



SPH REIT FINANCIAL STATEMENT ANNOUNCEMENT * FOR THE PERIOD ENDED 31 AUGUST 2017

Constituted in the Republic of Singapore pursuant to a Trust Deed dated 9 July 2013.

Introduction

The investment strategy of SPH REIT is to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia Pacific, as well as real estate-related assets.

The portfolio of SPH REIT comprises the following two high quality and well located commercial properties in Singapore:

- * Paragon, a premier upscale retail mall and medical suite/office property, well known for its upscale mall housing many luxury brands, located in the heart of Orchard Road; and
- * The Clementi Mall, a mid-market suburban mall located in the centre of Clementi town, an established residential estate in the west of Singapore.

Review by auditors

The financial information as set out in this announcement for the fourth quarter and year ended 31 August 2017 has been extracted from the audited* financial statements for the year ended 31 August 2017, in accordance with the Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts", the Code on Collective Investment Schemes (the "CIS Code") and the provisions of the Trust Deed.

* *Please refer to the attached audit report.*

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For The Year Ended 31 August 2017

1(a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year

1(a)(i) Statement of Total Return

	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	52,850	52,177	1.3	212,756	209,594	1.5
Property operating expenses	(11,091)	(12,002)	(7.6)	(44,668)	(48,683)	(8.2)
Net property income	41,759	40,175	3.9	168,088	160,911	4.5
Income support ¹	(103)	548	NM	1,186	2,365	(49.9)
Amortisation of intangible asset	103	(548)	NM	(1,186)	(2,365)	(49.9)
Write down of intangible asset ²	(4,349)	-	NM	(4,349)	-	NM
Manager's management fees ³	(4,197)	(4,090)	2.6	(16,708)	(16,312)	2.4
Trust expenses ⁴	(226)	(199)	13.6	(1,579)	(1,610)	(1.9)
Finance income ⁵	196	217	(9.7)	744	915	(18.7)
Finance costs	(6,057)	(5,923)	2.3	(23,944)	(24,015)	(0.3)
Net income	27,126	30,180	(10.1)	122,252	119,889	2.0
Fair value change on investment properties ⁶	34,904	7,685	NM	34,904	7,685	NM
Total return before taxes and distribution	62,030	37,865	63.8	157,156	127,574	23.2
Less: income tax	-	-	NM	-	-	NM
Total return after taxes and before distribution	62,030	37,865	63.8	157,156	127,574	23.2

For The Year Ended 31 August 2017

1(a)(i) Statement of Total Return (Cont'd)

Notes:

- Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support. The income support will end on 23 July 2018, five years after listing date on 24 July 2013.
- Intangible asset relates to unamortised income support receivable by The Clementi Mall from the vendors.

In view of the better than expected net property income at The Clementi Mall, a lower amount of drawdown on the income support is expected. Accordingly, the intangible asset is written down. This write down amount of intangible asset has no impact on SPH REIT's income available for distribution.
- For 3Q 2017 and 4Q 2017, the REIT Manager has elected for partial payment in cash, a base management fee comprising of S\$1.2 million in cash for each quarter with the balance in SPH REIT units.
- Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, cost associated with the preparation of annual reports, and investor communication costs
- Finance income represent the interest income from bank deposit.
- This relates to the fair value change on Paragon and The Clementi Mall as at 31 August 2017 and 31 August 2016, based on independent valuations conducted by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL").

NM Not Meaningful

1(a)(ii) Distribution Statement

	4Q 2017 S\$'000	4Q 2016 S\$'000	Change %	FY 2017 S\$'000	FY 2016 S\$'000	Change %
Net income	27,126	30,180	(10.1)	122,252	119,889	2.0
Add: Non-tax deductible items ¹	4,705	4,170	12.8	18,976	21,189	(10.4)
Income available for distribution	31,831	34,350	(7.3)	141,228	141,078	0.1
Distribution to Unitholders²	36,297	35,909	1.1	141,228	139,711	1.1

Notes:

- Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, amortisation of income support, amortisation of debt issuance costs, the write down of intangible asset, capital allowances claim on qualifying assets under the Income Tax Act and the difference between taxable income previously distributed and the quantum agreed with IRAS for YA2014 and YA2015.
- Distribution for 4Q 2017 includes income available for distribution retained earlier in the year.

For The Year Ended 31 August 2017

1(b)(i) A balance sheet together with a comparative statement as at the end of the immediately preceding financial year

Statements of Financial Position	As at 31 Aug 17 S\$'000	As at 31 Aug 16 S\$'000
Non-current assets		
Plant and equipment	843	950
Investment properties ¹	3,278,000	3,230,000
Intangible asset ²	-	7,035
	3,278,843	3,237,985
Current assets		
Intangible asset ²	1,500	-
Trade and other receivables ³	3,353	5,888
Cash and cash equivalents	63,005	67,382
	67,858	73,270
Total assets	3,346,701	3,311,255
Non-current liabilities		
Borrowing	528,004	845,887
Derivative financial instruments ⁴	7,365	9,890
Trade and other payables	30,147	32,763
	565,516	888,540
Current liabilities		
Borrowing	319,423	-
Derivative financial instruments ⁴	621	-
Trade and other payables	40,081	34,183
	360,125	34,183
Total liabilities	925,641	922,723
Net assets attributable to Unitholders	2,421,060	2,388,532

Notes:

1. The fair value of Paragon and The Clementi Mall as at 31 August 2017 was S\$2,695.0 million and S\$583.0 million respectively. The fair value of the investment properties were based on independent valuations conducted by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL").
2. Intangible asset relates to income support provided by the vendors of The Clementi Mall. The write down of intangible asset was recognised in 4Q 2017 (as shown in 1(a)(i) Statement of Total Return).
3. Trade and other receivables comprised mainly rental receivable and trade amount due from related parties.
4. Derivative financial instruments represent the fair value of the interest rate swap contracts to swap floating rates for fixed interest rates.

(b)(ii) **Borrowing**

Secured borrowing

	As at 31 Aug 17 S\$'000	As at 31 Aug 16 S\$'000
Amount repayable within one year	319,423	-
Amount repayable after one year	528,004	845,887
Total	847,427	845,887

Details of collateral

On 24 July 2013, SPH REIT established a term loan facility of up to the amount of S\$975 million, of which the amount drawn down was S\$850 million. As at the balance sheet date, the amount of S\$847.4 million represented the loan stated at amortised cost.

Management is currently reviewing the refinancing options for the S\$320 million tranche due in 2018.

The term loan is secured by way of a first legal mortgage on Paragon, first legal charge over the tenancy account and sales proceeds account for Paragon, and an assignment of certain insurances taken in relation to Paragon.

For The Year Ended 31 August 2017

1(c) A cash flow statement together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Cash Flows

	4Q 2017 S\$'000	4Q 2016 S\$'000	FY 2017 S\$'000	FY 2016 S\$'000
Cash flows from operating activities				
Total return for the period/year	62,030	37,865	157,156	127,574
Adjustments for:				
Fair value change on investment properties	(34,904)	(7,685)	(34,904)	(7,685)
Manager's fee paid/payable in units	2,997	4,090	14,308	16,312
Depreciation of plant and equipment	53	57	211	210
Finance income	(196)	(217)	(744)	(915)
Finance costs	6,057	5,923	23,944	24,015
Amortisation of intangible asset	(103)	548	1,186	2,365
Write down of intangible asset	4,349	-	4,349	-
Operating cash flow before working capital changes	40,283	40,581	165,506	161,876
Changes in operating assets and liabilities				
Trade and other receivables	1,344	(973)	2,475	(819)
Trade and other payables	(2,529)	(1,601)	(2,781)	(1,038)
Net cash from operating activities	39,098	38,007	165,200	160,019
Cash flows from investing activities				
Additions to investment properties	(1,836)	(2,796)	(7,027)	(8,501)
Purchase of plant and equipment	(32)	(22)	(45)	(116)
Interest received	190	202	803	854
Net cash used in investing activities	(1,678)	(2,616)	(6,269)	(7,763)
Cash flows from financing activities				
Distribution to unitholders	(35,006)	(34,575)	(140,840)	(138,960)
Payment of transaction costs related to borrowing	(18)	(1,018) ¹	(18)	(1,018) ¹
Interest paid	(5,610)	(5,093)	(22,450)	(22,251)
Net cash used in financing activities	(40,634)	(40,686)	(163,308)	(162,229)

Notes:

1. This includes upfront fees paid for revision of terms of the existing loan facility in 2016.

For The Year Ended 31 August 2017

1(c) Statement of Cash Flows (cont'd)

	4Q 2017	4Q 2016	FY 2017	FY 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Net increase/(decrease) in cash and cash equivalents	(3,214)	(5,295)	(4,377)	(9,973)
Cash and cash equivalents at beginning of the period	66,219	72,677	67,382	77,355
Cash and cash equivalents at end of the period	63,005	67,382	63,005	67,382

1(d)(i) Statement of Changes in Unitholders' Funds

	4Q 2017	4Q 2016	FY 2017	FY 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at beginning of period	2,390,884	2,387,274	2,388,532	2,397,810
<u>Operations</u>				
Total return for the period/year	62,030	37,865	157,156	127,574
<u>Hedging reserve</u>				
Effective portion of changes in fair value of cash flow hedges ¹	155	(6,122)	1,904	(14,204)
<u>Unitholders' transactions</u>				
Distribution to unitholders	(35,006)	(34,575)	(140,840)	(138,960)
Manager's fee paid/payable in units	2,997	4,090	14,308	16,312
	(32,009)	(30,485)	(126,532)	(122,648)
Balance as at end of period	2,421,060	2,388,532	2,421,060	2,388,532

Note:

1. This relates to interest rate swap arrangements.

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1(d)(ii) Details of Changes in Issued and Issuable Units

	4Q 2017	4Q 2016	FY 2017	FY 2016
	No. of units	No. of units	No. of units	No. of units
Issued units as at beginning of period	2,555,207,357	2,542,310,127	2,546,703,310	2,529,309,302
Manager's fee paid in units ^{1,2}	898,655	4,393,183	9,402,702	17,394,008
Issuable units:				
Manager's fee payable in units ^{1,2,3}	9,546,504	4,215,607	9,546,504	4,215,607
Total issued and issuable units as at end of period	2,565,652,516	2,550,918,917	2,565,652,516	2,550,918,917

Notes:

1. The units were issued/issuable to the REIT Manager in partial satisfaction of management fees for FY2017 and full satisfaction of management fees for FY2016. For 2H 2017, the REIT Manager has elected for partial payment in cash, a base management fee comprising of S\$1.2 million in cash for each quarter with the balance in SPH REIT units. The performance fee will continue to be received in SPH REIT units.
2. The number of units is calculated based on volume weighted average traded price for the last 10 business days for the respective quarters, as provided in the Trust Deed.
3. In accordance with the amendments to the Trust Deed and new requirement by the Monetary Authority of Singapore, the performance fee for FY2017 and thereafter will be issued on an annual basis, after Board's approval of the audited annual accounts.
 - For 4Q 2017 and FY2017, the issuable units relates to performance management fees for FY2017 and partial satisfaction of base management fees for 4Q 2017. The issued/issuable units of the base and performance management fees represented 86% of total management fees for FY2017.
 - For 4Q 2016 and FY2016, the issuable units relates to full satisfaction of base and performance management fees for 4Q 2016.

1(d)(iii) To show the total number of issued units excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 August 2017, SPH REIT had 2,556,106,012 units (31 August 2016: 2,546,703,310 units).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures for the year have been audited. The auditors' report on the financial statements of SPH REIT was not subject to any modification.

For The Year Ended 31 August 2017

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Please refer to the attached auditor's audit report.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

The accounting policies and methods of computation have been consistently applied during the current reporting period.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The financial information has been prepared in accordance with the same accounting policies and methods of computation adopted in the audited financial statements of the previous financial year, except for new or amended accounting policies adopted in the Statement of Recommended Accounting Practice ("RAP") 7 "Reporting Framework for Unit Trusts" which became effective from this financial year.

The adoption of the new/revised accounting policies has not resulted in any substantial changes to SPH REIT's accounting policies nor any significant impact on these financial statement.

6. **Earnings per unit ("EPU") and Distribution per unit ("DPU")**

	4Q 2017	4Q 2016	FY 2017	FY 2016
<u>Earnings per unit</u>				
Weighted average number of units ¹	2,562,665,513	2,546,748,639	2,557,160,042	2,540,165,169
Total return for the period after tax (S\$'000)	62,030	37,865	157,156	127,574
EPU ² (basic and diluted) (cents)	2.42	1.49	6.14	5.02
EPU (cents), excluding fair value change and write down of intangible asset	1.23	1.19	4.95	4.72
<u>Distribution per unit</u>				
Total number of units in issue at end of period	2,556,106,012	2,546,703,310	2,556,106,012	2,546,703,310
Distribution to Unitholders ³ (S\$'000)	36,297	35,909	141,228	139,711
DPU ⁴ (cents)	1.42	1.41	5.53	5.50

For The Year Ended 31 August 2017

6. Earnings per unit (“EPU”) and Distribution per unit (“DPU”) (Cont’d)

Notes:

1. The weighted average number of units was based on the number of units in issue and issuable units to the Manager.
2. Included the effects of fair value change on investment properties and write down of intangible asset for the respective periods/year.
3. As shown in 1(a)(ii) Distribution Statement.
4. The DPU was computed based on the number of units entitled to distribution.

7. Net Asset Value (“NAV”) per unit and Net Tangible Asset (“NTA”) per unit

	As at 31 Aug 17	As at 31 Aug 16
NAV per unit ¹ (S\$)	0.95	0.94
NTA per unit ¹ (S\$)	0.95	0.94

Note:

1. The NAV per unit and NTA per unit were computed based on the number of units in issue as at balance sheet date.

8. Review of Performance

Review of Results for the Fourth Quarter ended 31 August 2017 (“4Q 2017”) compared with the Fourth Quarter ended 31 August 2016 (“4Q 2016”)

Gross revenue for 4Q 2017 grew by S\$0.7 million (1.3%) to S\$52.9 million, on the back of higher rental income achieved from Paragon and The Clementi Mall.

Property operating expenses of S\$11.1 million was S\$0.9 million (7.6%) lower than 4Q 2016, mainly due to proactive management of utility contract, lower property tax and maintenance expenses.

Consequently, net property income (“NPI”) of S\$41.8 million for 4Q 2017 was S\$1.6 million (3.9%) above 4Q 2016.

Net income for 4Q 2017 decreased by S\$3.1 million (10.1%) to S\$27.1 million against the same quarter last year. In view of the better than expected net property income at The Clementi Mall, a lower amount of drawdown on the income support is expected. Accordingly, the intangible asset is written down. The write down amount of S\$4.3 million, was partially cushioned by higher NPI. This write down amount has no impact on income available for distribution.

Review of Results for the Full year ended 31 August 2017 (“FY2017”) compared with the Full year ended 31 August 2016 (“FY2016”)

Gross revenue for FY2017 was up S\$3.2 million (1.5%) to S\$212.8 million, in-line with the moderate portfolio average rental reversion of 1.2% for new and renewed leases in FY2017.

8. Review of Performance (Cont'd)

Property operating expenses was S\$44.7 million, S\$4.0 million (8.2%) lower against FY2016 mainly from savings in utilities, lower maintenance and property tax. An additional one-off provision for prior years' property tax of S\$0.8 million was included in FY 2016.

Consequently, NPI of S\$168.1 million for FY2017, was S\$7.2 million (4.5%) higher than last year. Both Paragon and The Clementi Mall performed better than the previous year, by S\$6.0 million (4.5%) and S\$1.2 million (4.1%) respectively. NPI margin of 79.0% was achieved, better than FY2016 of 76.8%.

Net income increased by S\$2.4 million (2.0%) to S\$122.3 million for FY2017 against last year. This was mainly attributable to the higher NPI, partially offset by the write down of intangible asset. The average cost of debt was maintained at 2.82% p.a. for FY2017.

After taking into account the fair value change of S\$34.9 million, total return for FY2017 was S\$157.2 million. As at 31 August 2017, the portfolio was valued at S\$3.278 billion by Jones Lang LaSalle Property Consultants Pte Ltd ("JLL"). The revaluation change represented an increase of 1.5% from the valuation of S\$3.230 billion as at 31 August 2016.

Income available for distribution of S\$141.2 million for FY2017 was S\$0.1 million (0.1%) higher compared to FY2016 mainly due to the increase in Paragon's NPI.

9. Variance from Prospect Statement

No forecast was made previously.

10. A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

According to the Ministry of Trade and Industry (MTI), the Singapore economy grew by 2.9% year-on-year (y-o-y) in the second quarter of 2017, faster than the 2.5% growth in the previous quarter. While global economy has remained stable in recent months and global economic recovery is expected to continue on a firm footing for the rest of the year, uncertainties and downside risks remain. Barring unexpected outcomes for the rest of the year, MTI has revised the economic growth forecast for 2017 to "2.0% to 3.0%", and expected growth for the full year to likely to come in at around 2.5%.

Based on figures released by the Singapore Department of Statistics (DOS), the retail sales index (excluding motor vehicles) grew by 3.2% y-o-y in Q2 2017, reversing the decline in Q1 2017 (0.4%) and Q4 2016 (1.6%). The retail environment remains muted with mixed performance across trade segments. Trade segments with increase in sales in Q2 2017 included watches & jewellery (13.8%) and departmental stores (4.9%) while decline was registered in wearing apparel & footwear (0.1%) and food retailers (5.4%).

According to the Singapore Tourism Board (STB), the international visitor arrivals (IVA) recorded a 4.5% y-o-y growth in the first half year of 2017. Tourism receipts grew by 15.0% to S\$6.4 billion in Q1 2017.

10. **A commentary at the date of announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months (Cont'd)**

SPH REIT has a portfolio of two high quality and well-positioned retail properties in prime locations. Paragon had remained resilient and turned in a steady performance through previous economic cycles. The Clementi Mall had completed its second renewal cycle during the year. Both malls maintained its track record of 100% committed occupancy. The Manager will continue to proactively manage the properties to deliver sustainable returns while seeking new opportunities to create value for unitholders.

11. **Distribution**

(a) **Current Financial Period**

Any distribution recommended for the current financial period reported on? Yes.

Name of distribution:	Distribution for the period from 1 June 2017 to 31 August 2017
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.42 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

11. **Distribution**

(b) Corresponding Period of the Immediately Preceding Financial Year

Any distribution declared for the corresponding period of the immediately preceding financial year?

Name of distribution:	Distribution for the period from 1 June 2016 to 31 August 2016
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.41 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

(c) Date payable

The date the distribution is payable: Thursday, 16 November 2017.

(d) Record date

The Transfer Books and Register of Unitholders of SPH REIT will be closed at 5.00pm on 17 October 2017 for purposes of determining each Unitholder's entitlement to SPH REIT distribution.

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12. If no distribution has been declared (recommended), a statement to that effect

Not applicable.

13. Segment Results

	4Q 2017	4Q 2016	Change	FY 2017	FY 2016	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
<u>Gross Revenue</u>						
Paragon	42,653	42,222	1.0	173,077	170,292	1.6
The Clementi Mall	10,197	9,955	2.4	39,679	39,302	1.0
Total	52,850	52,177	1.3	212,756	209,594	1.5
<u>Net Property Income</u>						
Paragon	33,905	32,973	2.8	138,273	132,276	4.5
The Clementi Mall	7,854	7,202	9.0	29,815	28,635	4.1
Total	41,759	40,175	3.9	168,088	160,911	4.5

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8 on page 11 and 12.

15. Breakdown of Gross revenue and Net Income

	FY2017	FY2016	Change
	S\$'000	S\$'000	%
<u>1 September to 28 February</u> (First half year)			
Gross revenue	106,588	105,185	1.3
Net income	63,523	60,077	5.7
<u>1 March to 31 August</u> (Second half year)			
Gross revenue	106,168	104,409	1.7
Net income	58,729	59,812	(1.8)

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16. Breakdown of Total Distributions

	FY2017	FY2016
	S\$'000	S\$'000
1 September 2015 to 30 November 2015	-	33,696
1 December 2015 to 29 February 2016	-	35,531
1 March 2016 to 31 May 2016	-	34,575
1 June 2016 to 31 August 2016	-	35,909
1 September 2016 to 30 November 2016	34,182	-
1 December 2016 to 29 February 2017	35,743	-
1 March 2017 to 31 May 2017	35,006	-
1 June 2017 to 31 August 2017 ¹	36,297	-
	141,228	139,711

Notes:

1. Please refer to paragraph 11(a) on page 13.

17. If the group has obtained a general mandate from shareholders for Interested Person Transactions, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

SPH REIT has not obtained a general mandate from unitholders for Interested Person Transactions.

18. Confirmation By the Manager Pursuant to Rule 720(1) of the SGX Listing Manual.

The Manager confirms that it has procured undertakings from all its Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the SGX Listing Manual.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, SPH REIT Management Pte. Ltd. (the "Company"), as manager of SPH REIT, confirms that there is no person occupying a managerial position in the Company who is related to a director, chief executive officer, substantial shareholder of the Company or substantial unitholder of SPH REIT.

For The Year Ended 31 August 2017

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of SPH REIT Management Pte. Ltd. (as the manager of SPH REIT) on future events.

BY ORDER OF THE BOARD

Lim Wai Pun
Khor Siew Kim

Company Secretaries

Singapore,
9 October 2017



KPMG LLP
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Telephone +65 6213 3388
Fax +65 6225 0984
Internet www.kpmg.com.sg

Independent auditors' report

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

Report on the financial statements

Opinion

We have audited the accompanying financial statements of SPH REIT (the "Trust"), which comprise the Statement of Financial Position and Portfolio Statement of the Trust as at 31 August 2017, the Statement of Total Return, Distribution Statement, Statement of Changes in Unitholders' Funds and the Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS37.

In our opinion, the financial statements of the Trust present fairly, in all material respects, the financial position and portfolio holdings of the Trust as at 31 August 2017 and the total return, distributable income and changes in Unitholders' funds of the Trust and cash flows 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* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

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

Key audit matters

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



Valuation of investment properties

(Refer to Note 5 and 22(f) to the financial statements)

Risk:

The Trust owns two investment properties, The Paragon and The Clementi Mall located in Singapore. Investment properties represent the single largest category of assets on the balance sheet, at \$3.3 billion as at 31 August 2017.

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

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving at the capitalisation and discount rate i.e. a small change in the assumptions can have a significant impact to the valuation.

Our response:

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

We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the capitalisation and discount rates used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

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

Our findings:

The valuer is a member of generally-recognised professional bodies for valuers and have confirmed their own independence in carrying out their work.

The approach to the methodologies and in deriving the assumptions in the valuations is supported by generally accepted market practices and market data. The disclosures in the financial statements are appropriate.



Other information

SPH REIT Management Pte Ltd, the Manager of the Trust (“the Manager”) is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors’ report thereon. We have obtained all other information prior to the date of this auditors’ report.

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

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

Responsibilities of the Manager for the financial statements

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

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

The Manager’s responsibilities include overseeing the Trust’s financial reporting process.

Auditors’ responsibilities for the audit of the financial statements

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



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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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



From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lee Sze Yeng.

A handwritten signature in blue ink, appearing to read 'Lee Sze Yeng'.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

9 October 2017