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# Financial Statements

# Report of the Trustee

Year ended 31 December 2011

HSBC Institutional Trust Services (Singapore) Limited (the "Trustee") is under a duty to take into custody and hold the assets of CapitaMall Trust (the "Trust") and its subsidiaries (the "Group") in trust for the Unitholders. 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 CapitaMall Trust Management Limited (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed in each annual accounting period and report thereon to Unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Trust during the period covered by these financial statements, set out on pages 146 to 211 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,
HSBC Institutional Trust Services (Singapore) Limited

**ANTONY WADE LEWIS**
Director

Singapore
10 February 2012

# Statement by the Manager

Year ended 31 December 2011

In the opinion of the directors of CapitaMall Trust Management Limited, the accompanying financial statements set out on pages 146 to 211 comprising the Balance Sheets, Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds, Portfolio Statements, Cash Flow Statements and a summary of significant accounting policies and other explanatory information of CapitaMall Trust and its subsidiaries (the "Group") and of the Trust, are drawn up so as to present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2011, the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and of the Trust for the year then ended in accordance with the recommendations of Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore and the provisions of the Trust Deed. At the date of this statement, there are reasonable grounds to believe that the Group and the Trust will be able to meet their financial obligations as and when they materialise.

For and on behalf of the Manager,
CapitaMall Trust Management Limited

**HO CHEE HWEE SIMON**
Director

Singapore
10 February 2012

# Independent auditors' report

Unitholders of CapitaMall Trust
(Established in the Republic of Singapore pursuant to a Trust Deed dated 29 October 2001 (as amended))

## Report on the financial statements

We have audited the accompanying financial statements of CapitaMall Trust (the "Trust") and its subsidiaries (the "Group"), which comprise the Balance Sheets and Portfolio Statements of the Group and the Trust as at 31 December 2011, and the Statements of Total Return, Distribution Statements, Statements of Movements in Unitholders' Funds and Cash Flow Statements of the Group and the Trust for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 146 to 211.

### *Manager's responsibility for the financial statements*

The Manager of the Trust is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore*, and for such internal control as the Manager of the Trust determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Trust's preparation and fair presentation of the financial statements 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 Trust's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager of the Trust, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent auditors' report

## Unitholders of CapitaMall Trust
## (Established in the Republic of Singapore pursuant to a Trust Deed dated 29 October 2001 (as amended))

*Opinion*

In our opinion, the consolidated financial statements of the Group and the financial statements of the Trust present fairly, in all material respects, the financial position of the Group and of the Trust as at 31 December 2011 and the total return, distributable income, movements in Unitholders' funds and cash flows of the Group and of the Trust for the year then ended in accordance with the recommendations of *Statement of Recommended Accounting Practice 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore*.

**KPMG LLP**
Public Accountants and
Certified Public Accountants

Singapore
10 February 2012

# Balance Sheets

As at 31 December 2011

| | | GROUP | | TRUST | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| **Non-current assets** | | | | | |
| Plant and equipment | 4 | **1,564** | 1,810 | **1,470** | 1,645 |
| Investment properties | 5 | **7,849,200** | 7,271,500 | **6,716,000** | 6,194,300 |
| Properties under development | 6 | **306,591** | – | **–** | – |
| Subsidiaries | 7 | **–** | – | **80** | 80 |
| Associate and joint ventures | 8 | **227,204** | 131,807 | **812,754** | 675,154 |
| | | **8,384,559** | 7,405,117 | **7,530,304** | 6,871,179 |
| **Current assets** | | | | | |
| Inventories | | **210** | 197 | **–** | – |
| Trade and other receivables | 9 | **29,785** | 7,657 | **20,425** | 17,109 |
| Cash and cash equivalents | 10 | **757,622** | 712,952 | **736,362** | 696,456 |
| | | **787,617** | 720,806 | **756,787** | 713,565 |
| **Total assets** | | **9,172,176** | 8,125,923 | **8,287,091** | 7,584,744 |
| **Current liabilities** | | | | | |
| Financial derivatives | 11 | **–** | 8,234 | **–** | 8,234 |
| Trade and other payables | 12 | **209,728** | 125,922 | **196,237** | 107,968 |
| Current portion of security deposits | | **45,282** | 40,658 | **41,223** | 37,115 |
| Interest-bearing borrowings | 13 | **782,497** | 384,125 | **782,497** | – |
| Convertible bonds | 14 | **–** | 542,635 | **–** | 542,635 |
| Current tax payable | | **1,335** | 1,290 | **45** | – |
| | | **1,038,842** | 1,102,864 | **1,020,002** | 695,952 |
| **Non-current liabilities** | | | | | |
| Financial derivatives | 11 | **69,446** | 75,191 | **16,410** | 13,694 |
| Interest-bearing borrowings | 13 | **2,041,363** | 1,925,159 | **1,499,500** | 1,981,409 |
| Convertible bonds | 14 | **600,080** | – | **600,080** | – |
| Amounts owing to joint venture partners | 15 | **90,545** | – | **–** | – |
| Non-current portion of security deposits | | **85,878** | 83,302 | **78,379** | 75,165 |
| | | **2,887,312** | 2,083,652 | **2,194,369** | 2,070,268 |
| **Total liabilities** | | **3,926,154** | 3,186,516 | **3,214,371** | 2,766,220 |
| **Net assets** | | **5,246,022** | 4,939,407 | **5,072,720** | 4,818,524 |
| Represented by: | | | | | |
| **Unitholders' funds** | | **5,246,022** | 4,939,407 | **5,072,720** | 4,818,524 |
| **Units in issue ('000)** | 16 | **3,328,417** | 3,184,259 | **3,328,417** | 3,184,259 |
| | | $ | $ | $ | $ |
| **Net asset value per unit** | | **1.58** | 1.55 | **1.52** | 1.51 |

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

# Statements of Total Return

Year ended 31 December 2011

| | | GROUP | | TRUST | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Note | $'000 | $'000 | $'000 | $'000 |
| Gross revenue | 17 | 630,573 | 581,120 | 543,822 | 499,840 |
| Property operating expenses | 18 | (212,333) | (181,973) | (189,053) | (159,300) |
| **Net property income** | | 418,240 | 399,147 | 354,769 | 340,540 |
| Interest and other income | 19 | 2,332 | 2,022 | 4,870 | 2,007 |
| Investment income | 20 | – | – | 59,153 | 54,098 |
| Asset management fees | 21 | (39,368) | (36,034) | (34,037) | (31,059) |
| Professional fees | | (1,497) | (1,566) | (1,406) | (1,461) |
| Trustee's fees | | (1,149) | (1,055) | (1,009) | (923) |
| Audit fees | | (348) | (328) | (308) | (289) |
| Other expenses | | (860) | (465) | (648) | (490) |
| Finance costs | 22 | (134,956) | (118,458) | (118,210) | (103,297) |
| **Net income before share of profit of associate** | | 242,394 | 243,263 | 263,174 | 259,126 |
| Share of profit of associate | | 26,099 | 12,643 | – | – |
| **Net income** | | 268,493 | 255,906 | 263,174 | 259,126 |
| Loss on repurchase of convertible bonds | | (10,322) | (5,182) | (10,322) | (5,182) |
| Net change in fair value of financial derivatives | | 4,976 | 9,500 | 4,976 | 9,500 |
| Net change in fair value of investment properties | | 121,125 | 9,839 | 66,104 | (32,069) |
| **Total return for the year before tax** | | 384,272 | 270,063 | 323,932 | 231,375 |
| Income tax expense | 23 | (45) | – | (45) | – |
| **Total return for the year** | | 384,227 | 270,063 | 323,887 | 231,375 |
| **Earnings per unit (cents)** | 24 | | | | |
| Basic | | 11.98 | 8.49 | 10.10 | 7.27 |
| Fully diluted | | 11.94 | 8.41 | 10.10 | 7.26 |

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

# Distribution Statements

Year ended 31 December 2011

| | GROUP 2011 $'000 | GROUP 2010 $'000 | TRUST 2011 $'000 | TRUST 2010 $'000 |
|---|---|---|---|---|
| Amount available for distribution to Unitholders at beginning of year | **88,229** | 78,513 | **88,229** | 78,513 |
| Net income before share of profit of associate | **242,394** | 243,263 | **263,174** | 259,126 |
| Net tax adjustments (Note A) | **44,883** | 50,978 | **34,664** | 45,254 |
| Rollover adjustment | **–** | 564 | **–** | 564 |
| Distribution income from associate | **10,344** | 10,148 | **–** | – |
| Net loss/(profit) from subsidiaries and joint ventures | **217** | (9) | **–** | – |
| | **297,838** | 304,944 | **297,838** | 304,944 |
| Amount available for distribution to Unitholders | **386,067** | 383,457 | **386,067** | 383,457 |
| Distribution to Unitholders during the year: | | | | |
| Distribution of 2.40 cents per unit for period from 01/10/2009 to 31/12/2009 | **–** | (76,302) | **–** | (76,302) |
| Distribution of 2.23 cents per unit for period from 01/01/2010 to 31/03/2010 | **–** | (70,934) | **–** | (70,934) |
| Distribution of 2.29 cents per unit for period from 01/04/2010 to 30/06/2010 | **–** | (72,858) | **–** | (72,858) |
| Distribution of 2.36 cents per unit for period from 01/07/2010 to 30/09/2010 | **–** | (75,134) | **–** | (75,134) |
| Distribution of 2.36 cents per unit for period from 01/10/2010 to 31/12/2010 | **(75,149)** | – | **(75,149)** | – |
| Distribution of 2.29 cents per unit for period from 01/01/2011 to 31/03/2011 | **(72,935)** | – | **(72,935)** | – |
| Distribution of 2.36 cents per unit for period from 01/04/2011 to 30/06/2011 | **(75,181)** | – | **(75,181)** | – |
| Distribution of 2.42 cents per unit for period from 01/07/2011 to 30/09/2011 | **(77,109)** | – | **(77,109)** | – |
| Distribution of 1.02 cents per unit for period from 01/10/2011 to 09/11/2011 | **(32,525)** | – | **(32,525)** | – |
| | **(332,899)** | (295,228) | **(332,899)** | (295,228) |
| Amount available for distribution to Unitholders at end of the year | **53,168** | 88,229 | **53,168** | 88,229 |

### Note A – Net tax adjustments comprise:

| | GROUP 2011 $'000 | GROUP 2010 $'000 | TRUST 2011 $'000 | TRUST 2010 $'000 |
|---|---|---|---|---|
| Non-tax deductible/(chargeable) items: | | | | |
| – asset management fees paid/payable in units | **5,331** | 4,975 | **–** | – |
| – trustee's fees | **1,149** | 1,055 | **1,009** | 923 |
| – other items | **43,748** | 51,203 | **38,956** | 50,571 |
| Tax deductible item: | | | | |
| – capital allowances/balancing allowances | **(5,345)** | (6,255) | **(5,301)** | (6,240) |
| Net tax adjustments | **44,883** | 50,978 | **34,664** | 45,254 |

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

# Statements of Movements in Unitholders' Funds

Year ended 31 December 2011

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 | 2011<br>$'000 | 2010<br>$'000 |
| **Net assets at beginning of the year** | **4,939,407** | 4,969,613 | **4,818,524** | 4,832,671 |
| **Operations** | | | | |
| Total return for the year | **384,227** | 270,063 | **323,887** | 231,375 |
| **Hedging reserve** | | | | |
| Effective portion of changes in fair value of cash flow hedges | **887** | (4,863) | **–** | 354 |
| **Movement in foreign currency translation reserve** | **(9,162)** | (8,078) | **–** | – |
| **Movement in general reserve** | **354** | 296 | **–** | – |
| **Movement in capital reserve** | **8,148** | – | **8,148** | 41,748 |
| **Unitholders' transactions** | | | | |
| Creation of units | | | | |
| – units issued in respect of RCS Trust's asset management fees | **5,257** | 4,924 | **5,257** | 4,924 |
| – acquisition fees for Clarke Quay | **–** | 2,680 | **–** | 2,680 |
| – acquisition fees for Infinity Mall Trust & Infinity Office Trust (collectively, the "Infinity Trusts") | **2,994** | – | **2,994** | – |
| Contributions on placement | **250,000** | – | **250,000** | – |
| Issue expenses (Note 25) | **(3,191)** | – | **(3,191)** | – |
| Distribution to Unitholders | **(332,899)** | (295,228) | **(332,899)** | (295,228) |
| Net decrease in net assets resulting from Unitholders' transactions | **(77,839)** | (287,624) | **(77,839)** | (287,624) |
| Net assets at end of the year | **5,246,022** | 4,939,407 | **5,072,720** | 4,818,524 |

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

# Portfolio Statements

As at 31 December 2011

## GROUP

| Description of Property | Tenure of Land | Term of Lease | Remaining Term of Lease | Location | Existing Use | Committed Occupancy Rates as at 31 December 2011 % | Committed Occupancy Rates as at 31 December 2010 % | At Valuation 2011 $'000 | At Valuation 2010 $'000 | Percentage of Total Net Assets 2011 % | Percentage of Total Net Assets 2010 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment properties in Singapore** | | | | | | | | | | | |
| Tampines Mall | Leasehold | 99 years | 80 years | 4 Tampines Central 5, Singapore | Commercial | **100.0** | 100.0 | **800,000** | 792,000 | **15.2** | 16.0 |
| Junction 8 | Leasehold | 99 years | 79 years | 9 Bishan Place, Singapore | Commercial | **100.0** | 100.0 | **597,000** | 580,000 | **11.4** | 11.7 |
| Funan DigitaLife Mall | Leasehold | 99 years | 67 years | 109 North Bridge Road, Singapore | Commercial | **100.0** | 100.0 | **347,000** | 330,000 | **6.6** | 6.7 |
| IMM Building | Leasehold | 60 years | 37 years | 2 Jurong East Street 21, Singapore | Commercial<br>Warehouse | **99.4**<br>**99.5** | 100.0<br>97.4 | **606,000** | 659,000 | **11.6** | 13.3 |
| Plaza Singapura | Freehold | – | – | 68 Orchard Road, Singapore | Commercial | **100.0** | 100.0 | **1,080,000** | 1,034,000 | **20.6** | 20.9 |
| Bugis Junction | Leasehold | 99 years | 78 years | 200 Victoria Street, Singapore | Commercial | **100.0** | 100.0 | **864,000** | 815,000 | **16.5** | 16.5 |
| Sembawang Shopping Centre | Leasehold | 999 years | 872 years | 604 Sembawang Road, Singapore | Commercial | **99.1** | 99.5 | **93,000** | 123,000 | **1.8** | 2.5 |
| JCube (formerly known as Jurong Entertainment Centre) | Leasehold | 99 years | 78 years | 2 Jurong East Central 1, Singapore | Commercial | **NA**[1] | NA[1] | **273,000** | 172,000 | **5.2** | 3.5 |
| Hougang Plaza | Leasehold | 99 years | 78 years | 1189 Upper Serangoon Road, Singapore | Commercial | **100.0** | 100.0 | **34,000** | 39,000 | **0.6** | 0.8 |
| Balance carried forward | | | | | | | | **4,694,000** | 4,544,000 | **89.5** | 91.9 |

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

# Portfolio Statements

As at 31 December 2011

| Description of Property | Tenure of Land | Term of Lease | Remaining Term of Lease | Location | Existing Use | Committed Occupancy Rates as at 31 December 2011 % | Committed Occupancy Rates as at 31 December 2010 % | At Valuation 2011 $'000 | At Valuation 2010 $'000 | Percentage of Total Net Assets 2011 % | Percentage of Total Net Assets 2010 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment properties in Singapore** | | | | | | | | | | | |
| Balance brought forward | | | | | | | | **4,694,000** | 4,544,000 | **89.5** | 91.9 |
| Lot One Shoppers' Mall[2] | Leasehold | 99 years | 81 years | 21 Choa Chu Kang Avenue 4, Singapore | Commercial | **99.7** | 99.6 | **454,000** | 437,000 | **8.7** | 8.8 |
| Bukit Panjang Plaza[2] | Leasehold | 99 years | 82 years | 1 Jelebu Road, Singapore | Commercial | **100.0** | 100.0 | **259,000** | 255,000 | **4.9** | 5.2 |
| Rivervale Mall[2] | Leasehold | 99 years | 85 years | 11 Rivervale Crescent, Singapore | Commercial | **100.0** | 100.0 | **98,000** | 94,300 | **1.9** | 1.9 |
| The Atrium@Orchard | Leasehold | 99 years | 96 years | 60A & 60B Orchard Road, Singapore | Commercial | **65.5** | 93.5 | **623,000** | 590,000 | **11.9** | 11.9 |
| Clarke Quay[3] | Leasehold | 99 years | 77 years | 3A/B/C/D/E River Valley Road, Singapore | Commercial | **100.0** | 100.0 | **293,000** | 274,000 | **5.6** | 5.5 |
| Iluma[4] | Leasehold | 60 years | 54 years | 201 Victoria Street, Singapore | Commercial | **53.3** | – | **295,000** | – | **5.6** | – |
| 40.0% interest in Raffles City Singapore | Leasehold | 99 years | 67 years | 250 & 252 North Bridge Road, 2 Stamford Road and 80 Bras Basah Road, Singapore | Retail<br>Office<br>Hotel [5] | **100.0**<br>**97.7**<br>**NA** | 99.6<br>98.5<br>NA | **1,133,200** | 1,077,200 | **21.6** | 21.8 |
| **Investment properties, at valuation** | | | | | | | | **7,849,200** | 7,271,500 | **149.7** | 147.0 |
| **Investment in associate (Note 8)** | | | | | | | | **138,514** | 131,807 | **2.6** | 2.7 |
| | | | | | | | | **7,987,714** | 7,403,307 | **152.3** | 149.7 |
| **Other assets and liabilities (net)** | | | | | | | | **(2,741,692)** | (2,463,900) | **(52.3)** | (49.7) |
| **Net assets** | | | | | | | | **5,246,022** | 4,939,407 | **100.0** | 100.0 |

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

# Portfolio Statements

As at 31 December 2011

## TRUST

| Description of Property | Tenure of Land | Term of Lease | Remaining Term of Lease | Location | Existing Use | Committed Occupancy Rates as at 31 December 2011 % | Committed Occupancy Rates as at 31 December 2010 % | At Valuation 2011 $'000 | At Valuation 2010 $'000 | Percentage of Total Net Assets 2011 % | Percentage of Total Net Assets 2010 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment properties in Singapore** | | | | | | | | | | | |
| Tampines Mall | Leasehold | 99 years | 80 years | 4 Tampines Central 5, Singapore | Commercial | **100.0** | 100.0 | **800,000** | 792,000 | **15.8** | 16.4 |
| Junction 8 | Leasehold | 99 years | 79 years | 9 Bishan Place, Singapore | Commercial | **100.0** | 100.0 | **597,000** | 580,000 | **11.8** | 12.0 |
| Funan DigitaLife Mall | Leasehold | 99 years | 67 years | 109 North Bridge Road, Singapore | Commercial | **100.0** | 100.0 | **347,000** | 330,000 | **6.8** | 6.8 |
| IMM Building | Leasehold | 60 years | 37 years | 2 Jurong East Street 21, Singapore | Commercial<br>Warehouse | **99.4**<br>**99.5** | 100.0<br>97.4 | **606,000** | 659,000 | **11.9** | 13.7 |
| Plaza Singapura | Freehold | – | – | 68 Orchard Road, Singapore | Commercial | **100.0** | 100.0 | **1,080,000** | 1,034,000 | **21.3** | 21.5 |
| Bugis Junction | Leasehold | 99 years | 78 years | 200 Victoria Street, Singapore | Commercial | **100.0** | 100.0 | **864,000** | 815,000 | **17.0** | 16.9 |
| Sembawang Shopping Centre | Leasehold | 999 years | 872 years | 604 Sembawang Road, Singapore | Commercial | **99.1** | 99.5 | **93,000** | 123,000 | **1.8** | 2.6 |
| JCube (formerly known as Jurong Entertainment Centre) | Leasehold | 99 years | 78 years | 2 Jurong East Central 1, Singapore | Commercial | **NA**[1] | NA[1] | **273,000** | 172,000 | **5.4** | 3.6 |
| Hougang Plaza | Leasehold | 99 years | 78 years | 1189 Upper Serangoon Road, Singapore | Commercial | **100.0** | 100.0 | **34,000** | 39,000 | **0.7** | 0.8 |
| Balance carried forward | | | | | | | | **4,694,000** | 4,544,000 | **92.5** | 94.3 |

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

# Portfolio Statements

As at 31 December 2011

| Description of Property | Tenure of Land | Term of Lease | Remaining Term of Lease | Location | Existing Use | Committed Occupancy Rates as at 31 December 2011 % | Committed Occupancy Rates as at 31 December 2010 % | At Valuation 2011 $'000 | At Valuation 2010 $'000 | Percentage of Total Net Assets 2011 % | Percentage of Total Net Assets 2010 % |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Investment properties in Singapore** | | | | | | | | | | | |
| Balance brought forward | | | | | | | | **4,694,000** | 4,544,000 | **92.5** | 94.3 |
| Lot One Shoppers' Mall[2] | Leasehold | 99 years | 81 years | 21 Choa Chu Kang Avenue 4, Singapore | Commercial | **99.7** | 99.6 | **454,000** | 437,000 | **9.0** | 9.1 |
| Bukit Panjang Plaza[2] | Leasehold | 99 years | 82 years | 1 Jelebu Road, Singapore | Commercial | **100.0** | 100.0 | **259,000** | 255,000 | **5.1** | 5.3 |
| Rivervale Mall[2] | Leasehold | 99 years | 85 years | 11 Rivervale Crescent, Singapore | Commercial | **100.0** | 100.0 | **98,000** | 94,300 | **1.9** | 2.0 |
| The Atrium@Orchard | Leasehold | 99 years | 96 years | 60A & 60B Orchard Road, Singapore | Commercial | **65.5** | 93.5 | **623,000** | 590,000 | **12.3** | 12.2 |
| Clarke Quay[3] | Leasehold | 99 years | 77 years | 3A/B/C/D/E River Valley Road, Singapore | Commercial | **100.0** | 100.0 | **293,000** | 274,000 | **5.8** | 5.7 |
| Iluma[4] | Leasehold | 60 years | 54 years | 201 Victoria Street, Singapore | Commercial | **53.3** | – | **295,000** | – | **5.8** | – |
| **Investment properties, at valuation** | | | | | | | | **6,716,000** | 6,194,300 | **132.4** | 128.6 |
| **Investment in subsidiaries, associate and joint ventures (Notes 7 & 8)** | | | | | | | | **812,834** | 675,234 | **16.0** | 14.0 |
| | | | | | | | | **7,528,834** | 6,869,534 | **148.4** | 142.6 |
| **Other assets and liabilities (net)** | | | | | | | | **(2,456,114)** | (2,051,010) | **(48.4)** | (42.6) |
| **Net assets** | | | | | | | | **5,072,720** | 4,818,524 | **100.0** | 100.0 |

*NA Not Applicable*
1. *Occupancy rate is not applicable as JCube (formerly known as Jurong Entertainment Centre) was closed in November 2008 for asset enhancement works.*
2. *On 1 January 2010, the three properties namely Lot One Shoppers' Mall, Bukit Panjang Plaza and Rivervale Mall previously held by CapitaRetail Singapore Limited are now held directly by CMT.*
3. *On 1 July 2010, CMT completed the acquisition of Clarke Quay located at 3A/B/C/D/E River Valley Road, Singapore 179020/1/2/3/4.*
4. *On 1 April 2011, CMT completed the acquisition of Iluma located at 201 Victoria Street, Singapore 188067.*
5. *The two hotels are on a long term master lease to RC Hotels (Pte) Ltd.*

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

# Portfolio Statements

As at 31 December 2011

On 31 December 2011, independent valuations of Tampines Mall, IMM Building, Lot One Shoppers' Mall, Bukit Panjang Plaza, Rivervale Mall, Hougang Plaza and JCube were undertaken by Knight Frank Pte Ltd ("Knight Frank") while the independent valuations of Junction 8, Funan DigitaLife Mall, Plaza Singapura, Bugis Junction, Sembawang Shopping Centre, The Atrium@Orchard, Clarke Quay and Iluma were undertaken by CB Richard Ellis (Pte) Ltd ("CBRE"). The Manager believes that the independent valuers have appropriate professional qualifications and experience in the location and category of the properties being valued.

The valuations were based on investment method and discounted cash flow approaches for Knight Frank (except for JCube) and capitalisation and discounted cash flow approaches for CBRE. For JCube, Knight Frank has used residual land value method and the gross development value is derived by the investment method and the discounted cash flow approaches. The net change in fair value of the properties has been taken to the Statement of Total Return.

On 31 December 2011, independent valuation of Raffles City Singapore was undertaken by CBRE and Jones Lang LaSalle Hotels. The Manager believes that the independent valuer has appropriate professional qualifications and experience in the location and category of the property being valued. The valuation was based on capitalisation method and discounted cash flow approaches. The valuation adopted was $2,833,000,000 and the Trust's proportionate interest in the property value is $1,133,200,000. The net change in fair value of the property has been taken to the Statement of Total Return.

Investment properties comprise commercial properties that are leased to external customers. Generally, the leases contain an initial non-cancellable period of three years. Subsequent renewals are negotiated with the lessee. Contingent rents recognised in the Statement of Total Return of the Group and in the Statement of Total Return of the Trust amounted to $36,923,000 (2010: $30,149,000) and $26,726,000 (2010: $21,734,000) respectively.

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

# Cash Flow Statements

Year ended 31 December 2011

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 $'000 | 2010 $'000 | 2011 $'000 | 2010 $'000 |
| **Cash flows from operating activities** | | | | |
| Net income | 268,493 | 255,906 | 263,174 | 259,126 |
| Adjustments for: | | | | |
| Interest and other income | (2,332) | (2,022) | (4,870) | (2,007) |
| Investment income | – | – | (59,153) | (54,098) |
| Finance costs | 134,956 | 118,458 | 118,210 | 103,297 |
| Assets written off | 18 | 13 | 6 | 11 |
| Depreciation and amortisation | 1,039 | 1,057 | 894 | 863 |
| Receivables written off | 5 | 35 | 6 | 29 |
| Asset management fees paid/payable in units | 5,331 | 4,975 | – | – |
| Share of profit of associate | (26,099) | (12,643) | – | – |
| Operating income before working capital changes | 381,411 | 365,779 | 318,267 | 307,221 |
| Changes in working capital: | | | | |
| Inventories | (13) | (2) | – | – |
| Trade and other receivables | (25,182) | 4,166 | (7,015) | 15,361 |
| Trade and other payables | 21,349 | 4,805 | 20,545 | 5,988 |
| Security deposits | 3,904 | 8,499 | 4,025 | 7,836 |
| Income tax paid | – | (96) | – | – |
| **Cash flows from operating activities** | 381,469 | 383,151 | 335,822 | 336,406 |
| **Cash flows from investing activities** | | | | |
| Interest received | 1,899 | 2,041 | 4,521 | 2,026 |
| Investment income received | – | – | 46,892 | 42,414 |
| Distribution received from associate | 10,344 | 10,148 | 10,344 | 10,148 |
| Net cash outflow on purchase of investment property (including acquisition charges) (see Note A below) | (295,113) | (261,216) | (295,113) | (261,216) |
| Expenditure on properties under development | (301,742) | – | – | – |
| Loans to joint venture | – | – | (126,700) | – |
| Expenditure on investment properties | (131,190) | (61,594) | (127,670) | (48,835) |
| Purchase of plant and equipment | (603) | (326) | (607) | (304) |
| Proceeds from sale of plant and equipment | 1 | 2 | 1 | 2 |
| Proceeds from internal restructuring | – | – | – | 11,030 |
| **Cash flows from investing activities** | (716,404) | (310,945) | (488,332) | (244,735) |
| Balance carried forward | (334,935) | 72,206 | (152,510) | 91,671 |

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

# Cash Flow Statements

Year ended 31 December 2011

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Balance brought forward | **(334,935)** | 72,206 | **(152,510)** | 91,671 |
| **Cash flows from financing activities** | | | | |
| Payment of issue and financing expenses | **(19,097)** | (4,742) | **(13,116)** | (4,742) |
| Repurchase and redemption of convertible bonds | **(309,701)** | (105,158) | **(309,701)** | (105,158) |
| Proceeds from interest-bearing borrowings | **1,246,200** | 1,213,900 | **650,000** | 1,199,500 |
| Repayment of interest-bearing borrowings | **(385,600)** | (440,000) | **–** | (440,000) |
| Proceeds from issue of new units | **250,000** | – | **250,000** | – |
| Distribution to Unitholders | **(300,374)** | (295,228) | **(300,374)** | (295,228) |
| Cash pledge | **–** | 15,000 | **–** | 15,000 |
| Interest paid | **(101,823)** | (78,851) | **(84,393)** | (64,734) |
| **Cash flows from financing activities** | **379,605** | 304,921 | **192,416** | 304,638 |
| **Net increase in cash and cash equivalents** | **44,670** | 377,127 | **39,906** | 396,309 |
| Cash and cash equivalents at beginning of the year | **712,952** | 335,825 | **696,456** | 300,147 |
| **Cash and cash equivalents at end of the year[1] (Note 10)** | **757,622** | 712,952 | **736,362** | 696,456 |

[1] *In June 2010, the $15.0 million cash pledged in July 2009 was released upon payment of the $125.0 million fixed rate term loan. The $15.0 million was pledged with Silver Maple Investment Corporation Ltd as a cash collateral to unencumber Plaza Singapura.*

**Note:**

**(A) Net Cash Outflow on Purchase of Investment Property (including acquisition charges)**

Net cash outflow on purchase of investment property (including acquisition charges) is set out below:

| | GROUP AND TRUST | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| Investment properties | **295,000** | 268,000 |
| Other (payables)/assets | **(6)** | 5 |
| Security deposits | **(3,294)** | (7,878) |
| Net identifiable assets and liabilities acquired | **291,700** | 260,127 |
| Acquisition charges | **3,413** | 1,089 |
| Net cash outflow | **295,113** | 261,216 |

**(B) Significant Non-Cash Transaction**

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

(i) 2,797,006 (2010: 3,558,526) units were issued or will be issued as payment for the asset management fees payable in units, amounting to a value of $5,331,000 (2010: $4,975,000); and

(ii) 1,696,034 (2010: 1,432,312) units were issued as payment for the acquisition fees of $2,994,349 (2010: $2,680,000) in relation to the acquisition of the Infinity Trusts and Clarke Quay in 2011 and 2010 respectively. Under the Property Funds Appendix, the acquisition fees paid in respect of transactions with interested parties will have to be in the form of units.

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

# Notes to the Financial Statements

Year ended 31 December 2011

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager and the Trustee on 10 February 2012.

## 1 GENERAL

CapitaMall Trust (the "Trust") is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 29 October 2001 (as amended) (the "Trust Deed") between CapitaMall Trust Management Limited (the "Manager") and HSBC Institutional Trust Services (Singapore) 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 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 17 July 2002 ("Listing Date") and was included under the Central Provident Fund ("CPF") Investment Scheme on 13 September 2002.

The principal activity of the Trust is to invest in income producing real estate, which is used or substantially used for retail purposes with the primary objective of achieving an attractive level of return from rental income and for long-term capital growth. The principal activities of the subsidiaries, associate and joint ventures are set out in Notes 7 and 8.

The consolidated financial statements relate to the Trust and its subsidiaries (the "Group") and the Group's interest in its associate and joint ventures.

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

### 1.1 Property management fees

Under the property management agreement, property management fees are charged as follows:

(a) 2.00% per annum of the gross revenue of the properties;

(b) 2.00% per annum of the net property income of the properties; and

(c) 0.50% per annum of the net property income of the properties, in lieu of leasing commissions.

The property management fees are payable monthly in arrears.

### 1.2 Asset management fees

Pursuant to the Trust Deed, the asset management fees shall not exceed 0.70% per annum of the Deposited Property or such higher percentage as may be fixed by an Extraordinary Resolution at a meeting of Unitholders. Deposited Property refers to all the assets of the Trust, including all its Authorised Investments (as defined in the Trust Deed) for the time being held or deemed to be held upon the trusts of the Trust Deed.

The asset management fee comprise:

(a) in respect of Authorised Investments which are in the form of real estate, a base component of 0.25% per annum of Deposited Property and a performance component of 2.85% per annum of gross revenue of the Trust for each financial year; and

(b) in respect of all other Authorised Investments which are not in the form of real estate, 0.5% per annum of the investment value of the Authorised Investment, unless such Authorised Investment is an interest in a property fund (either a real estate investment trust or private property fund) wholly managed by a wholly-owned subsidiary of CapitaLand Limited, in which case no asset management fee shall be payable in relation to such Authorised Investment.

In respect of all Authorised Investments which are in the form of Real Estate acquired by the Trust:

(a) the base component shall be paid to the Manager in the form of cash and/or Units (as the Manager may elect); and

(b) the performance component shall be paid to the Manager in the form of cash, in the form of Units or a combination of both (as the Manager may elect).

When paid in the form of Units, the Manager shall be entitled to receive such number of Units as may be purchased for the relevant amount of the asset management fee at the market price (as defined in the Trust Deed). The asset management fees are payable quarterly in arrears.

The Manager is also entitled to receive acquisition fee at the rate of 1% of the purchase price and a divestment fee of 0.5% of the sale price on all future acquisitions or disposals of properties or investments.

### 1.3 Trustee's fees

Pursuant to the Trust Deed, the Trustee's fees shall not exceed 0.10% per annum of the Deposited Property (subject to a minimum sum of $6,000 per month) payable out of the Deposited Property of the Trust. The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed.

The Trustee's fees are payable quarterly in arrears.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts" issued by the Institute of Certified Public Accountants of Singapore, and the applicable requirements of the Code on Collective Investment Schemes ("CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

### 2.2 Basis of measurement

The financial statements are prepared on the historical cost basis, except for investment properties, derivative financial instruments and certain financial assets and financial liabilities which are measured at fair value.

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with RAP 7 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements is described in the following notes:

- Note 5 – Valuation of investment properties
- Note 28 – Valuation of financial instruments

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

### 2.5 Changes in accounting policies

*Identification of related party relationships and related party disclosures*

From 1 January 2011, the Group has applied the revised FRS 24 *Related Party Disclosures* (2010) to identify parties that are related to the Group and to determine the disclosures to be made on transactions and outstanding balances, including commitments, between the Group and its related parties. FRS 24 (2010) improved the definition of a related party in order to eliminate inconsistencies and ensure symmetrical identification of relationships between two parties.

The adoption of FRS 24 (2010) affects only the disclosures made in the financial statements. There is no financial effect on the results and financial position of the Group for the current and previous financial years. Accordingly, the adoption of FRS 24 (2010) has no impact on earnings per unit.

## 3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

### 3.1 Consolidation

*Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

*Associate and joint ventures*

Associate is an entity in which the Group has a significant influence, but not control, over the financial and operating policies. In the financial statements of the Group, the interest in an associate is accounted for using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the associate, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payment on behalf of the associate.

Joint ventures are entities over whose activities the Trust has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. In the financial statements of the Group, the interest in joint ventures is accounted for by including its proportionate share of the jointly-controlled entity's assets, liabilities, income and expenses with the similar item, line by line, in its financial statements. The consolidated financial statements include the assets that the Group controls and the liabilities that it incurs in the course of pursuing the joint ventures, share of the income and expenses of the joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

*Transactions eliminated on consolidation*

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investees. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

*Accounting for subsidiaries, associate and joint ventures by the Trust*

Investments in subsidiaries, associate and joint ventures are stated in the Trust's balance sheet at cost less accumulated impairment losses.

### 3.2 Plant and equipment

Plant and equipment are measured at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of plant and equipment are recognised in the Statement of Total Return as incurred.

Depreciation is provided on a straight-line basis so as to write off items of plant and equipment, and major components that are accounted for separately, over their estimated useful lives as follows:

Furniture, fittings and equipment – 2 to 5 years

Gain or loss arising from the retirement or disposal of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and is recognised in the Statement of Total Return.

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate, at each reporting date.

### 3.3 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are accounted for as non-current assets and are stated at initial cost on acquisition and at fair value thereafter. The cost of a purchased property comprises its purchase price and any directly attributable expenditure including capitalised borrowing costs. Transaction costs shall be included in the initial measurement. Fair value is determined in accordance with the Trust Deed, which requires the investment properties to be valued by independent registered valuers in the following events:

- in such manner and frequency required under the CIS Code issued by MAS; and
- at least once in each period of 12 months following the acquisition of each parcel of real estate property.

Any increase or decrease on revaluation is credited or charged to the Statement of Total Return as a net change in fair value of the investment properties.

When an investment property is disposed of, the resulting gain or loss recognised in the Statement of Total Return is the difference between net disposal proceeds and the carrying amount of the property.

Investment properties are not depreciated. The properties are subject to continued maintenance and regularly revalued on the basis set out above. For income tax purposes, the Group and the Trust may claim capital allowances on assets that qualify as plant and machinery under the Income Tax Act.

### 3.4 Properties under development

Properties under development are properties being constructed or developed for future use as investment properties. Properties under development are measured at fair value. The difference between the fair value and cost (including acquisition costs, development expenditure, borrowing costs and other directly attributable expenditure) is credited or charged to the Statement of Total Return. Upon completion, the carrying amounts are reclassified to investment properties.

### 3.5 Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in the Statement of Total Return, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation, available-for-sale equity instruments and financial liabilities designated as hedges of the net investment in a foreign operation.

### 3.6 Financial instruments

***Non-derivative financial assets***

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through the Statement of Total Return) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group has the following non-derivative financial assets: loans and receivables.

*Loans and receivables*

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

Loans and receivables comprise loans due from joint ventures, trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and bank deposits.

***Non-derivative financial liabilities***

The Group initially recognises all other financial liabilities (including liabilities designated at fair value through the Statement of Total Return) on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

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

The Group has the following non-derivative financial liabilities: loans and borrowings and trade and other payables.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

***Derivative financial instruments and hedging activities***

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through the Statement of Total Return. Multiple embedded derivatives in a single instrument are treated as a single compound embedded derivative if they share the same underlying risk exposures, are interdependent of each other and are not readily separable.

On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported total return.

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

*Cash flow hedges*

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

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in the hedging reserve in Unitholders' funds remains there until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, any related cumulative gain or loss is recognised in the Statement of Total Return. When the hedged item is a non-financial asset, the amount recognised in Unitholders' funds is transferred to the carrying amount of the asset when it is recognised. In other cases the amount recognised in Unitholders' funds is transferred to the Statement of Total Return in the same period that the hedged item affects the Statement of Total Return.

*Economic hedges*

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in the Statement of Total Return.

*Separable embedded derivatives*

Changes in the fair value of separable embedded derivatives are recognised in the Statement of Total Return.

***Convertible bonds***

The Group has issued convertible bonds that comprise a liability for the interest and principal amount and a derivative liability. The derivative liability is recognised at fair value at inception. The carrying amount of the convertible bonds at initial recognition is the difference between the gross proceeds from the convertible bonds issued and the fair value of the derivative liability. Any directly attributable transaction costs are allocated to the convertible bonds and derivative liability in proportion to their initial carrying amounts. Subsequent to initial recognition, the convertible bonds are measured at amortised cost using effective interest method. The derivative liability is measured at fair value through the Statement of Total Return.

The Group has also issued convertible bonds that can be converted into Unitholders' funds at the option of the holder, where the number of units to be issued does not vary with changes in their fair value are accounted for as compound financial instruments. The gross proceeds are allocated to the equity and liability components, with the equity component being assigned the residual amount after deducting the fair value of the liability component from the fair value of the compound financial instrument. Subsequent to initial recognition, the liability component of convertible bonds is measured at amortised cost using the effective interest method. The equity component of convertible bonds is not re-measured.

***Intra-group financial guarantees***

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

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

## 3.7 Impairment

***Non-derivative financial assets***

A financial asset not carried at fair value through Statement of Total Return is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

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

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in the Statement of Total Return and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Total Return.

***Non-financial assets***

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

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

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in the Statement of Total Return.

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

### 3.8 Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the Statement of Total Return over the period of the borrowings on an effective interest basis.

### 3.9 Unitholders' funds

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

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

### 3.10 Revenue recognition

*Rental income from operating leases*

Rental income receivable under operating leases is recognised in the Statement of Total Return 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 on a receipt basis. No contingent rentals are recognised if there are uncertainties due to the possible return of amounts received.

*Car park income*

Car park income is recognised on a time apportionate basis.

*Interest income*

Interest income is recognised as it accrues, using the effective interest method.

*Investment income*

Investment income is recognised when the right to receive distribution income from associate and joint ventures is established.

### 3.11 Expenses

*Property operating expenses*

Property operating expenses consist of quit rents, property taxes, utilities, property management fees, property management reimbursements, marketing, maintenance and other property outgoings in relation to investment properties where such expenses are the responsibility of the Group.

Property management fees are recognised on an accrual basis based on the applicable formula stipulated in Note 1.1.

*Asset management fees*

Asset management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1.2.

*Trustee's fees*

The Trustee's fees are recognised on an accrual basis using the applicable formula stipulated in Note 1.3.

### 3.12 Finance costs

Finance costs comprise interest expense on borrowings and convertible bonds, amortisation of borrowings and convertible bonds related transaction costs and accretion of convertible bonds interest which are recognised in the Statement of Total Return using the effective interest method over the period of borrowings and the convertible bonds. Finance costs also include gain/loss on remeasurement of financial derivatives.

### 3.13 Income Tax

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in the Statement of Total Return except to the extent that it relates to items directly related to Unitholders' funds, in which case it is recognised in Unitholders' funds.

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

Deferred tax is recognised using the Balance Sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit; and
- differences related to investments in subsidiaries and joint ventures to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

In the ordinary course of business, there are many transactions and calculations for which the ultimate tax treatment is uncertain. Therefore, the Trust recognises tax liabilities based on estimates of whether additional taxes and interest will be due. These tax liabilities are recognised when the Trust believes that certain positions may not be fully sustained upon review by tax authorities, despite the Trust's belief that its tax return positions are supportable. The Trust believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multifaceted judgements about future events. New information may become available that causes the Trust to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

The Inland Revenue Authority of Singapore (the "IRAS") has issued a tax ruling on the tax treatment of the Trust. Subject to meeting the terms and conditions of the tax ruling which includes a distribution of at least 90.0% of the taxable income of the Trust, the Trustee is not subject to tax on the taxable income of the Trust. Instead, the distributions made by the Trust out of such taxable income are subject to tax in the hands of Unitholders, unless they are exempt from tax on the Trust's distributions. This treatment is known as the tax transparency treatment.

Individuals and qualifying Unitholders, i.e. companies incorporated and tax resident in Singapore, Singapore branches of foreign companies that have obtained waiver from the IRAS from tax deducted at source in respect of the distributions from the Trust, and bodies of persons registered or constituted in Singapore, are entitled to gross distributions from the Trust. For distributions made to foreign non-individual Unitholders, the Trustee is required to withhold tax at the reduced rate of 10.0%. For other types of Unitholders, the Trustee is required to withhold tax at the prevailing corporate tax rate on the distributions made by the Trust. Such other types of Unitholders are subject to tax on the regrossed amounts of the distributions received but may claim a credit for the tax deducted at source at the prevailing corporate tax rate by the Trustee.

The Trust has a distribution policy to distribute at least 90.0% of its taxable income, other than gains from the sale of real estate properties that are determined by the IRAS to be trading gains. For the taxable income that is not distributed, referred to as retained taxable income, tax will be assessed on the Trustee. Where such retained taxable income is subsequently distributed, the Trustee need not deduct tax at source.

### 3.14 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 Group's Chief Operating Decision Makers ("CODMs") to make decisions about resources to be allocated to the segments and assess its performance and for which discrete financial information is available.

# Notes to the Financial Statements

Year ended 31 December 2011

### 3.15 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

## 4 PLANT AND EQUIPMENT

| | Furniture, fittings and equipment 2011 $'000 | Furniture, fittings and equipment 2010 $'000 |
|---|---|---|
| **Group** | | |
| **Cost** | | |
| At 1 January | 4,579 | 4,510 |
| Additions | 603 | 326 |
| Disposals | (220) | (122) |
| Assets written off | (509) | (135) |
| At 31 December | 4,453 | 4,579 |
| **Accumulated depreciation** | | |
| At 1 January | 2,769 | 2,127 |
| Charge for the year | 830 | 884 |
| Disposals | (219) | (120) |
| Assets written off | (491) | (122) |
| At 31 December | 2,889 | 2,769 |
| **Carrying amount** | | |
| At 1 January | 1,810 | 2,383 |
| At 31 December | 1,564 | 1,810 |

| | Furniture, fittings and equipment | |
|---|---|---|
| | 2011 | 2010 |
| | $'000 | $'000 |
| **Trust** | | |
| **Cost** | | |
| At 1 January | 3,601 | 2,931 |
| Additions | 607 | 304 |
| Disposals | (135) | (120) |
| Transfers from Subsidiaries | – | 543 |
| Assets written off | (113) | (57) |
| At 31 December | 3,960 | 3,601 |
| **Accumulated depreciation** | | |
| At 1 January | 1,956 | 1,396 |
| Charge for the year | 775 | 724 |
| Disposals | (134) | (118) |
| Assets written off | (107) | (46) |
| At 31 December | 2,490 | 1,956 |
| **Carrying amount** | | |
| At 1 January | 1,645 | 1,535 |
| At 31 December | 1,470 | 1,645 |

## 5 INVESTMENT PROPERTIES

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| At 1 January | 7,271,500 | 6,920,500 | 6,194,300 | 5,132,500 |
| Transfer from Subsidiaries | – | – | – | 768,000 |
| Acquisition of investment properties | 295,000 | 268,000 | 295,000 | 268,000 |
| Acquisition charges capitalised | 3,413 | 3,769 | 3,413 | 3,769 |
| Capital expenditure capitalised | 158,162 | 69,392 | 157,183 | 54,100 |
| | 7,728,075 | 7,261,661 | 6,649,896 | 6,226,369 |
| Net change in fair value of investment properties | 121,125 | 9,839 | 66,104 | (32,069) |
| At 31 December | 7,849,200 | 7,271,500 | 6,716,000 | 6,194,300 |

Some of the investment properties have been mortgaged to secure credit facilities for the Trust and the Group (Note 13) and as security for the convertible bonds of the Trust (Note 14). Plaza Singapura, Lot One Shoppers' Mall, Bukit Panjang Plaza, Rivervale Mall, Clarke Quay, Hougang Plaza and Iluma are unencumbered as at the reporting date.

Investment properties are stated at fair value based on valuations performed by independent professional valuers. In determining the fair value, the valuers have used valuation methods which involve certain estimates. The Manager is of the view that the valuation methods and estimates are reflective of the current market condition. The key assumptions used to determine the fair value of investment properties include market-corroborated capitalisation yield, terminal yield and discount rate.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

## 6 PROPERTIES UNDER DEVELOPMENT

| | GROUP<br>2011<br>$'000 |
|---|---|
| At 1 January | – |
| Additions | 306,591 |
| At 31 December | 306,591 |

Properties under development are stated at fair value based on valuation performed by independent professional valuer, CBRE, on 1 November 2011. The valuer has considered valuation techniques including the residual land method, in arriving at the market value.

During financial year ended 31 December 2011, interest capitalised amounted to $2,115,555 with an effective rate ranging from 1.38% to 3.0% per annum.

## 7 SUBSIDIARIES

| | TRUST | |
|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 |
| **Non-current assets** | | |
| Loan to subsidiaries | 80 | 80 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Place of incorporation/ business | Effective equity interest held by the Trust 2011 % | 2010 % |
|---|---|---|---|
| CapitaRetail Singapore Limited[1] | Singapore | **100** | 100 |
| CMT MTN Pte. Ltd.[1] | Singapore | **100** | 100 |

[1] *Audited by KPMG Singapore.*

*CapitaRetail Singapore Limited*

The principal activity of CapitaRetail Singapore Limited ("CRSL") was that of an investment holding company. CRSL is a special purpose vehicle, whose main objectives were to own all the issued units in CapitaRetail BPP Trust ("CRBPPT"), CapitaRetail Lot One Trust ("CRLOT") and CapitaRetail Rivervale Trust ("CRRT"), obtain borrowings and issue bonds to extend mortgage loans to CRBPPT, CRLOT and CRRT. CRBPPT, CRLOT and CRRT in turn own 90 out of 91 strata lots in Bukit Panjang Plaza, Lot One Shoppers' Mall and Rivervale Mall (collectively, "CRSL Properties") respectively.

Pursuant to a Deed of Reconstruction entered into by CRSL with HSBC Institutional Trust Services (Singapore) Limited in its capacity as trustee of the Trust and each of its subsidiaries, the CRSL Properties were transferred to the Trust on 1 January 2010 at the carrying amounts as at 31 December 2009. In connection with the internal restructuring, the encumbrances over the CRSL Properties have been discharged.

Subsequent to the restructuring, CRSL has been inactive.

*CMT MTN Pte. Ltd.*

CMT MTN Pte. Ltd. ("CMT MTN"), a wholly-owned subsidiary comprising of $1 of 1 ordinary share was incorporated on 23 January 2007. The principal activity of this subsidiary is provision of treasury services, including on-lending to the Trust the proceeds from issuances of notes under unsecured multicurrency medium term note programmes.

The Trust has provided a loan to CMT MTN amounting to $80,000 (2010: $80,000) which is non-trade in nature, unsecured and interest-free. The settlement of the amount is neither planned nor likely to occur in the foreseeable future. As this amount is, in substance, part of the Trust's net investment in CMT MTN, it is stated at cost.

## 8 ASSOCIATE AND JOINT VENTURES

| | GROUP 2011 $'000 | GROUP 2010 $'000 | TRUST 2011 $'000 | TRUST 2010 $'000 |
|---|---|---|---|---|
| Investment in associate | **138,514** | 131,807 | **130,836** | 130,836 |
| Investment in joint ventures | **–** | – | **552,569** | 544,318 |
| Loan to joint ventures | **88,690** | – | **129,349** | – |
| | **227,204** | 131,807 | **812,754** | 675,154 |

The loan to joint ventures is not expected to be repayable in the next twelve months from the reporting date. The loan bears an interest rate of 2.44% per annum. Interest rate is repriced at interval of less than twelve months.

Details of the associate and joint ventures are as follows:

| Name of associate and joint ventures | Place of constitution/ incorporation/ business | Effective equity interest held by the Trust 2011 % | 2010 % |
|---|---|---|---|
| **Associate** | | | |
| CapitaRetail China Trust[1] | Singapore | **17.8**[2] | 19.6 |
| **Joint ventures** | | | |
| Infinity Mall Trust[1] and Infinity Office Trust[1] | Singapore | **30.0** | – |
| RCS Trust[1] | Singapore | **40.0** | 40.0 |

[1] *Audited by KPMG Singapore.*
[2] *The Trust did not participate in the equity fund raising conducted by CRCT on 30 June 2011.*

***Associate***

*CapitaRetail China Trust*

CapitaRetail China Trust ("CRCT") is a real estate investment trust constituted in Singapore by a trust deed dated 23 October 2006 (as amended). CRCT was formally admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 8 December 2006. CRCT is established with the objective of investing on a long term basis in a diversified portfolio of income producing real estate and primarily for retail purposes and located primarily in the People's Republic of China.

On a recurring basis, as the results of CRCT are not expected to be announced in sufficient time to be included in the Group's results for the same calendar quarter, the Group will equity account the results of CRCT based on a 3 month lag time.

At the reporting date, the fair value of both the Group's and the Trust's investment in CRCT is $141,111,000 (2010: $152,154,000).

***Joint Ventures***

*Infinity Mall Trust and Infinity Office Trust*

(a) Infinity Mall Trust

Infinity Mall Trust is an unlisted special purpose trust established under a trust deed ("Infinity Mall Trust Trust Deed") dated 25 May 2011 entered into between the Trustee, CMA Singapore Investments (4) Pte. Ltd., CL JM Pte. Ltd. and JG Trustee Pte. Ltd. (as trustee of Infinity Mall Trust). Infinity Mall Trust is 30.0% owned by the Trust, 50.0% by CMA Singapore Investments (4) Pte. Ltd. and 20.0% by CL JM Pte. Ltd.

(b) Infinity Office Trust

Infinity Office Trust is an unlisted special purpose trust established under a trust deed ("Infinity Office Trust Trust Deed") dated 25 May 2011 entered into between the Trustee, CMA Singapore Investments (5) Pte. Ltd., CL JO Pte. Ltd. and JG2 Trustee Pte. Ltd. (as trustee of Infinity Office Trust). Infinity Office Trust is 30.0% owned by the Trust, 50.0% by CMA Singapore Investments (5) Pte. Ltd. and 20.0% by CL JO Pte. Ltd.

The business of Infinity Mall Trust and Infinity Office Trust is to jointly acquire, own and operate the mixed development at Lot 8630V MK 5 at Boon Lay Way which comprises of retail and office components ("Infinity Project").

*RCS Trust*

RCS Trust is an unlisted special purpose trust established under a trust deed ("RCS Trust Trust Deed") dated 18 July 2006 entered into between HSBC Institutional Trust Services (Singapore) Limited as trustee-manager of RCS Trust ("RCS Trust Trustee-Manager"), HSBC Institutional Trust Services (Singapore) Limited as trustee of CapitaCommercial Trust ("CCT Trustee"), the Trustee, CapitaCommercial Trust Management Limited (CCTML as manager of CCT) and the Manager. RCS Trust is 40.0% owned by the Trust and 60.0% owned by CCT.

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

(a) Property management fees

Under the property management agreement, property management fees are charged as follows:

(i) 2.00% per annum of the property income of the property; and

(ii) 2.50% per annum of the net property income of the property.

The property management fees are payable monthly in arrears.

(b) Asset management fees

Pursuant to the RCS Trust Trust Deed, the asset management fees comprise a base component of 0.25% per annum of the value of Deposited Property of RCS Trust and a performance component of 4.00% per annum of the net property income of RCS Trust, including all its Authorised Investments for the time being held or deemed to be held upon the trusts of the RCS Trust Trust Deed.

The asset management fees shall be paid entirely in the form of units or, with the unanimous approval of the Manager and CCTML, either partly in units and partly in cash or wholly in cash.

The asset management fees are payable quarterly in arrears.

(c) Trustee-Manager's fees

Pursuant to the RCS Trust Trust Deed, the Trustee-Manager's fees shall not exceed 0.10% per annum of the value of Deposited Property of RCS Trust, as defined in the RCS Trust Trust Deed (subject to a minimum sum of $15,000 per month), payable out of the Deposited Property of RCS Trust. The RCS Trust Trustee-Manager is also entitled to reimbursement of expenses incurred in the performance of its duties under the RCS Trust Trust Deed.

The Trustee-Manager's fees are payable quarterly in arrears.

The summarised financial information relating to the associate is not adjusted for the percentage of ownership held by the Group. The summarised financial information of the joint ventures represents the Group's share.

The financial information of the associate and the Trust's interests in the joint ventures are as follows:

| | Associate | | Joint ventures | |
|---|---|---|---|---|
| | 2011[1] | 2010[1] | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **Assets and Liabilities** | | | | |
| Non-current assets | | | **1,437,685** | 1,077,365 |
| Current assets | | | **41,378** | 13,308 |
| Total assets | **1,375,713** | 1,204,611 | **1,479,063** | 1,090,673 |
| Non-current liabilities | | | **727,727** | 8,137 |
| Current liabilities | | | **31,061** | 403,015 |
| Total liabilities | **578,922** | 515,583 | **758,788** | 411,152 |
| **Results** | | | | |
| Revenue | **125,877** | 118,681 | **86,774** | 81,287 |
| Expenses | | | **(45,838)** | (43,061) |
| Revaluation surplus | | | **55,021** | 41,908 |
| Total return for the year | **139,953** | 65,782 | **95,957** | 80,134 |
| The Group's share of joint venture capital commitment | | | **88,066** | 1,256 |

[1] *As the results of CRCT for the fourth quarter ended 31 December 2011 are not announced in sufficient time to be included in the Group's results for the same calendar quarter, the assets and liabilities recorded were based on CRCT's unaudited financial statements and distribution announcement for the third quarter ended 30 September 2011 dated 14 October 2011. The financial results recorded were based on CRCT's unaudited financial statements and distribution announcements for the period from 1 October 2010 to 30 September 2011.*

*Similarly, corresponding comparisons for previous financial year were based on CRCT's unaudited financial statements and distribution announcement for the third quarter ended 30 September 2010 dated 20 October 2010 and on CRCT's unaudited financial statements and distribution announcements for the period from 1 October 2009 to 30 September 2010.*

## 9 TRADE AND OTHER RECEIVABLES

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade receivables | **4,744** | 4,161 | **4,549** | 3,866 |
| Impairment losses | **–** | (14) | **–** | – |
| Net trade receivables | **4,744** | 4,147 | **4,549** | 3,866 |
| Deposits | **3,062** | 2,542 | **1,353** | 1,062 |
| Interest receivables | **349** | – | **349** | – |
| Amount due from related parties | **153** | 62 | **13,706** | 11,694 |
| Other receivables | **20,911** | 579 | **23** | 167 |
| Loans and receivables | **29,219** | 7,330 | **19,980** | 16,789 |
| Prepayments | **566** | 327 | **445** | 320 |
| | **29,785** | 7,657 | **20,425** | 17,109 |

Concentration of credit risk relating to trade receivables is limited due to the Group's many varied tenants. These tenants comprise retailers engaged in a wide variety of consumer trades. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, the Manager believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date (by type of consumers) is:

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Retail customers | **4,688** | 4,011 | **4,495** | 3,740 |
| Warehouse | **51** | 40 | **51** | 40 |
| Office | **5** | 96 | **3** | 86 |
| | **4,744** | 4,147 | **4,549** | 3,866 |

The Group's most significant tenant, accounts for $239,098 (2010: $291,550) of the trade receivables carrying amount as at the reporting date.

*Impairment losses*

The ageing of receivables at the reporting date is:

| | GROUP Gross $'000 | GROUP Impairment losses $'000 | TRUST Gross $'000 | TRUST Impairment losses $'000 |
|---|---|---|---|---|
| **2011** | | | | |
| Not past due | **4,009** | **–** | **3,876** | **–** |
| Past due 31 – 60 days | **608** | **–** | **551** | **–** |
| Past due 61 – 90 days | **108** | **–** | **104** | **–** |
| Over 90 days | **19** | **–** | **18** | **–** |
| | **4,744** | **–** | **4,549** | **–** |
| **2010** | | | | |
| Not past due | 3,429 | – | 3,268 | – |
| Past due 31 – 60 days | 471 | – | 426 | – |
| Past due 61 – 90 days | 89 | (10) | 98 | – |
| Over 90 days | 172 | (4) | 74 | – |
| | 4,161 | (14) | 3,866 | – |

The change in impairment loss in respect of trade receivables during the year is as follows:

| | GROUP 2011 $'000 | GROUP 2010 $'000 | TRUST 2011 $'000 | TRUST 2010 $'000 |
|---|---|---|---|---|
| As at 1 January | **14** | 78 | **–** | – |
| Allowance reversed during the year | **(14)** | (64) | **–** | – |
| As at 31 December | **–** | 14 | **–** | – |

The Manager believes that no impairment allowance is necessary in respect of the remaining trade receivables as these receivables are mainly arising from tenants that have good records with the Group and have sufficient security deposits as collateral.

## 10 CASH AND CASH EQUIVALENTS

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Cash at bank and in hand | **15,477** | 14,548 | **9,107** | 8,683 |
| Fixed deposits with financial institutions | **742,145** | 698,404 | **727,255** | 687,773 |
| Cash and cash equivalents in the cash flow statements | **757,622** | 712,952 | **736,362** | 696,456 |

The weighted average effective interest rates relating to cash and cash equivalents at the reporting date for the Group and Trust are 0.54% (2010: 0.29%) and 0.54% (2010: 0.29%) per annum respectively. Interest rates reprice at intervals of 1 month.

## 11 FINANCIAL DERIVATIVES

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current liabilities** | | | | |
| Derivative liability portion of convertible bonds | **–** | 8,234 | **–** | 8,234 |
| | **–** | 8,234 | **–** | 8,234 |
| **Non-current liabilities** | | | | |
| Cross currency swap | **53,021** | 61,497 | **–** | – |
| Interest rate swaps | **16,412** | 13,694 | **16,397** | 13,694 |
| Derivative liability portion of convertible bonds | **13** | – | **13** | – |
| | **69,446** | 75,191 | **16,410** | 13,694 |

***Cross currency swap***

On 8 April 2010, the Group had entered into a fixed to fixed cross currency swap to hedge the US dollars denominated notes with a notional contract amount of US$500,000,000. The Group has designated the cross currency swap as a hedging instrument in a cash flow hedge. The swap matures on 8 April 2015.

***Interest rate swaps***

The Group entered into contracts to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the term loans. At reporting date, the Group has an interest rate swap with notional contract amount of $320,000,000 (2010: $320,000,000) and a 30.0% share in the interest rate swap with notional contract amount of $175,000,000 or $52,500,000 (2010: Nil). Under the swap agreements, the swaps mature on 27 August 2014 and 28 October 2016 respectively.

***Derivative liability portion of convertible bonds***

The changes in fair value of the derivative liability portion of the convertible bonds are recognised in the Statement of Total Return.

The following table indicates the periods in which the cash flows associated with financial derivatives are expected to impact the Statement of Total Return:

| | Carrying amount $'000 | Contractual cash flows $'000 | Cash flows: Within 1 year $'000 | Cash flows: Within 1 to 5 years $'000 | Cash flows: More than 5 years $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2011** | | | | | |
| Cross currency swap | **(53,021)** | **(56,993)** | **1,291** | **(58,284)** | **–** |
| Interest rate swaps | **(16,412)** | **(17,648)** | **(7,457)** | **(10,191)** | **–** |
| **2010** | | | | | |
| Cross currency swap | (61,497) | (58,823) | 1,182 | (60,005) | – |
| Interest rate swap | (13,694) | (13,399) | (6,795) | (6,604) | – |
| **Trust** | | | | | |
| **2011** | | | | | |
| Interest rate swaps | **(16,397)** | **(16,499)** | **(7,157)** | **(9,342)** | **–** |
| **2010** | | | | | |
| Interest rate swap | (13,694) | (13,399) | (6,795) | (6,604) | – |

## 12 TRADE AND OTHER PAYABLES

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Trade payables and accrued operating expenses | **130,862** | 87,744 | **121,043** | 75,767 |
| Amounts due to related parties (trade) | **12,243** | 11,571 | **10,607** | 9,973 |
| Deposits and advances | **13,779** | 11,548 | **12,272** | 10,513 |
| Interest payables | **20,319** | 15,059 | **19,790** | 11,715 |
| Distribution payable | **32,525** | – | **32,525** | – |
| | **209,728** | 125,922 | **196,237** | 107,968 |

Included in amounts due to related parties of the Group is amount due to the Manager of $10,128,000 (2010: $9,364,000), the property manager of $1,818,000 (2010: $1,995,000) and the project manager of $267,000 (2010: $211,000). At Trust level, the amount due to related parties is an amount due to the Manager of $8,792,000 (2010: $8,073,000), the property manager of $1,548,000 (2010: $1,713,000) and the project manager of $267,000 (2010: $187,000).

Included in trade payables and accrued operating expenses is an amount due to the Trustee of $303,000 (2010: $273,000) at Group level and $267,000 (2010: $239,000) at Trust level.

## 13 INTEREST-BEARING BORROWINGS

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current liabilities** | | | | |
| Term loans (secured) | **783,000** | 346,400 | **783,000** | – |
| Unamortised transaction cost | **(503)** | (275) | **(503)** | – |
| | **782,497** | 346,125 | **782,497** | – |
| Revolving credit facility (secured) | **–** | 38,000 | **–** | – |
| | **782,497** | 384,125 | **782,497** | – |
| **Non-current liabilities** | | | | |
| Term loans (secured) | **595,000** | 783,000 | **–** | 783,000 |
| Unamortised transaction cost | **(4,137)** | (1,091) | **–** | (1,091) |
| | **590,863** | 781,909 | **–** | 781,909 |
| Term loans (unsecured) | **1,450,500** | 1,143,250 | **1,499,500** | 1,199,500 |
| | **2,041,363** | 1,925,159 | **1,499,500** | 1,981,409 |
| Total interest-bearing borrowings | **2,823,860** | 2,309,284 | **2,281,997** | 1,981,409 |

### Terms and debt repayment schedule

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

| | Nominal interest rate % | Year of maturity | 2011 Face value $'000 | 2011 Carrying amount $'000 | 2010 Face value $'000 | 2010 Carrying amount $'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| **Secured** | | | | | | |
| SGD fixed rate term loans | 3.13 – 3.84 | 2012 | **783,000** | **782,497** | 783,000 | 781,909 |
| SGD fixed rate term loans | 4.17 – 4.21 | 2011 | **–** | **–** | 346,400 | 346,125 |
| SGD floating rate revolving credit facility | 0.55 – 0.58 | 2011 | **–** | **–** | 38,000 | 38,000 |
| SGD fixed rate term loans | 3.03 – 3.09 | 2016 | **400,000** | **395,863** | – | – |
| SGD floating rate term loan | SWAP + 1.13 | 2016 | **195,000** | **195,000** | – | – |
| **Unsecured** | | | | | | |
| SGD fixed rate term loan | 2.85 | 2014 | **150,000** | **150,000** | 150,000 | 150,000 |
| SGD fixed rate term loan | 3.29 | 2015 | **100,000** | **100,000** | 100,000 | 100,000 |
| USD fixed rate term loan | 4.32[1] | 2015 | **650,500** | **650,500** | 643,250 | 643,250 |
| SGD fixed rate term loans | 3.55 – 3.85 | 2017 | **250,000** | **250,000** | 250,000 | 250,000 |
| Retail Bonds | 2.00 | 2013 | **300,000** | **300,000** | – | – |
| | | | **2,828,500** | **2,823,860** | 2,310,650 | 2,309,284 |
| **Trust** | | | | | | |
| **Secured** | | | | | | |
| SGD fixed rate term loans | 3.13 – 3.84 | 2012 | **783,000** | **782,497** | 783,000 | 781,909 |
| **Unsecured** | | | | | | |
| SGD fixed rate term loan | 2.85 | 2014 | **150,000** | **150,000** | 150,000 | 150,000 |
| SGD fixed rate term loans | 3.29 – 3.79 | 2015 | **799,500** | **799,500** | 799,500 | 799,500 |
| SGD fixed rate term loans | 3.55 – 3.85 | 2017 | **250,000** | **250,000** | 250,000 | 250,000 |
| Retail Bonds | 2.00 | 2013 | **300,000** | **300,000** | – | – |
| | | | **2,282,500** | **2,281,997** | 1,982,500 | 1,981,409 |

[1] *The Group has swapped the USD fixed rate to SGD fixed rate of 3.79%.*

The following are the expected contractual undiscounted cash outflows of financial liabilities including interest payments and excluding the impact of netting agreements:

| | Carrying amount $'000 | Contractual cash flows $'000 | Cash flows Within 1 year $'000 | Within 1 to 5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **2011** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| **Secured** | | | | | |
| SGD fixed rate term loans | 1,178,360 | 1,260,586 | 817,828 | 442,758 | – |
| Convertible bonds | 600,080 | 651,051 | 10,001 | 641,050 | – |
| SGD floating rate term loan | 195,000 | 208,989 | 2,847 | 206,142 | – |
| **Unsecured** | | | | | |
| SGD fixed rate term loans | 500,000 | 571,740 | 16,738 | 300,661 | 254,341 |
| USD fixed rate term loan | 650,500 | 742,371 | 28,108 | 714,263 | – |
| Retail Bonds | 300,000 | 306,921 | 6,000 | 300,921 | – |
| Trade and other payables | 209,728 | 209,728 | 209,728 | – | – |
| Security deposits | 131,160 | 131,160 | 45,282 | 85,878 | – |
| | 3,764,828 | 4,082,546 | 1,136,532 | 2,691,673 | 254,341 |
| **2010** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| **Secured** | | | | | |
| SGD fixed rate term loans | 1,128,034 | 1,189,039 | 383,552 | 805,487 | – |
| Convertible bonds | 542,635 | 582,607 | 582,607 | – | – |
| SGD floating rate revolving credit facility | 38,000 | 38,149 | 38,149 | – | – |
| **Unsecured** | | | | | |
| SGD fixed rate term loans | 500,000 | 588,523 | 16,738 | 308,245 | 263,540 |
| USD fixed rate term loan | 643,250 | 761,968 | 27,795 | 734,173 | – |
| Trade and other payables | 125,922 | 125,922 | 125,922 | – | – |
| Security deposits | 123,960 | 123,960 | 40,658 | 83,302 | – |
| | 3,101,801 | 3,410,168 | 1,215,421 | 1,931,207 | 263,540 |

| | Carrying amount $'000 | Contractual cash flows $'000 | Cash flows: Within 1 year $'000 | Within 1 to 5 years $'000 | More than 5 years $'000 |
|---|---|---|---|---|---|
| **Trust** | | | | | |
| **2011** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| **Secured** | | | | | |
| SGD fixed rate term loans | 782,497 | 805,487 | 805,487 | – | – |
| Convertible bonds | 600,080 | 651,051 | 10,001 | 641,050 | – |
| **Unsecured** | | | | | |
| SGD fixed rate term loans | 1,199,500 | 1,357,983 | 43,277 | 1,060,365 | 254,341 |
| Retail Bonds | 300,000 | 306,921 | 6,000 | 300,921 | – |
| Trade and other payables | 196,237 | 196,237 | 196,237 | – | – |
| Security deposits | 119,602 | 119,602 | 41,223 | 78,379 | – |
| | 3,197,916 | 3,437,281 | 1,102,225 | 2,080,715 | 254,341 |
| **2010** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| **Secured** | | | | | |
| SGD fixed rate term loans | 781,909 | 832,486 | 26,999 | 805,487 | – |
| Convertible bonds | 542,635 | 582,607 | 582,607 | – | – |
| **Unsecured** | | | | | |
| SGD fixed rate term loans | 1,199,500 | 1,401,377 | 43,277 | 1,094,560 | 263,540 |
| Trade and other payables | 107,968 | 107,968 | 107,968 | – | – |
| Security deposits | 112,280 | 112,280 | 37,115 | 75,165 | – |
| | 2,744,292 | 3,036,718 | 797,966 | 1,975,212 | 263,540 |

The interest-bearing borrowings comprise the following:

*(1) Secured term loans of the Trust*

The secured term loans drawn down by the Trust were granted by a special purpose company, Silver Maple Investment Corporation Ltd ("Silver Maple").

Under the facility agreement between Silver Maple and the Trustee, Silver Maple has granted the Trust a total term loan facility of $783.0 million (2010: $783.0 million).

The total facility drawn down by the Trust from Silver Maple as at 31 December 2011 is $783.0 million (2010: $783.0 million), consisting of:

(i) $433.0 million (2010: $433.0 million) term loan at a fixed interest rate of 3.13% (2010: 3.13%) per annum, fully repayable on 30 April 2014. Under the facility agreement, the Trust has to prepay the loan in full on 31 October 2012, failing which the interest rate of 1.00% (2010: 1.00%) above the Singapore Inter Bank Offered Rate ("SIBOR") repriced every three months, will be applicable for the period from 31 October 2012 to 30 April 2014; and

(ii) $350.0 million (2010: $350.0 million) term loan at a fixed interest rate of 3.84% (2010: 3.84%) per annum, fully repayable on 30 April 2014. Under the facility agreement, the Trust has to prepay the loan in full on 31 October 2012, failing which the interest rate of 1.00% (2010: 1.00%) above the SIBOR repriced every three months, will be applicable for the period from 31 October 2012 to 30 April 2014.

As security for credit facilities granted by Silver Maple to the Trust, the Trust has granted in favour of Silver Maple the following:

(i) a mortgage over certain properties ("Properties");

(ii) an assignment and charge of the rental proceeds and tenancy agreements of units in the Properties;

(iii) an assignment of the insurance policies relating to the Properties;

(iv) an assignment of the agreements relating to the management of the Properties; and

(v) a charge creating a fixed and floating charge over certain assets of the Trust relating to the Properties.

Silver Maple has a $2.0 billion Medium Term Note Programme ("MTN Programme"). Under this MTN Programme, Silver Maple may, subject to compliance with all relevant laws, regulations and directives, from time to time issue fixed or floating interest rate notes ("Notes"). The maximum aggregate principal amount of the Notes to be issued shall be $2.0 billion. The Notes will be secured by the Notes Debentures (which are made from time to time between Silver Maple and the Notes Trustee to create fixed and floating charges over the assets of Silver Maple).

To fund the fixed rate term loans to the Trust of $783.0 million (2010: $783.0 million), Silver Maple has raised funds through the following:

(i) US$255.5 million (2010: US$255.5 million) notes which are to bear interest on floating rate basis ("Floating Rate Notes") at floating interest of 0.24% (2010: 0.24%) above the US dollar London Inter Bank Offered Rate ("LIBOR") repriced every three months, for the period from 31 October 2005 to 31 October 2012. In the event that the Floating Rate Notes are not redeemed by Silver Maple on 31 October 2012, interest will accrue at the rate of 1.0% (2010: 1.0%) above the US dollar LIBOR repriced every three months, for the period from 31 October 2012 to date of redemption on 30 April 2014; and

(ii) €175.0 million (2010: €175.0 million) Floating Rate Notes at floating interest rate of 0.16% (2010: 0.16%) above the Euro Interbank Offered Rate ("EURIBOR") repriced every three months for the period from 26 February 2007 to 31 October 2012. In the event that the Floating Rate Notes are not redeemed by Silver Maple on 31 October 2012, interest will accrue at the rate of 1.0% (2010: 1.0%) above 3 month EURIBOR, for the period from 31 October 2012 to date of redemption on 30 April 2014.

The above were swapped into Singapore dollar fixed rate amounts of $433.0 million and $350.0 million at 3.10% and 3.82% respectively.

*(2) Unsecured retail bonds of the Trust*

On 16 February 2011, the Trust has established a $2.5 billion Retail Bond Programme. The bonds ("Retail Bonds") under the Retail Bond Programme will be issued from time to time by HSBC Institutional Trust Services (Singapore) Limited, in its capacity as Trustee.

Under the Retail Bond Programme, the Trustee may from time to time issue Retail Bonds in series or tranches in Singapore dollars, United States dollars, Australian dollars, Canadian dollars, Euro, Hong Kong dollars, Japanese yen or in other currencies agreed between the Manager and the relevant dealer of the Retail Bonds and specified in the applicable pricing supplement. The Retail Bonds may be fixed rate bonds, floating rate bonds, hybrid bonds or zero coupon bonds.

On 25 February 2011, the Trustee issued $300.0 million in principal amount of Retail Bonds which carry an interest of 2.0% per annum, fully repayable on 25 February 2013.

*(3) Unsecured term loans of CMT MTN*

The Group has a $2,500,000,000 Multicurrency Medium Term Note Programme ("CMT MTN Programme") under CMT MTN. Under the CMT MTN Programme, CMT MTN may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes in series or tranches in Singapore dollars, United States dollars or any other currency ("MTN Notes").

On 29 March 2010, the Group has established a US$2,000,000,000 Euro-Medium Term Note Programme ("EMTN Programme"). Under the EMTN Programme, CMT MTN may, subject to compliance with all relevant laws, regulations and directives, from time to time issue notes in series or tranches in Euro, Sterling, United States dollars, Singapore dollars and any other currency ("EMTN Notes").

Each series or tranche of notes may be issued in various amounts and tenors, and may bear fixed, floating or variable rates of interest. Hybrid notes or zero coupon notes may also be issued under the CMT MTN Programme and EMTN Programme.

The MTN notes and EMTN Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of CMT MTN ranking *pari passu*, without any preference or priority among themselves and *pari passu* with all other present and future unsecured obligations at CMT MTN. All sum payable in respect of the notes will be unconditionally and irrevocably guaranteed by the Trustee.

The total facility drawn down by the Trust from CMT MTN as at 31 December 2011 under the CMT MTN Programme is $500.0 million (2010: $500.0 million), consisting of:

(i) $100.0 million (2010: $100.0 million) Fixed Rate Notes Due 2015. The $100.0 million MTN Notes will mature on 28 January 2015 and will bear an interest of 3.288% per annum payable semi-annually in arrears;

(ii) $100.0 million (2010: $100.0 million) Fixed Rate Notes Due 2017. The $100.0 million MTN Notes will mature on 15 March 2017 and will bear an interest of 3.85% per annum payable semi-annually in arrears;

(iii) $150.0 million (2010: $150.0 million) Fixed Rate Notes Due 2014. The $150.0 million MTN Notes will mature on 1 September 2014 and will bear an interest of 2.85% per annum payable semi-annually in arrears; and

(iv) $150.0 million (2010: $150.0 million) Fixed Rate Notes Due 2017. The $150.0 million MTN Notes will mature on 1 September 2017 and will bear an interest of 3.55% per annum payable semi-annually in arrears.

The facility drawn down by the Trust from CMT MTN as at 31 December 2011 under the EMTN program consists of US$500.0 million (2010: US$500.0 million) Fixed Rate Notes Due 2015. The US$500.0 million EMTN Notes will mature on 8 April 2015 and will bear an interest of 4.321% per annum payable semi-annually in arrears.

CMT MTN had entered into cross currency swap with a notional contract amount of US$500.0 million with the effect of swapping US dollars with fixed rate interest rate of 4.321% per annum to Singapore dollars of $699.5 million with fixed rate interest rate of 3.794% per annum. Under the swap agreement, the swap matures on 8 April 2015.

CMT MTN has on-lent the proceeds from the issuance of the above MTN Notes and EMTN Notes to the Trust, who in turn use such proceeds to refinance borrowings, finance investments, asset enhancement works and capital expenditure of the Trust.

*(4) Secured term loans of RCS Trust*

The secured term loan and revolving credit facility by the RCS Trust were granted by a special purpose company, Silver Oak Ltd ("Silver Oak").

In the refinancing of the term loan of $866.0 million and the $98.0 million drawn under the revolving credit facility ("RCF") (or total loans of $964.0 million drawn down under the total facility of $1,030.0 million), Silver Oak has on 21 June 2011 granted RCS Trust a term loan facility of $1,000.0 million and a revolving credit facility of $300.0 million under the loan agreements between Silver Oak and RCS Trust Trustee-Manager.

As at 31 December 2011, the total loans drawn down by RCS Trust from Silver Oak is $1,000.0 million, consisting of:

(i) term loan of $800.0 million at a fixed rate of 3.09% per annum, fully repayable on 21 June 2018. In the event the loan is not prepaid in full on 21 June 2016, interest will accrue on the loan at the rate of 4.565% above the swap offer rate repriced every three months, for the period from 21 June 2016 to 21 June 2018; and

(ii) term loan of $200.0 million at a fixed rate of 3.025% per annum, fully repayable on 21 June 2018. In the event the loan is not prepaid in full on 21 June 2016, interest will accrue on the loan at the rate of 2.23% above the swap offer rate repriced every three months, for the period from 21 June 2016 to 21 June 2018.

The proceeds of the $1,000.0 million term loans were used to refinance the existing loans of $964.0 million (comprising term loan of $866.0 million and revolving credit facility drawn down of $98.0 million), ahead of the expected maturity date on 13 September 2011.

As security for the facilities granted by Silver Oak to the RCS Trust Trustee-Manager, the RCS Trust Trustee-Manager has granted in favour of Silver Oak the following:

(i) a mortgage over Raffles City Singapore;

(ii) an assignment of the insurance policy relating to Raffles City Singapore;

(iii) an assignment of the agreements relating to the management of Raffles City Singapore;

(iv) an assignment and charge of the rental proceeds and tenancy agreements of units in Raffles City Singapore; and

(v) a fixed and floating charge over certain assets of RCS Trust relating to Raffles City Singapore.

As at 31 December 2011, the Group's 40.0% share of RCS Trust's term loans are $400,000,000. As at 31 December 2010, the amount drawn down under the term loan and RCF provided by Silver Oak are $346,400,000 and $38,000,000 respectively.

To fund the loans to RCS Trust of $1,000.0 million, Silver Oak has:

(i) issued US$645.0 million in principal amount of Class A Secured Floating Rate Notes under the $10,000,000,000 Multicurrency Secured Medium Term Note Programme at floating interest rate of 1.45% per annum above the US dollar LIBOR repriced every three months, with expected maturity on 21 June 2016 (the "Series 002 Notes"). In the event that the Series 2 Notes are not redeemed by Silver Oak on 21 June 2016, interest will accrue at the rate of 2.45% per annum above the US dollar LIBOR repriced every three months, for the period from 21 June 2016 to date of redemption on 21 June 2018. Silver Oak has entered into a cross currency swap agreement to swap the proceeds from the Series 002 Notes into $800.0 million; and

(ii) drawn down term loan of $200.0 million granted by banks at floating interest rate of 1.23% per annum above the Singapore dollar Swap Offer Rate ("SOR") repriced every three months, for the period from 21 June 2011 to 21 June 2016. In the event that the term loans are not repaid by Silver Oak on 21 June 2016, interest will accrue at the rate of 2.23% per annum above the Singapore dollar SOR repriced every three months, for the period from 21 June 2016 to date of final maturity on 21 June 2018. Silver Oak has entered into an interest rate swap agreement to hedge the floating interest rates of the term loan to a fixed rate term loan.

In addition, Silver Oak has in place $300.0 million RCF from banks to fund loan requests under the RCF provided to RCS Trust.

The repayment of $964.0 million by RCS Trust to Silver Oak on 21 June 2011, ahead of the expected redemption date of 13 September 2011, were used to redeem the following:

(i) US$427,000,000 Class A1 Secured Floating Rate Notes at floating interest rate of 0.19% above the LIBOR repriced every three months, for the period from 13 September 2006 to 13 September 2011. In the event that the Class A1 Floating Rate Notes are not redeemed by Silver Oak on 13 September 2011, interest will accrue at the rate of 1.19% above the US dollar LIBOR repriced every three months, for the period from 13 September 2011 to date of redemption on 13 September 2013;

(ii) €30,000,000 Class A2 Floating Rate Notes at floating interest rate of 0.23% above the EURIBOR repriced every three months, for the period from 13 September 2006 to 13 September 2011. In the event that the Class A2 Floating Rate Notes are not redeemed by Silver Oak on 13 September 2011, interest will accrue at the rate of 1.23% above the EURIBOR repriced every three months, for the period from 13 September 2011 to date of redemption on 13 September 2013; and

(iii) US$86,500,000 Class B Floating Rate Notes at floating interest rate of 0.28% above the US dollar LIBOR repriced every three months, for the period from 13 September 2006 to 13 September 2011. In the event that the Class B Floating Rate Notes are not redeemed by Silver Oak on 13 September 2011, interest will accrue at the rate of 1.28% above the US dollar LIBOR repriced every three months, for the period from 13 September 2011 to date of redemption on 13 September 2013.

As security for the Notes, Silver Oak has created a fixed and floating charge over the assets of RCS Trust in favour of the Silver Oak Notes' Trustee under the Notes Debenture.

*(5) Secured term loans of Infinity Mall Trust and Infinity Office Trust*

Under the secured facility agreement dated 28 October 2011 between JG Trustee Pte. Ltd., JG2 Trustee Pte. Ltd. and various banks and financial institutions, the banks and financial institutions have granted Infinity Mall Trust and Infinity Office Trust total facility of $820.0 million comprising the term loan facility of $650.0 million and revolving credit facility of $170.0 million.

The term loan facility drawn down by Infinity Mall Trust and Infinity Office Trust as at 31 December 2011 is $650.0 million at a floating interest rate of 1.13% above the SWAP rate repriced every month, for the period from 30 November 2011 to the earlier of (i) the date after 12 months after the Final Temporary Occupation Permit date for the Infinity Project or (ii) 60 months after date of facility agreement.

The Group's 30.0% share of the $650.0 million term loan drawn by Infinity Mall Trust and Infinity Office Trust amounts to $195.0 million.

As security for the loans, Infinity Mall Trust and Infinity Office Trust have granted in favour of the lenders the following:

(i) a mortgage over the properties;

(ii) an assignment and charge of the rental proceeds, tenancy agreements, sale proceeds and sale agreements;

(iii) an assignment of the insurance policies relating to each of the properties;

(iv) an assignment of the building agreement relating to each of the properties;

(v) an assignment of the project documents relating to each of the properties; and

(vi) a fixed and floating charge over certain assets of the Infinity Mall Trust and Infinity Office Trust relating to the properties.

## 14 CONVERTIBLE BONDS

| | GROUP AND TRUST | |
|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 |
| Carrying amount of debt component at 1 January | **542,635** | 616,048 |
| Proceeds from issuance of 2014 Convertible Bonds | **350,000** | – |
| Equity component from issuance of 2014 Convertible Bonds | **(8,360)** | – |
| Transaction costs | **(8,900)** | – |
| | **875,375** | 616,048 |
| Amortisation of issue expenses | **5,470** | 2,838 |
| Interest accretion | **28,158** | 27,658 |
| Repurchase of 2013 Convertible Bonds | **(216,408)** | (103,909) |
| Redemption of 2013 Convertible Bonds | **(92,515)** | – |
| Carrying amount of debt component at 31 December | **600,080** | 542,635 |

*2013 Convertible Bonds*

On 2 July 2008, the Trust issued $650.0 million principal amount of convertible bonds due 2013 ("2013 Convertible Bonds") which carry a coupon interest at 1.0% per annum. As at 31 December 2011, the 2013 Convertible Bonds are convertible by bondholders into Units at a conversion price of $3.39 at any time up to 3.00 p.m. on 22 June 2013 (at the place where the certificate evidencing such 2013 Convertible Bonds is deposited for conversion). The Trustee has the option to pay cash in lieu of issuing new Units on conversion of any of the 2013 Convertible Bonds.

The 2013 Convertible Bonds may be redeemed in whole or in part, at the option of the bondholder on 2 July 2011 at 105.43% of the principal amount together with any accrued (if any) interest up to the date of redemption.

The 2013 Convertible Bonds may also be redeemed, in whole, or in part, at the option of the Trustee on or at any time after 2 July 2011 but not less than 7 business days prior to 2 July 2013 (subject to the satisfaction of certain conditions). The final redemption date of the 2013 Convertible Bonds is 2 July 2013. The redemption price upon maturity is equal to 109.31% of the principal amount, together with any accrued interest (if any) up to the final redemption date.

On 4 July 2011, $87.75 million principal amount of the 2013 Convertible Bonds was redeemed and cancelled pursuant to the put option exercised by the holders of the 2013 Convertible Bonds.

$100.0 million, $106.0 million and $100.0 million principal amount of the 2013 Convertible Bonds was repurchased and cancelled on 5 October 2010, 4 April 2011 and 1 July 2011 respectively.

Following the repurchase and redemption, the outstanding aggregate principal amount of the 2013 Convertible Bonds is $256.25 million.

The 2013 Convertible Bonds are secured on the mortgage of The Atrium@Orchard.

*2014 Convertible Bonds*

On 19 April 2011, the Trust issued $350.0 million principal amount of convertible bonds due 2014 ("2014 Convertible Bonds") at an interest rate 2.125% per annum. As at 31 December 2011, the 2014 Convertible Bonds are convertible by bondholders into Units at an initial price of $2.2692 (which is adjusted to $2.2427 on 30 January 2012) at any time up to 3.00 p.m. on 9 April 2014 (at the place where the certificate evidencing such 2014 Convertible Bonds is deposited for conversion). The final redemption date of the 2014 Convertible Bonds is 19 April 2014.

## 15 AMOUNT OWING TO JOINT VENTURE PARTNERS

This relates to the Trust's share of joint ventures loans from the other joint venture partners. The amount is not expected to be repayable in the next twelve months from the reporting date.

## 16 UNITS IN ISSUE

| | TRUST 2011 '000 | TRUST 2010 '000 |
|---|---|---|
| **Units in issue:** | | |
| At 1 January | **3,184,259** | 3,179,268 |
| Units created: | | |
| – settlement of asset management fees in relation to the Trust's 40.0% interest in Raffles City Singapore through RCS Trust | **2,797** | 3,559 |
| – as payment of acquisition fees for | | |
| Clarke Quay | **–** | 1,432 |
| Infinity Trusts | **1,696** | – |
| – equity fund raising | **139,665** | – |
| Total issued and issuable units at 31 December | **3,328,417** | 3,184,259 |

On 10 November 2011, the Trust issued 139,665,000 new Units at $1.79 per unit for cash for the purposes of capital expenditure, asset enhancement initiatives and general and corporate working capital.
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;
- Attend all Unitholders meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of not less than 50 Unitholders or one-tenth in number of the Unitholders, whichever is lesser) at any time convene a meeting of Unitholders in accordance with the provisions of the Trust Deed; and
- One vote per unit.

The restrictions of a Unitholder include the following:

- A Unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and
- A Unitholder has no right to request the Manager to redeem his units while the units are listed on SGX-ST.

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

# Notes to the Financial Statements

Year ended 31 December 2011

## 17 GROSS REVENUE

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 | 2011<br>$'000 | 2010<br>$'000 |
| Gross rental income | **582,727** | 539,179 | **499,666** | 461,590 |
| Car park income | **17,577** | 15,547 | **15,448** | 13,452 |
| Others | **30,269** | 26,394 | **28,708** | 24,798 |
| | **630,573** | 581,120 | **543,822** | 499,840 |

## 18 PROPERTY OPERATING EXPENSES

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 | 2011<br>$'000 | 2010<br>$'000 |
| Land rental | **1,048** | 579 | **1,048** | 579 |
| Property tax | **56,536** | 51,241 | **49,029** | 43,658 |
| Utilities | **38,561** | 32,951 | **33,030** | 27,849 |
| Property management fees | **23,506** | 21,997 | **20,099** | 18,827 |
| Property management reimbursements | **27,297** | 23,063 | **24,773** | 20,776 |
| Marketing | **24,821** | 16,032 | **23,754** | 15,219 |
| Maintenance | **37,768** | 33,244 | **34,678** | 29,771 |
| Others | **2,796** | 2,866 | **2,642** | 2,621 |
| | **212,333** | 181,973 | **189,053** | 159,300 |

## 19 INTEREST AND OTHER INCOME

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 | 2011<br>$'000 | 2010<br>$'000 |
| Interest income: | | | | |
| – financial institution | **2,248** | 2,022 | **2,221** | 2,007 |
| – joint ventures | **–** | – | **2,649** | – |
| Other income | **84** | – | **–** | – |
| | **2,332** | 2,022 | **4,870** | 2,007 |

## 20 INVESTMENT INCOME

| | TRUST | |
|---|---|---|
| | 2011<br>$'000 | 2010<br>$'000 |
| Distribution income from: | | |
| – joint ventures | **48,809** | 43,950 |
| – associate | **10,344** | 10,148 |
| | **59,153** | 54,098 |

## 21 ASSET MANAGEMENT FEES

Included in the asset management fees are fees for RCS Trust of $5,331,000 (2010: $4,975,000) which are paid/payable in units.

## 22 FINANCE COSTS

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Interest paid/payable: | | | | |
| – subsidiaries | – | – | 43,277 | 31,317 |
| – term loans | 88,604 | 74,470 | 32,089 | 28,678 |
| – convertible bonds | 9,015 | 6,256 | 9,015 | 6,256 |
| – revolving credit facilities | 1,377 | 226 | – | – |
| – realised loss on financial derivatives | 8,086 | 7,415 | 8,086 | 7,415 |
| Accreted interest of convertible bonds | 19,563 | 22,364 | 19,563 | 22,364 |
| Amortisation of transaction costs | 6,272 | 2,885 | 4,356 | 2,490 |
| Others | 2,039 | 4,842 | 1,824 | 4,777 |
| | 134,956 | 118,458 | 118,210 | 103,297 |

## 23 INCOME TAX EXPENSE

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| **Current tax expense** | | | | |
| Current year | 45 | – | 45 | – |
| **Income tax expense** | 45 | – | 45 | – |
| **Reconciliation of effective tax rate** | | | | |
| Net income | 268,493 | 255,906 | 263,174 | 259,126 |
| Tax calculated using Singapore tax rate of 17% | 45,644 | 43,504 | 44,740 | 44,052 |
| Non-tax deductible items | 4,989 | 8,241 | 5,893 | 7,693 |
| Income subject to tax | 45 | – | 45 | – |
| Tax transparency | (50,633) | (51,745) | (50,633) | (51,745) |
| | 45 | – | 45 | – |

## 24 EARNINGS PER UNIT

### (a) Basic earnings per unit

The calculation of basic earnings per unit is based on the weighted average number of units during the year and total return for the year.

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Total return for the year | **384,227** | 270,063 | **323,887** | 231,375 |

| | TRUST Number of Units | |
|---|---|---|
| | 2011 | 2010 |
| | '000 | '000 |
| Issued units at beginning of the year | **3,184,259** | 3,179,268 |
| Effect of creation of new units: | | |
| – issued as satisfaction of asset management fees in relation to the Trust's 40.0% interest in Raffles City Singapore through RCS Trust | **1,513** | 2,307 |
| – acquisition fees for Clarke Quay | **–** | 597 |
| – acquisition fees for Infinity Trusts | **302** | – |
| – equity fund raising | **19,898** | – |
| Weighted average number of units at the end of the year | **3,205,972** | 3,182,172 |

### (b) Fully diluted earnings per unit

In calculating diluted earnings per unit, the total return for the year and weighted average number of units during the year are adjusted for the effects of all dilutive potential units:

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Total return for the year | **384,227** | 270,063 | **323,887** | 231,375 |
| Impact of conversion of the dilutive potential units | **24,666** | 13,218 | **24,666** | 13,218 |
| Adjusted total return for the year | **408,893** | 283,281 | **348,553** | 244,593 |

| | TRUST Number of Units | |
|---|---|---|
| | 2011 | 2010 |
| | '000 | '000 |
| Weighted average number of units used in calculation of basic earnings per unit | **3,205,972** | 3,182,172 |
| Weighted average number of unissued units from convertible bonds | **219,835** | 184,628 |
| Weighted average number of units in issue (diluted) | **3,425,807** | 3,366,800 |

## 25 ISSUE EXPENSES

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Underwriting and selling commissions | (3,191) | – | (3,191) | – |

## 26 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the parties or exercise significant influence over the parties in making financial and operating decisions, or vice versa, or where the Group and the parties are subject to common significant influence. Related parties may be individuals or other entities. The Manager, Project Manager (CapitaLand Retail Project Management Pte Ltd) and Property Manager (CapitaLand Retail Management Pte Ltd) are subsidiaries of a substantial Unitholder of the Trust.

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

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

| | GROUP | | TRUST | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $'000 | $'000 | $'000 | $'000 |
| Asset enhancement works and consultancy fees paid/payable to a related company of the Manager | 4,381 | 2,447 | 4,344 | 2,123 |
| Rental and related income received/receivable from related companies of the Manager | 689 | 1,164 | 613 | 1,089 |
| Acquisition fees paid to the Manager | 2,950 | 2,680 | 2,950 | 2,680 |

## 27 FINANCIAL RISK MANAGEMENT

***Capital management***

The Board of the Manager proactively reviews the Group's and the Trust's capital and debt management cum financing policy regularly so as to optimise the Group's and the Trust's funding structure. The Board also monitors the Group's and the Trust's exposure to various risk elements and externally imposed requirements by closely adhering to clearly established management policies and procedures.

The Trust and its subsidiaries are 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 35.0% of the fund's deposited property. The Aggregate Leverage of a property fund may exceed 35.0% of the fund's deposited property (up to a maximum of 60.0%) only if a credit rating of the property fund from Fitch Inc., Moody's or Standard and Poor's is obtained and disclosed to the public. The property fund should continue to maintain and disclose a credit rating so long as its Aggregate Leverage exceeds 35.0% of the fund's deposited property.

The Trust has maintained its corporate rating of 'A2'. The Group and the Trust have complied with the Aggregate Leverage limit of 60.0% during the financial year. There were no changes in the Group's approach to capital management during the financial year.

***Overview of risk management***

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

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

*Credit risk*

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

The Manager has established credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed by the Manager before lease agreements are entered into with tenants.

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

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash and fixed deposits are placed with financial institutions which are regulated. The Group limits its credit risk exposure in respect of investments by only investing in liquid securities and only with counterparties that have sound credit ratings. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

At 31 December 2011 and 31 December 2010, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying value of each financial asset on the balance sheet.

*Liquidity risk*

The Manager monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations.

*Market risk*

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

*Foreign currency risk*

The Group is exposed to foreign currency risk on interest-bearing borrowings that were denominated in a currency other than the functional currency of the Group. The currency giving rise to this risk is USD. The Group hedges this risk by entering into a cross currency swap with a notional contract amount of US$500,000,000.

*Sensitivity analysis*

A 10.0% strengthening of Singapore dollar against the following foreign currency at the reporting date would decrease the Statement of Total Return and Unitholders' Funds as at 31 December 2011 by the amounts shown below. This analysis assumes that all other variables, in particular, interest rates, remain constant.

| | Statements of Total Return $'000 | Unitholders' Funds $'000 |
|---|---|---|
| **Group** | | |
| **2011** | | |
| US dollar | **–** | **(7,791)** |
| **2010** | | |
| US dollar | – | (7,034) |

A 10.0% weakening of Singapore dollar against the above currency would have had an equal but opposite effect on the above currency to the amounts shown above, on the basis that all other variables remain constant.

*Interest rate risk*

The Group's exposure to changes in interest rates relates primarily to interest-bearing financial liabilities. Interest rate risk is managed on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

At 31 December 2011, the Group has interest rate swaps with total notional contract amount of $495,000,000 (2010: $320,000,000) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured and unsecured term loans.

The net fair value of the above swaps at 31 December 2011 is $16,412,000 (2010: $13,694,000) comprising current liabilities of $Nil (2010: $Nil) and non-current liabilities of $16,412,000 (2010: $13,694,000).

*Sensitivity analysis*

An increase of 100 basis points ("bp") in interest rate at the reporting date would increase/(decrease) Statements of Total Return and Unitholders' Funds by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Statements of Total Return $'000 | Unitholders' Funds $'000 |
|---|---|---|
| **Group** | | |
| **2011** | | |
| Interest-bearing borrowings (floating rate) | – | – |
| Interest rate swaps | 8,456 | – |
| | 8,456 | – |
| **2010** | | |
| Interest-bearing borrowings (floating rate) | (380) | – |
| Interest rate swaps | 11,411 | – |
| | 11,031 | – |
| **Trust** | | |
| **2011** | | |
| Interest rate swaps | 8,456 | – |
| | 8,456 | – |
| **2010** | | |
| Interest rate swaps | 11,411 | – |
| | 11,411 | – |

A decrease of 100 bp in interest rate at the reporting date would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

# Notes to the Financial Statements

Year ended 31 December 2011

## 28 CLASSIFICATION AND FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

| | Note | Designated at fair value $'000 | Fair value – hedging instruments $'000 | Loans and receivables $'000 | Other financial liabilities $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| **2011** | | | | | | | |
| Loan to joint ventures | 8 | – | – | 88,690 | – | 88,690 | 88,690 |
| Trade and other receivables | 9 | – | – | 29,219 | – | 29,219 | 29,219 |
| Cash and cash equivalents | 10 | – | – | 757,622 | – | 757,622 | 757,622 |
| | | – | – | 875,531 | – | 875,531 | 875,531 |
| Financial derivatives | 11 | (16,425) | (53,021) | – | – | (69,446) | (69,446) |
| Trade and other payables | 12 | – | – | – | (209,728) | (209,728) | (209,728) |
| Security deposits | | – | – | – | (131,160) | (131,160) | (125,950) |
| Interest-bearing borrowings | 13 | – | – | – | (2,823,860) | (2,823,860) | (2,962,718) |
| Convertible bonds | 14 | – | – | – | (600,080) | (600,080) | (624,086) |
| Amounts owing to joint venture partners | 15 | – | – | (90,545) | – | (90,545) | (90,545) |
| | | (16,425) | (53,021) | (90,545) | (3,764,828) | (3,924,819) | (4,082,473) |
| **2010** | | | | | | | |
| Trade and other receivables | 9 | – | – | 7,330 | – | 7,330 | 7,330 |
| Cash and cash equivalents | 10 | – | – | 712,952 | – | 712,952 | 712,952 |
| | | – | – | 720,282 | – | 720,282 | 720,282 |
| Financial derivatives | 11 | (21,928) | (61,497) | – | – | (83,425) | (83,425) |
| Trade and other payables | 12 | – | – | – | (125,922) | (125,922) | (125,922) |
| Security deposits | | – | – | – | (123,960) | (123,960) | (118,294) |
| Interest-bearing borrowings | 13 | – | – | – | (2,309,284) | (2,309,284) | (2,552,820) |
| Convertible bonds | 14 | – | – | – | (542,635) | (542,635) | (581,990) |
| | | (21,928) | (61,497) | – | (3,101,801) | (3,185,226) | (3,462,451) |

# Notes to the Financial Statements

Year ended 31 December 2011

| | Note | Designated at fair value $'000 | Fair value – hedging instruments $'000 | Loans and receivables $'000 | Other financial liabilities $'000 | Total carrying amount $'000 | Fair value $'000 |
|---|---|---|---|---|---|---|---|
| **Trust** | | | | | | | |
| **2011** | | | | | | | |
| Loan to joint ventures | 8 | – | – | 129,349 | – | 129,349 | 129,349 |
| Trade and other receivables | 9 | – | – | 19,980 | – | 19,980 | 19,980 |
| Cash and cash equivalents | 10 | – | – | 736,362 | – | 736,362 | 736,362 |
| | | – | – | 885,691 | – | 885,691 | 885,691 |
| Financial derivatives | 11 | (16,410) | – | – | – | (16,410) | (16,410) |
| Trade and other payables | 12 | – | – | – | (196,237) | (196,237) | (196,237) |
| Security deposits | | – | – | – | (119,602) | (119,602) | (114,615) |
| Interest-bearing borrowings | 13 | – | – | – | (2,281,997) | (2,281,997) | (2,367,206) |
| Convertible bonds | 14 | – | – | – | (600,080) | (600,080) | (624,086) |
| | | (16,410) | – | – | (3,197,916) | (3,214,326) | (3,318,554) |
| **2010** | | | | | | | |
| Trade and other receivables | 9 | – | – | 16,789 | – | 16,789 | 16,789 |
| Cash and cash equivalents | 10 | – | – | 696,456 | – | 696,456 | 696,456 |
| | | – | – | 713,245 | – | 713,245 | 713,245 |
| Financial derivatives | 11 | (21,928) | – | – | – | (21,928) | (21,928) |
| Trade and other payables | 12 | – | – | – | (107,968) | (107,968) | (107,968) |
| Security deposits | | – | – | – | (112,280) | (112,280) | (107,221) |
| Interest-bearing borrowings | 13 | – | – | – | (1,981,409) | (1,981,409) | (2,163,158) |
| Convertible bonds | 14 | – | – | – | (542,635) | (542,635) | (581,990) |
| | | (21,928) | – | – | (2,744,292) | (2,766,220) | (2,982,265) |

***Estimation of fair values***

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group.

*Derivative financial instruments*

The fair value of interest rate swaps, cross currency swap and derivative liability portion of the convertible bonds are based on broker quotes/third party quotes. These quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

*Non-derivative financial liabilities*

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

*Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

***Interest rates used in determining fair values***

The interest rates used to discount estimated cash flows, where applicable, are based on the forward yield curve at 31 December plus an adequate constant credit spread, and are as follows:

| | 2011<br>% | 2010<br>% |
|---|---|---|
| Security deposits | **3.18 – 3.34** | 3.54 – 3.58 |
| Interest-bearing borrowings | **1.26 – 2.40** | 1.74 – 3.36 |
| Convertible bonds | **1.40** | 1.26 |

*Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation model. The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable data).

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2011** | | | | |
| Cross currency swap | **–** | **53,021** | **–** | **53,021** |
| Interest rate swaps | **–** | **16,412** | **–** | **16,412** |
| Derivative liability portion of convertible bonds | **–** | **–** | **13** | **13** |
| | **–** | **69,433** | **13** | **69,446** |
| **2010** | | | | |
| Cross currency swap | – | 61,497 | – | 61,497 |
| Interest rate swaps | – | 13,694 | – | 13,694 |
| Derivative liability portion of convertible bonds | – | – | 8,234 | 8,234 |
| | – | 75,191 | 8,234 | 83,425 |

| | Level 1 $'000 | Level 2 $'000 | Level 3 $'000 | Total $'000 |
|---|---|---|---|---|
| **Trust** | | | | |
| **2011** | | | | |
| Interest rate swaps | – | 16,397 | – | 16,397 |
| Derivative liability portion of convertible bonds | – | – | 13 | 13 |
| | – | 16,397 | 13 | 16,410 |
| **2010** | | | | |
| Interest rate swaps | – | 13,694 | – | 13,694 |
| Derivative liability portion of convertible bonds | – | – | 8,234 | 8,234 |
| | – | 13,694 | 8,234 | 21,928 |

The following table presents the changes in Level 3 instruments for the financial year ended 31 December 2011:

| | GROUP AND TRUST 2011 $'000 | 2010 $'000 |
|---|---|---|
| **Derivative liability portion of convertible bonds** | | |
| Opening balance | 8,234 | 27,833 |
| Extinguishment of derivative liability on repurchase of convertible bonds | (541) | (2,278) |
| Gains recognised in the Statement of Total Return | (7,680) | (17,321) |
| Closing balance | 13 | 8,234 |

## 29 OPERATING SEGMENTS

For the purpose of making resource allocation decisions and the assessment of segment performance, the Group's CODMs reviews internal/management reports of its investment properties. This forms the basis of identifying the operating segments of the Group under FRS 108 *Operating Segments*.

Segment revenue comprises mainly of income generated from its tenants. Segment net property income represents the income earned by each segment after allocating property operating expenses. This is the measure reported to the CODMs for the purpose of assessment of segment performance. In addition, the CODMs monitor 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 income-earning assets and revenue, interest-bearing borrowings and expenses, related assets and expenses. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one year.

*Geographical segments*

Segment information in respect of the Group's geographical segments is not presented, as the Group's activities for the year ended 31 December 2011 and 31 December 2010 related wholly to properties located in Singapore.

# Notes to the Financial Statements

Year ended 31 December 2011

## Operating Segments

| | Tampines Mall $'000 | Junction 8 $'000 | Funan DigitaLife Mall $'000 | IMM Building $'000 | Plaza Singapura $'000 | Bugis Junction $'000 | Lot One Shoppers' Mall $'000 | Bukit Panjang Plaza $'000 | The Atrium@ Orchard $'000 | Clarke Quay $'000 | Other Investment Properties[1] $'000 | Subsidiaries portfolio[2] $'000 | 40.0% interest in RCS Trust – Raffles City Singapore[3] $'000 | Infinity Trusts $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | | | | | | | |
| Gross rental income | 61,908 | 47,542 | 27,540 | 73,690 | 76,091 | 69,548 | 35,366 | 21,950 | 23,645 | 28,682 | 33,704 | – | 83,061 | – | 582,727 |
| Car park income | 2,914 | 1,497 | 2,124 | 837 | 2,425 | – | 1,395 | 1,203 | 335 | 1,180 | 1,537 | – | 2,130 | – | 17,577 |
| Others | 3,498 | 3,017 | 2,018 | 3,507 | 2,922 | 2,906 | 2,318 | 1,133 | 2,298 | 3,252 | 1,840 | – | 1,560 | – | 30,269 |
| Gross revenue | 68,320 | 52,056 | 31,682 | 78,034 | 81,438 | 72,454 | 39,079 | 24,286 | 26,278 | 33,114 | 37,081 | – | 86,751 | – | 630,573 |
| Segment net property income | 49,156 | 35,996 | 20,228 | 50,525 | 59,229 | 50,089 | 26,366 | 15,406 | 15,657 | 18,750 | 13,367 | – | 63,471 | – | 418,240 |
| Interest and other income | | | | | | | | | | | | | | | 2,332 |
| Finance costs | | | | | | | | | | | | | | | (134,956) |
| Unallocated expenses | | | | | | | | | | | | | | | (43,222) |
| Share of profit of associate | | | | | | | | | | | | | | | 26,099 |
| Net income | | | | | | | | | | | | | | | 268,493 |
| Loss on repurchase of convertible bonds | | | | | | | | | | | | | | | (10,322) |
| Net change in fair value of financial derivatives | | | | | | | | | | | | | | | 4,976 |
| Net change in fair value of investment properties | 5,241 | 2,140 | 15,629 | (57,060) | 42,200 | 46,437 | 14,795 | 2,636 | 1,881 | 16,337 | (24,132) | – | 55,021 | – | 121,125 |
| Total return for the year before income tax | | | | | | | | | | | | | | | 384,272 |
| Income tax expense | | | | | | | | | | | | | | | (45) |
| **Total return for the year** | | | | | | | | | | | | | | | 384,227 |

# Notes to the Financial Statements

Year ended 31 December 2011

| | Tampines Mall $'000 | Junction 8 $'000 | Funan DigitaLife Mall $'000 | IMM Building $'000 | Plaza Singapura $'000 | Bugis Junction $'000 | Lot One Shoppers' Mall $'000 | Bukit Panjang Plaza $'000 | The Atrium@ Orchard $'000 | Clarke Quay $'000 | Other Investment Properties[1] $'000 | Subsidiaries portfolio[2] $'000 | 40.0% interest in RCS Trust – Raffles City Singapore[3] $'000 | Infinity Trusts $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2011** | | | | | | | | | | | | | | | |
| **Assets and liabilities** | | | | | | | | | | | | | | | |
| Segment assets | 800,750 | 597,536 | 347,456 | 607,146 | 1,080,661 | 864,405 | 454,500 | 259,573 | 623,399 | 293,985 | 794,488 | 11,943 | 1,154,166 | 327,096 | 8,217,104 |
| Investment in associate and joint ventures | | | | | | | | | | | | | | | 227,204 |
| Unallocated assets | | | | | | | | | | | | | | | 727,868 |
| **Total assets** | | | | | | | | | | | | | | | 9,172,176 |
| Segment liabilities | 22,550 | 24,527 | 12,970 | 28,586 | 27,396 | 23,564 | 13,584 | 7,937 | 19,594 | 13,237 | 58,944 | 1,216,794 | 420,103 | 286,328 | 2,176,114 |
| Unallocated liabilities: | | | | | | | | | | | | | | | |
| – interest-bearing borrowings | | | | | | | | | | | | | | | 782,497 |
| – interest payables | | | | | | | | | | | | | | | 40,372 |
| – asset management fees payable | | | | | | | | | | | | | | | 8,792 |
| – convertible bonds | | | | | | | | | | | | | | | 600,080 |
| – derivative liabilities | | | | | | | | | | | | | | | 16,410 |
| – others | | | | | | | | | | | | | | | 301,889 |
| | | | | | | | | | | | | | | | 1,750,040 |
| **Total liabilities** | | | | | | | | | | | | | | | 3,926,154 |
| **Other segmental information** | | | | | | | | | | | | | | | |
| Depreciation and amortisation | 88 | 72 | 34 | 201 | 116 | 67 | 80 | 68 | 7 | 53 | 108 | – | 145 | – | 1,039 |
| Plant and equipment: | | | | | | | | | | | | | | | |
| – capital expenditure | 24 | 21 | 36 | 126 | 13 | 5 | 11 | 13 | 9 | 275 | 74 | – | (4) | – | 603 |
| Investment properties: | | | | | | | | | | | | | | | |
| – capital expenditure | 2,759 | 14,860 | 1,371 | 4,060 | 3,800 | 2,563 | 2,205 | 1,364 | 31,119 | 2,663 | 90,419 | – | 979 | – | 158,162 |
| Receivables written off | 2 | – | – | 5 | – | – | (1) | – | – | – | – | – | (1) | – | 5 |

# Notes to the Financial Statements

Year ended 31 December 2011

## Operating Segments

| | Tampines Mall $'000 | Junction 8 $'000 | Funan DigitaLife Mall $'000 | IMM Building $'000 | Plaza Singapura $'000 | Bugis Junction $'000 | Lot One Shoppers' Mall $'000 | Bukit Panjang Plaza $'000 | The Atrium@ Orchard $'000 | Clarke Quay $'000 | Other Investment Properties[1] $'000 | Subsidiaries portfolio[2] $'000 | 40.0% interest in RCS Trust – Raffles City Singapore[3] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | | | | | | | |
| Gross rental income | 59,084 | 44,916 | 26,586 | 70,141 | 72,105 | 66,946 | 34,973 | 20,722 | 29,732 | 13,291 | 23,094 | – | 77,589 | 539,179 |
| Car park income | 2,576 | 1,430 | 1,869 | 868 | 2,483 | – | 1,218 | 1,130 | 351 | 625 | 902 | – | 2,095 | 15,547 |
| Others | 2,857 | 3,017 | 1,636 | 3,252 | 3,077 | 3,151 | 2,068 | 1,181 | 1,769 | 1,474 | 1,316 | – | 1,596 | 26,394 |
| Gross revenue | 64,517 | 49,363 | 30,091 | 74,261 | 77,665 | 70,097 | 38,259 | 23,033 | 31,852 | 15,390 | 25,312 | – | 81,280 | 581,120 |
| Segment net property income | 46,831 | 34,318 | 19,637 | 49,046 | 57,355 | 47,916 | 25,950 | 14,810 | 22,145 | 8,574 | 13,958 | – | 58,607 | 399,147 |
| Interest income | | | | | | | | | | | | | | 2,022 |
| Finance costs | | | | | | | | | | | | | | (118,458) |
| Unallocated expenses | | | | | | | | | | | | | | (39,448) |
| Share of profit of associate | | | | | | | | | | | | | | 12,643 |
| Net income | | | | | | | | | | | | | | 255,906 |
| Loss on repurchase of convertible bonds | | | | | | | | | | | | | | (5,182) |
| Net change in fair value of financial derivatives | | | | | | | | | | | | | | 9,500 |
| Net change in fair value of investment properties | 10,247 | 5,953 | 3,013 | 4,374 | 31,331 | 15,405 | 4,333 | 4,860 | (125,703) | 2,082 | 12,036 | – | 41,908 | 9,839 |
| Total return for the year before tax | | | | | | | | | | | | | | 270,063 |
| Income tax expense | | | | | | | | | | | | | | – |
| **Total return for the year** | | | | | | | | | | | | | | 270,063 |

# Notes to the Financial Statements

Year ended 31 December 2011

| | Tampines Mall $'000 | Junction 8 $'000 | Funan DigitaLife Mall $'000 | IMM Building $'000 | Plaza Singapura $'000 | Bugis Junction $'000 | Lot One Shoppers' Mall $'000 | Bukit Panjang Plaza $'000 | The Atrium@ Orchard $'000 | Clarke Quay $'000 | Other Investment Properties[1] $'000 | Subsidiaries portfolio[2] $'000 | 40.0% interest in RCS Trust – Raffles City Singapore[3] $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **2010** | | | | | | | | | | | | | | |
| **Assets and liabilities** | | | | | | | | | | | | | | |
| Segment assets | 792,933 | 580,480 | 330,613 | 659,759 | 1,034,756 | 815,318 | 437,457 | 255,623 | 590,455 | 274,715 | 429,029 | 9,389 | 1,090,673 | 7,301,200 |
| Investment in associate and joint venture | | | | | | | | | | | | | | 131,807 |
| Unallocated assets | | | | | | | | | | | | | | 692,916 |
| **Total assets** | | | | | | | | | | | | | | 8,125,923 |
| Segment liabilities | 23,770 | 16,708 | 11,808 | 28,190 | 26,833 | 26,058 | 13,259 | 7,601 | 8,440 | 11,015 | 24,854 | 1,218,035 | 411,151 | 1,827,722 |
| Unallocated liabilities: | | | | | | | | | | | | | | |
| – interest-bearing borrowings | | | | | | | | | | | | | | 781,909 |
| – interest payables | | | | | | | | | | | | | | 2,326 |
| – asset management fees payable | | | | | | | | | | | | | | 8,073 |
| – convertible bonds | | | | | | | | | | | | | | 542,635 |
| – derivative liabilities | | | | | | | | | | | | | | 21,928 |
| – others | | | | | | | | | | | | | | 1,923 |
| | | | | | | | | | | | | | | 1,358,794 |
| **Total liabilities** | | | | | | | | | | | | | | 3,186,516 |
| **Other segmental information** | | | | | | | | | | | | | | |
| Depreciation and amortisation | 113 | 72 | 29 | 188 | 121 | 71 | 80 | 73 | 5 | 2 | 109 | – | 194 | 1,057 |
| Plant and equipment: | | | | | | | | | | | | | | |
| – capital expenditure | 20 | 8 | 5 | 143 | 16 | 20 | 24 | 5 | 17 | 29 | 17 | – | 22 | 326 |
| Investment properties: | | | | | | | | | | | | | | |
| – capital expenditure | 4,753 | 4,047 | 987 | 4,626 | 2,669 | 1,595 | 4,667 | 2,139 | 1,703 | 149 | 26,765 | – | 15,292 | 69,392 |
| Receivables written off | – | – | 8 | – | 16 | – | 5 | – | – | – | – | – | 6 | 35 |

1 *Other investment properties comprise Sembawang Shopping Centre, Hougang Plaza, JCube, Rivervale Mall and Iluma.*
2 *Subsidiaries portfolio comprises CRSL and CMT MTN.*
3 *The joint acquisition of Raffles City Singapore through RCS Trust by CMT (40.0%) and CCT (60.0%) was completed on 1 September 2006.*

## 30 COMMITMENTS

| | GROUP 2011 $'000 | GROUP 2010 $'000 | TRUST 2011 $'000 | TRUST 2010 $'000 |
|---|---|---|---|---|
| **Capital commitments:** | | | | |
| – contracted but not provided for | **266,644** | 121,114 | **178,578** | 119,858 |

### Operating lease rental payable

Future minimum lease payments for the Group on non-cancellable operating leases with a term of more than one year are as follows:

| | 2011 $'000 | 2010 $'000 |
|---|---|---|
| Within 1 year | – | 285 |
| After 1 year but within 5 years | – | 1,139 |
| After 5 years | – | 242 |
| | – | 1,666 |

### Operating lease rental receivable

The Group leases out its investment properties. Non-cancellable operating lease rentals are receivable as follows:

| | GROUP 2011 $'000 | GROUP 2010 $'000 | TRUST 2011 $'000 | TRUST 2010 $'000 |
|---|---|---|---|---|
| Within 1 year | **516,680** | 477,660 | **445,209** | 415,345 |
| After 1 year but within 5 years | **735,625** | 520,187 | **574,560** | 452,587 |
| More than 5 years | **49,702** | 1,317 | **47,784** | 1,317 |
| | **1,302,007** | 999,164 | **1,067,553** | 869,249 |

## 31 CONTINGENT LIABILITY

Pursuant to the tax transparency ruling from IRAS, the Trustee has provided a tax indemnity for certain types of tax losses, including unrecovered late payment penalties, that may be suffered by IRAS should IRAS fail to recover from Unitholders tax due or payable on distributions made to them without deduction of tax, subject to the indemnity amount agreed with the IRAS. This indemnity is applicable to distributions made out of the Trust's income for the period from the date of the listing of the Trust to 1 August 2004. The amount of indemnity, as agreed with IRAS for any one year is limited to the higher of $500,000 or 1.0% of the taxable income of the Trust for that year. Each yearly indemnity has a validity period of the earlier of seven years from the end of the relevant year of assessment and three years from the termination of the Trust.

# Notes to the Financial Statements

Year ended 31 December 2011

## 32 FINANCIAL RATIOS

| | 2011 % | 2010 % |
|---|---|---|
| Expenses to weighted average net assets[1] | | |
| – including performance component of Manager's management fees | 0.77 | 0.71 |
| – excluding performance component of Manager's management fees | 0.45 | 0.42 |
| Portfolio turnover rate[2] | – | – |

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

[2] *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 daily average net asset value.*