556	**–**	5,556
Goods and services tax payable	**2,989**	2,687	**1,809**	158
Withholding tax payable	**2,746**	1,136	**390**	103
	60,959	79,955	**46,258**	65,817

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

The amounts owing to ultimate holding company and non-controlling interests are non-trade in nature, unsecured, interest-free and repayable on demand.

The deferred grant liability relates to Singapore government's property tax rebates and other cash grants as part of the COVID-19 relief measures as at 31 August 2020, which has been passed to the eligible tenants in the form of rental rebates.

12. DEFERRED TAX LIABILITIES

Deferred tax liabilities are attributable to the following:

	Group and Trust	
	2021	2020
	S$'000	S$'000
Investment properties	**2,206**	3,119

Movement in temporary differences during the year:

	Group and Trust	
	2021	2020
	S$'000	S$'000
Investment properties		
Beginning of financial year	**3,119**	–
Recognised in the Statements of Total Return	**(913)**	3,119
End of financial year	**2,206**	3,119

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 August 2021, the S$297.9 million (2020: S$297.9 million) presented in the Statements of Financial Position represents the carrying value of the S$300.0 million (2020: 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

On 21 December 2018, the Group acquired 85% interest in Moelis Australia Trust (refer to Note 6). Accordingly, at the reporting date, the Group only had one subsidiary with non-controlling interest of 15%. The non-controlling interest is not material to the Group.

15. UNITS IN ISSUE

	Group and Trust	
	2021 Number of Units '000	2020 Number of Units '000
Units in issue		
Beginning of financial year	**2,763,122**	2,588,701
– Issue of new units	**–**	156,645
– Manager's fee paid in units	**22,042**	17,776
End of financial year	**2,785,164**	2,763,122

On 2 December 2019, the Trust has issued 156,645,000 units at an issue price of S$1.05 per unit.

During the financial year, the Trust issued 22,042,037 (2020: 17,775,677) new units at the issue price range of S$0.8178 to S$0.9314 (2020: S$0.8119 to S$1.08020 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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Authorised and contracted for				
– investment properties	**2,783**	629	**571**	624

(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 S$'000	Trust S$'000
2021		
Less than one year	**230,135**	**187,897**
One to two years	**165,900**	**133,817**
Two to three years	**102,119**	**74,475**
Three to four years	**42,477**	**21,152**
Four to five years	**18,201**	**3,815**
More than five years	**70,138**	**–**
Total	**628,970**	**421,156**
2020		
Less than one year	233,408	189,086
One to two years	170,002	133,765
Two to three years	105,612	74,071
Three to four years	51,518	26,002
Four to five years	23,265	4,751
More than five years	93,536	323
Total	677,341	427,998

17. GROSS REVENUE

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Rental income[1,2]	**263,985**	223,944	**198,796**	180,350
Car park income	**6,124**	5,714	**6,124**	5,714
Other income	**7,070**	11,805	**1,974**	2,016
	277,179	241,463	**206,894**	188,080

1 Included rental assistance of approximately S$10.0 million (2020: $31.8 million) granted to eligible tenants to cushion the impact of the COVID-19 pandemic for the year ended 31 August 2021.

2 Included service charges and advertising and promotion fees of approximately S$24.7 million (2020: S$20.5 million).

18. PROPERTY OPERATING EXPENSES

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Property tax	**23,152**	22,578	**18,832**	19,264
Maintenance and utilities	**24,211**	20,183	**11,425**	10,979
Property management fees	**11,839**	9,324	**7,956**	7,484
Marketing	**5,466**	2,481	**5,341**	2,335
Reimbursements paid to the Property Manager	**4,575**	4,283	**4,575**	4,283
Others	**5,309**	671	**5,052**	530
	74,552	59,520	**53,181**	44,875

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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Base fee	**10,586**	10,295	**10,586**	10,295
Performance fee	**9,848**	8,950	**9,848**	8,950
	20,434	19,245	**20,434**	19,245

20. TRUST EXPENSES

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Auditor's remuneration				
– audit fees	**388**	360	**214**	248
– non-audit fees	**72**	73	**69**	73
Valuation expense	**104**	111	**60**	81
Consultancy and other professional fees	**199**	381	**187**	6,054
Other expenses	**632**	772	**497**	510
	1,395	1,697	**1,027**	6,966

21. FINANCE COSTS

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Interest on borrowing	**18,126**	28,337	**11,478**	22,202
Amortisation of upfront fee for loan facility	**1,020**	1,125	**637**	832
Other financial expenses	**52**	38	**52**	38
Cash flow hedges – reclassified from Unitholders' Funds	**4,796**	3,405	**3,848**	3,083
	23,994	32,905	**16,015**	26,155

22. INCOME TAX

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Deferred tax expense				
– Origination and reversal of temporary differences	**(913)**	3,119	**(913)**	3,119
Withholding tax	**2,310**	926	**467**	306
	1,397	4,045	**(446)**	3,425

The income tax expense on return/(loss) 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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Total return/(loss) for the year	**153,485**	(59,979)	**144,392**	(14,964)
Tax calculated at tax rate of 17% (2020: 17%)	**26,092**	(10,197)	**24,547**	(2,544)
Expenses not deductible for tax purposes	**1,935**	37,851	**3,191**	28,706
Income not subject to tax due to tax transparency	**(20,819)**	(18,392)	**(20,819)**	(18,392)
Other income not subject to tax	**(8,121)**	(6,143)	**(7,832)**	(4,651)
Withholding tax	**2,310**	926	**467**	306
	1,397	4,045	**(446)**	3,425

23. EARNINGS PER UNIT

Basic and diluted Earnings per Unit are based on:

	Group		Trust	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Total return/(loss) for the year after tax attributable to Unitholders of the Trust (S$'000)	**137,348**	(74,907)	**132,538**	(30,772)
Weighted average number of Units ('000)	**2,785,101**	2,722,745	**2,785,101**	2,722,745
Basic and diluted Earnings per Unit (cents)	**4.93**	(2.75)	**4.76**	(1.13)

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. ACQUISITION

On 6 December 2019, SPH REIT, through its indirect wholly-owned subsidiary, Marion Sub Trust, acquired a 50% interest in Westfield Marion Shopping Centre for a total consideration of approximately S$633.9 million.

The Group has classified its 50% interest in Westfield Marion Shopping Centre as a joint operation as the interest is under a tenancy in common arrangement. The acquisition was accounted for as an acquisition of assets.

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	Group 2020 S$'000
Investment property (including capitalised transaction costs)	633,923
Net identifiable assets acquired	633,923
Total consideration	
Less: Consideration not yet paid	(6,329)
Total net cash outflow	627,594

25. 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 IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives. There is uncertainty over the timing and the methods of transition in some jurisdictions that the Group operates in. The Group anticipates that IBOR reform will impact its risk management and hedge accounting.

The Manager monitors and manages the Group's transition to alternative rates. The Manager evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of IBOR reform and how to manage communication about IBOR reform with counterparties.

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Interest rate risk (cont'd)

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

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 SOR. The Group's derivative instruments are governed by contracts based on the International Swaps and Derivatives Association (ISDA)'s master agreements. ISDA is currently reviewing its standardised contracts in the light of IBOR reform. When ISDA has completed its review, the Group expects to negotiate the inclusion of new fall-back clauses with its derivative counterparties. No derivative instruments have been modified as at 31 August 2021.

Hedge accounting

The Group has evaluated the extent to which its cash flow hedging relationships are subject to uncertainty driven by IBOR reform as at 31 August 2021. The Group's hedged items and hedging instruments continue to be indexed to IBOR benchmark rates which are SOR. These benchmark rates are quoted each day and the IBOR cash flows are exchanged with its counterparties as usual.

The Group's SOR cash flow hedging relationships extend beyond the anticipated cessation date for IBOR. However, there is uncertainty about when and how replacement may occur with respect to the relevant hedged items and hedging instruments. Such uncertainty may impact the hedging relationship. The Group applies the amendments to FRS 109 issued in December 2019 to those hedging relationships directly affected by IBOR reform.

Hedging relationships impacted by IBOR reform may experience ineffectiveness attributable to market participants' expectations of when the shift from the existing IBOR benchmark rate to an alternative benchmark interest rate will occur. This transition may occur at different times for the hedged item and hedging instrument, which may lead to hedge ineffectiveness. The Group has measured its hedging instruments indexed to Singapore-dollar SOR using available quoted market rates for SOR-based instruments of the same tenor and similar maturity and has measured the cumulative change in the present value of hedged cash flows attributable to changes in SOR on a similar basis.

The Group's exposure to Singapore-dollar SOR designated in hedging relationships is $748,904,000 nominal amount at 31 August 2021, representing both the nominal amount of the hedging interest rate swap and the principal amount of the Group's hedged SGD-denominated secured bank loan liabilities maturing in 2022 to 2023.

The Group is actively engaging with lenders to include appropriate fall-back provisions in its floating-rate liabilities. We expect that the hedging instrument will be modified as outlined under 'Derivatives' above.

25. 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% (2020: 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				
2021				
Borrowings	**(1,547)**	**1,547**	**–**	**–**
Interest rate swap	**–**	**–**	**5,141**	**(5,205)**
	(1,547)	**1,547**	**5,141**	**(5,205)**
2020				
Borrowings	(3,282)	3,282	–	–
Interest rate swap	–	–	3,859	(3,924)
	(3,282)	3,282	3,859	(3,924)
Trust				
2021				
Borrowings	**(957)**	**957**	**–**	**–**
Interest rate swap	**–**	**–**	**3,938**	**(3,982)**
	(957)	**957**	**3,938**	**(3,982)**
2020				
Borrowings	(2,680)	2,680	–	–
Interest rate swap	–	–	2,126	(2,156)
	(2,680)	2,680	2,126	(2,156)

25. 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 August 2021 and 31 August 2020, 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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Trade and other receivables, exclude prepayments and grant receivable (Note 7)	**10,674**	21,656	**383,868**	393,856
Cash and cash equivalents	**111,681**	81,974	**80,379**	52,770
	122,355	103,630	**464,247**	446,626

Impairment losses

Expected credit loss assessment for individual tenants as at 31 August 2020 and 31 August 2021

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.

25. 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:

	2021		2020	
	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)	**1,703**	**(203)**	992	(3)
Past due 1 to 30 days	**4,029**	**(660)**	9,814	(1,610)
Past due 31 to 60 days	**648**	**(27)**	588	(261)
Past due 61 to 90 days	**2,096**	**(32)**	5,647	(1,653)
Past due over 90 days	**9,098**	**(7,100)**	8,886	(4,990)
	17,574	**(8,022)**	25,927	(8,517)
Trust				
Current (not past due)	**1,681**	**(203)**	986	–
Past due 1 to 30 days	**2,794**	**(2)**	7,475	–
Past due 31 to 60 days	**114**	**–**	153	–
Past due 61 to 90 days	**1,569**	**(1)**	3,568	–
Past due over 90 days	**2,146**	**(338)**	1,327	–
	8,304	**(544)**	13,509	–

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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Beginning of financial year	**8,517**	–	**–**	–
Impairment loss recognised	**2,823**	8,100	**916**	–
Amount written-off	**(3,240)**	–	**(372)**	–
Translation differences	**(78)**	417	**–**	–
End of financial year	**8,022**	8,517	**544**	–

25. 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$375,673,000 (2020: S$380,218,000). 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$111,681,000 (2020: S$81,974,000) and S$80,379,000 (2020: S$52,770,000) respectively at 31 August 2021. 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 August 2021, the Group has undrawn and committed long-term revolving credit facilities of up to S$225 million (2020: S$225 million) to cover the net current liabilities of the Group of approximately $94.0 million (2020: $180.9 million), as well as cash and cash equivalents of approximately S$111.7 million (2020: S$82.0 million).

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

25. 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				
2021				
Net-settled interest rate swap	**(4,024)**	**(859)**	**(217)**	**–**
Cross currency swaps				
– Outflow	**(50,494)**	**(49,605)**	**–**	**–**
– Inflow	**49,353**	**49,439**	**–**	**–**
Trade and other payables*	**(46,556)**	**(14,825)**	**(23,061)**	**(249)**
Borrowings	**(170,075)**	**(336,842)**	**(827,532)**	**–**
	(221,796)	**(352,692)**	**(850,810)**	**(249)**
2020				
Net-settled interest rate swap	(5,296)	(3,372)	(1,764)	–
Cross currency swaps				
– Outflow	(2,794)	(51,510)	(50,596)	–
– Inflow	741	49,313	49,430	–
Trade and other payables*	(55,358)	(12,178)	(21,072)	(967)
Borrowings	(232,605)	(253,249)	(861,744)	–
	(295,312)	(270,996)	(885,746)	(967)
Trust				
2021				
Net-settled interest rate swap	**(3,026)**	**(213)**	**–**	**–**
Cross currency swaps				
– Outflow	**(50,494)**	**(49,605)**	**–**	**–**
– Inflow	**49,353**	**49,439**	**–**	**–**
Trade and other payables*	**(37,500)**	**(14,825)**	**(23,061)**	**(249)**
Borrowings	**(163,690)**	**(151,671)**	**(707,140)**	**–**
	(205,357)	**(166,875)**	**(730,201)**	**(249)**
2020				
Net-settled interest rate swap	(4,362)	(2,497)	(558)	–
Cross currency swaps				
– Outflow	(2,794)	(51,510)	(50,596)	–
– Inflow	741	49,313	49,430	–
Trade and other payables*	(45,216)	(12,178)	(21,072)	(967)
Borrowings	(225,930)	(246,574)	(549,869)	–
	(277,561)	(263,446)	(572,665)	(967)

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

25. 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$98,137,000 (2020: S$98,137,000) 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	
	2021 AUD'000	2020 AUD'000	2021 AUD'000	2020 AUD'000
Loan to a subsidiary (Note 6)	**–**	–	**177,066**	180,594
Trade and other receivables	**–**	–	**–**	2,424
Cash and cash equivalents	**28,130**	779	**28,130**	779
Statements of Financial Position exposure	**28,130**	779	**205,196**	183,797
Add: Effect of cross currency swaps	**98,137**	98,137	**98,137**	98,137
Less: Cross currency swaps designated for net investment hedge	**(98,137)**	(98,137)	**–**	–
Net exposure	**28,130**	779	**303,333**	281,934

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	
	2021 S$'000	2020 S$'000	2021 S$'000	2020 S$'000
Statements of Total Return				
5% strengthening	**1,407**	39	**15,167**	14,097
5% weakening	**(1,407)**	(39)	**(15,167)**	(14,097)

25. 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
2021					
Group					
Financial Liabilities					
Cross currency interest-rate swaps	**(1,490)**	**–**	**(1,490)**	**–**	**(1,490)**
Cross currency swaps	**(57)**	**–**	**(57)**	**–**	**(57)**
Interest rate swaps	**(2,796)**	**–**	**(2,796)**	**–**	**(2,796)**
Trust					
Financial Liabilities					
Cross currency interest-rate swaps	**(1,490)**	**–**	**(1,490)**	**–**	**(1,490)**
Cross currency swaps	**(57)**	**–**	**(57)**	**–**	**(57)**
Interest rate swaps	**(1,050)**	**–**	**(1,050)**	**–**	**(1,050)**
2020					
Group					
Financial Liabilities					
Cross currency interest-rate swaps	(4,402)	–	(4,402)	–	(4,402)
Cross currency swaps	(404)	–	(404)	–	(404)
Interest rate swaps	(5,272)	–	(5,272)	–	(5,272)
Trust					
Financial Liabilities					
Cross currency interest-rate swaps	(4,402)	–	(4,402)	–	(4,402)
Cross currency swaps	(404)	–	(404)	–	(404)
Interest rate swaps	(2,481)	–	(2,481)	–	(2,481)

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(f) Hedge Accounting

Cash flow hedges

As at 31 August 2021, the Group and the Trust held the following instruments to hedge exposures to changes in interest rate.

	Maturity		
	Within 1 year	Within 2 to 5 years	More than 5 years
2021			
Group			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	**245,000**	**523,370**	**–**
Average fixed interest rate	**0.74%**	**0.49%**	**–**
Cross currency interest rate swaps			
Net exposure (in S$'000)	**39,452**	**39,452**	**–**
Average fixed interest rate	**3.09%**	**3.28%**	**–**
Trust			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	**245,000**	**425,000**	**–**
Average fixed interest rate	**0.74%**	**0.36%**	**–**
Cross currency interest rate swaps			
Net exposure (in S$'000)	**39,452**	**39,452**	**–**
Average fixed interest rate	**3.09%**	**3.28%**	**–**
2020			
Group			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	45,000	250,330	–
Average fixed interest rate	2.04%	1.01%	–
Cross currency interest rate swaps			
Net exposure (in S$'000)	–	78,904	–
Average fixed interest rate	–	3.18%	–
Trust			
Interest rate risk			
Interest rate swaps			
Net exposure (in S$'000)	45,000	150,000	–
Average fixed interest rate	2.04%	0.99%	–
Cross currency interest rate swaps			
Net exposure (in S$'000)	–	78,904	–
Average fixed interest rate	–	3.18%	–

25. 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.

	2021			
	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
Group				
Cross currency interest rate swap	**78,904**	**–**	**(1,582)**	**Derivative financial instruments**
Interest rate swaps	**768,370**	**–**	**(2,796)**	**Derivative financial instruments**
Trust				
Cross currency interest rate swap	**78,904**	**–**	**(1,582)**	**Derivative financial instruments**
Interest rate swaps	**670,000**	**–**	**(1,050)**	**Derivative financial instruments**

	2020			
	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
Group				
Cross currency interest rate swap	78,904	–	(3,112)	Derivative financial instruments
Interest rate swaps	295,330	–	(5,272)	Derivative financial instruments
Trust				
Cross currency interest rate swap	78,904	–	(3,112)	Derivative financial instruments
Interest rate swaps	195,000	–	(2,481)	Derivative financial instruments

During the period – 2021					
Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2021 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
482	**482**	**–**	**Not applicable**	**(1,922)**	**Not applicable**
407	**407**	**–**	**Not applicable**	**(2,874)**	**Finance costs**
482	**482**	**–**	**Not applicable**	**(1,922)**	**Not applicable**
497	**497**	**–**	**Not applicable**	**(1,926)**	**Finance costs**

During the period – 2020					
Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2020 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
1,265	1,265	–	Not applicable	–	Not applicable
5,674	5,674	–	Not applicable	(3,405)	Finance costs
1,265	1,265	–	Not applicable	–	Not applicable
2,759	2,759	–	Not applicable	(3,083)	Finance costs

25. 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.

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

	2021			
	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
Group				
Cross currency swaps	**98,137**	**–**	**35**	**Derivative financial instruments**

	2020			
	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
Group				
Cross currency swaps	98,137	–	(1,694)	Derivative financial instruments

During the period – 2021					
Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2021 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
(1,729)	**(1,729)**	**–**	**Not applicable**	**–**	**Not applicable**

During the period – 2020					
Change in the fair value of the hedging instrument used for calculating hedge ineffectiveness for 2020 S$'000	Hedging (gains) or losses recognised in Unitholder's Fund S$'000	Hedge ineffectiveness 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
5,315	5,315	–	Not applicable	–	Not applicable

25. 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:

	2021 Change in value of the hedged item used for calculating hedge ineffectiveness S$'000
AUD net investment	**7,028**

	2020 Change in value of the hedged item used for calculating hedge ineffectiveness S$'000
AUD net investment	(6,732)

During the period – 2021	
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
(1,729)	**–**

During the period – 2020	
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
5,315	–

25. 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 30.3% (2020: 30.5%), and is in compliance with the Aggregate Leverage limit of 50% (2020: 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) (Level 2); and

(iii) Inputs for the asset and liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
2021				
Assets				
Investment properties	**–**	**–**	**4,123,000**	**4,123,000**
Liabilities				
Derivative financial instruments	**–**	**(4,343)**	**–**	**(4,343)**
2020				
Assets				
Investment properties	–	–	4,125,447	4,125,447
Liabilities				
Derivative financial instruments	–	(10,078)	–	(10,078)

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(h) Fair value measurements (cont'd)

***Fair value hierarchy** (cont'd)*

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Trust				
2021				
Assets				
Investment properties	**–**	**–**	**3,296,200**	**3,296,200**
Liabilities				
Derivative financial instruments	**–**	**(2,597)**	**–**	**(2,597)**
2020				
Assets				
Investment properties	–	–	3,286,200	3,286,200
Liabilities				
Derivative financial instruments	–	(7,287)	–	(7,287)

Level 2

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.

Level 3

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.

25. 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	**Discounted cash flow**	Discount rate 6.50% to 8.00% (2020: 6.50% to 8.00%) Terminal Yield 4.00% to 6.50% (2020: 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.
Investment properties	**Income capitalisation**	Capitalisation rate 3.75% to 6.00% (2020: 3.75% to 6.25%) Market rent S$63.11 psf to S$220.77 psf (2020: S$67.55 psf to S$223.45 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.

25. FINANCIAL RISK MANAGEMENT (CONT'D)

(i) Financial instruments by category

	Fair value – hedging instruments S$'000	Amortised cost S$'000	Other financial liabilities S$'000	Total S$'000
Group				
2021				
Assets				
Trade and other receivable[1]	**–**	**10,674**	**–**	**10,674**
Cash and cash equivalents	**–**	**111,681**	**–**	**111,681**
	–	**122,355**	**–**	**122,355**
Liabilities				
Trade and other payables[2]	**–**	**–**	**(85,577)**	**(85,577)**
Borrowings	**–**	**–**	**(1,293,054)**	**(1,293,054)**
Derivative financial instruments	**(4,343)**	**–**	**–**	**(4,343)**
	(4,343)	**–**	**(1,378,631)**	**(1,382,974)**
2020				
Assets				
Trade and other receivables[1]	–	21,656	–	21,656
Cash and cash equivalents	–	81,974	–	81,974
	–	103,630	–	103,630
Liabilities				
Trade and other payables[2]	–	–	(89,575)	(89,575)
Borrowings	–	–	(1,298,585)	(1,298,585)
Derivative financial instruments	(10,078)	–	–	(10,078)
	(10,078)	–	(1,388,160)	(1,398,238)

1 Excludes prepayments, other asset and grant receivable

2 Excludes collections in advance, deferred grant liability, Goods and services tax payable and withholding tax payable

25. 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				
2021				
Assets				
Trade and other receivables[1]	**–**	**383,868**	**–**	**383,868**
Cash and cash equivalents	**–**	**80,379**	**–**	**80,379**
	–	**464,247**	**–**	**464,247**
Liabilities				
Trade and other payables[2]	**–**	**–**	**(76,302)**	**(76,302)**
Borrowings	**–**	**–**	**(993,694)**	**(993,694)**
Derivative financial instruments	**(2,597)**	**–**	**–**	**(2,597)**
	(2,597)	**–**	**(1,069,996)**	**(1,072,593)**
2020				
Assets				
Trade and other receivables[1]	–	393,856	–	393,856
Cash and cash equivalents	–	52,770	–	52,770
	–	446,626	–	446,626
Liabilities				
Trade and other payables[2]	–	–	(79,433)	(79,433)
Borrowings	–	–	(993,636)	(993,636)
Derivative financial instruments	(7,287)	–	–	(7,287)
	(7,287)	–	(1,073,069)	(1,080,356)

1 Excludes prepayments, other asset and grant receivable

2 Excludes collections in advance, deferred grant liability, Goods and services tax payable and withholding tax payable

26. 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 (SPH REIT Management Pte. Ltd.) and the Property Manager (SPH 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	
	2021 S$'000	2020 S$'000
Manager's management fees paid to a related company	**20,434**	19,245
Manager's acquisition fees paid to a related company	**–**	6,228
Property management fees paid/payable to a related company	**7,956**	7,484
Investment management fees paid/payable to non-controlling interests	**2,950**	2,143
Trustee's fees paid/payable to the Trustee	**574**	585
Staff reimbursements paid/payable to a related company	**4,575**	4,283
Rental and other income received/receivable from related companies	**287**	976
Other expenses paid/payable to related companies	**649**	697

27. 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.

27. 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
2021						
Result						
Gross revenue	159,865	41,372	5,657	17,250	53,035	277,179
Property operating expenses	(40,472)	(11,487)	(1,222)	(3,968)	(17,403)	(74,552)
Segment net property income	119,393	29,885	4,435	13,282	35,632	202,627
Unallocated amounts:						
Manager's management fees						(20,434)
Investment management fees						(2,950)
Trustee's fee						(600)
Impairment on trade receivables	(610)	(291)	(15)	(1,701)	(206)	(2,823)
Other Group expenses						(1,395)
Finance income						200
Finance costs						(23,994)
Grant income						2,903
Grant expense						(2,903)
Net income						150,631
Net foreign currency exchange differences						(567)
Fair value change on investment properties	(4,373)	8,889	(356)	9,187	(9,926)	3,421
Total return for the year before taxes and distribution						153,485
Less: income tax						(1,397)
Total return for the year after taxes and before distribution						152,088
Segment assets	2,640,463	594,098	62,207	196,740	630,060	4,123,568
Segment assets includes:						
– Plant and equipment	463	98	7	–	–	568
– Investment properties	2,640,000	594,000	62,200	196,740	630,060	4,123,000
Unallocated assets						122,997
Total assets						4,246,565
Segment liabilities	42,589	11,215	1,447	–	9	55,260
Unallocated liabilities:						
– Borrowings						1,293,054
– Others						50,383
Total liabilities						1,398,697
Other information						
Additions to:						
– Plant and equipment	180	47	7	–	–	234
– Investment properties	1,204	623	293	389	3,685	6,194
Depreciation of plant and equipment	188	67	–	–	–	255

1 Westfield Marion Shopping Centre was acquired on 6 December 2019. Total acquisition cost of S$633.9 million included acquisition fees and acquisition related expenses (Note 5).

27. 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
2020						
Result						
Gross revenue	146,545	36,557	4,978	15,908	37,475	241,463
Property operating expenses	(33,807)	(9,998)	(1,070)	(3,423)	(11,222)	(59,520)
Segment net property income	112,738	26,559	3,908	12,485	26,253	181,943
Unallocated amounts:						
Manager's management fees						(19,245)
Investment management fees						(2,143)
Trustee's fee						(585)
Impairment on trade receivables	–	–	–	(1,742)	(6,358)	(8,100)
Other Group expenses						(1,697)
Finance income						1,775
Finance costs						(32,905)
Grant income						24,774
Grant expense						(24,774)
Net income						119,043
Net foreign currency exchange differences						917
Fair value change on investment properties	(108,968)	(14,575)	(2,498)	(16,057)	(37,841)	(179,939)
Total loss for the year before taxes and distribution						(59,979)
Less: income tax						(4,045)
Total loss for the year after taxes and before distribution						(64,024)
Segment assets	2,640,471	584,118	62,200	190,627	648,620	4,126,036
Segment assets includes:						
– Plant and equipment	471	118	–	–	–	589
– Investment properties	2,640,000	584,000	62,200	190,627	648,620	4,125,447
Unallocated assets						114,627
Total assets						4,240,663
Segment liabilities	42,452	11,771	1,383	–	9	55,615
Unallocated liabilities:						
– Borrowings						1,298,585
– Others						71,754
Total liabilities						1,425,954
Other information						
Additions to:						
– Plant and equipment	117	66	–	–	–	183
– Investment properties	3,467	1,383	785	382	3,126	9,143
Acquisition of investment property	–	–	–	–	633,923	633,923
Depreciation of plant and equipment	172	52	–	–	–	224

1 Westfield Marion Shopping Centre was acquired on 6 December 2019. Total acquisition cost of S$633.9 million included acquisition fees and acquisition related expenses (Note 5).

27. OPERATING SEGMENTS (CONT'D)

Geographical information

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	
	2021 S$'000	2020 S$'000
Revenue		
Singapore	**206,894**	188,080
Australia	**70,285**	53,383
	277,179	241,463
Non-current assets[1]		
Singapore	**3,296,768**	3,286,789
Australia	**826,800**	839,247
	4,123,568	4,126,036

1 Non-current assets exclude financial instruments

28. NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 September 2020 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

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

- FRS 117 *Insurance Contracts*
- *Classification of Liabilities as Current or Non-current* (Amendments to FRS 1)
- *COVID-19-Related Rent Concessions* (Amendment to FRS 116)
- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* (Amendments to FRS 110 and FRS 28)
- *Reference to the Conceptual Framework* (Amendments to FRS 103)
- *Property, Plant and Equipment – Proceeds before Intended Use* (Amendments to FRS 16)
- *Onerous Contracts – Costs of Fulfilling a Contract* (Amendments to FRS 37)
- *Annual Improvements to FRSs 2018 – 2020*
- *Interest Rate Benchmark Reform – Phase 2* (Amendments to FRS 109, FRS 39, FRS 107, FRS 104 and FRS 116)

29. FINANCIAL RATIOS

	Group	
	2021 %	2020 %
Ratio of expenses to weighted average net assets value[1]		
– including performance component of Manager's management fees	**0.90**	0.85
– excluding performance component of Manager's management fees	**0.55**	0.53
Total operating expenses to net asset value[2]	**3.46**	2.90
Portfolio turnover rate[3]	**–**	–

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 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 August 2021 and 31 August 2020, as there were no sales of investment properties.

30. SUBSEQUENT EVENT

Subsequent to the reporting date, the Manager announced a distribution of 1.58 cents per unit, for the quarter from 1 June 2021 to 31 August 2021.

The unprecedented COVID-19 pandemic created global economic uncertainty and caused severe business disruptions. Safe management measures and travel restrictions to contain the spread of the pandemic impacted the retail industry adversely, resulting in lower footfall and sales in malls. Uncertainty on its duration, scale and long term impact of the pandemic could further dampen consumer sentiment and economic growth and adversely impact demand for commercial space, relief measures for tenants and rental collections. The Manager will continue to monitor the COVID-19 outbreak in the respective countries the Group operates in, including the guidelines and/or regulations provided by the authorities. Given the fluidity of the COVID-19 pandemic, the full impact of the pandemic to the Group's performance for the year ending 31 August 2022 cannot be ascertained as at the date of this report.

31. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements were authorised for issue by the Manager and the Trustee on 4 October 2021.