



ELITE COMMERCIAL REIT

(a real estate investment trust constituted on 7 June 2018  
under the laws of the Republic of Singapore)

## ELITE COMMERCIAL REIT

### Unaudited Financial Statements Announcement

For the financial period from 6 February 2020 (Listing Date) to 31 December 2020

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Oversea-Chinese Banking Corporation Limited and UBS AG, Singapore Branch are the Joint Issue Managers for the Offering. Oversea-Chinese Banking Corporation Limited, UBS AG, Singapore Branch, CGS-CIMB Securities (Singapore) Pte. Ltd. and China International Capital Corporation (Singapore) Pte. Limited are the Joint Bookrunners and Underwriters for the Offering.



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## **Introduction**

Elite Commercial REIT is constituted by the Trust Deed on 7 June 2018. Elite Commercial REIT and its subsidiaries (collectively the “Group”) is a Singapore real estate investment trust established with the investment strategy of principally investing, directly or indirectly, in commercial assets and real estate-related assets in the United Kingdom (“UK”).

Elite Commercial REIT Management Pte. Ltd. is the manager of Elite Commercial REIT (the “Manager”) and Perpetual (Asia) Limited is the trustee of Elite Commercial REIT (the “Trustee”).

The REIT commenced trading on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 6 February 2020 (“Listing Date”).

As at the Listing Date, the Group’s portfolio comprise 97 quality commercial buildings (the “Initial Portfolio”) located across the UK with over 99.0% of the Group’s revenue derived from the current leases with the UK Government via The Secretary of State for Housing, Communities and Local Government (with the Department for Work and Pensions (“DWP”) occupying each Property under a group sharing arrangement). DWP is responsible for welfare, pensions and child maintenance policy. As the UK Government’s biggest public service department, it administers the State Pension and a range of working age, disability and ill health benefits for approximately 20 million claimants.

## **Financial statements presentation**

Actual financial results from 6 February 2020 (“Listing Date”) to 31 December 2020 is the first reporting period incorporating the results of the Initial Portfolio held directly by Elite Commercial REIT. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.

## **Distribution policy**

Elite Commercial REIT’s distribution policy is to distribute 100% of Elite Commercial REIT’s annual distributable income for the period from the Listing Date to 31 December 2020 and the year ending 31 December 2021. Thereafter, Elite Commercial REIT will distribute at least 90% of its annual distributable income for each financial year. The actual level of distribution will be determined at the Manager’s discretion and may be greater than 90% of its annual distributable income for each financial year, having regard to Elite Commercial REIT’s funding requirements, other capital management considerations and the overall stability of distributions.



**SUMMARY OF ELITE COMMERCIAL REIT'S UNAUDITED CONSOLIDATED RESULTS  
FOR THE FINANCIAL PERIOD FROM 6 FEBRUARY 2020 ("LISTING DATE") TO 31 DECEMBER 2020**

	GROUP					
	2H2020			06-Feb-20 to 31-Dec-20		
	Actual <sup>(a)</sup> £'000	Forecast <sup>(b)</sup> £'000	Fav / (Unfav) %	Actual <sup>(a)</sup> £'000	Forecast <sup>(b)</sup> £'000	Fav / (Unfav) %
Revenue	11,647	11,701	(0.5)	20,963	20,985	(0.1)
Profit before tax <sup>(c)</sup>	24,196	8,292	191.8	29,099	13,019	123.5
Profit after tax <sup>(c)</sup>	19,497	6,899	182.6	23,358	10,521	122.0
Income available for distribution to Unitholders	8,340	8,105	2.9	14,841	14,536	2.1
Distribution per unit ("DPU") - pence	2.49	2.42	2.9	4.44	4.34	2.3

**Notes:**

- (a) Unaudited consolidated financial results for 2H 2020 and from Listing Date to 31 December 2020 are the first reporting periods incorporating the results of the Initial Portfolio held by Elite Commercial REIT. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.
- (b) Other than unit issue costs which were charged to the statement of comprehensive income, the forecast results for the period from the Listing Date to 31 December 2020 was derived by pro-rating the forecast results as disclosed in the Prospectus.
- (c) Actual profit before tax includes fair value gains on investment properties of £15.9 million while the profit after tax includes the net fair value gains on investment properties of £12.3 million.



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**1(a)(i) Consolidated Statement of Comprehensive Income and Distribution Statement**

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	Group <sup>(1)</sup>	
		2H2020 £'000	06-Feb-20 to 31-Dec-20 £'000
Revenue	(a)	11,647	20,963
Property operating expenses	(b)	(327)	(588)
<b>Net property income</b>		<b>11,320</b>	<b>20,375</b>
Manager's management fee	(c)	(832)	(1,484)
Trustee's fee	(d)	(52)	(93)
Other operating expenses	(e)	(816)	(3,233)
Finance costs	(f)	(1,312)	(2,354)
Change in fair value of investment properties	(g)	15,888	15,888
<b>Profit before tax</b>		<b>24,196</b>	<b>29,099</b>
Tax expense	(h)	(4,699)	(5,741)
<b>Profit after tax for the period</b>		<b>19,497</b>	<b>23,358</b>
<b>DISTRIBUTION STATEMENT</b>			
<b>Profit after tax for the period</b>		<b>19,497</b>	<b>23,358</b>
Distribution adjustments	(i)	(11,157)	(8,517)
<b>Income available for distribution to Unitholders</b>		<b>8,340</b>	<b>14,841</b>
<b>Distribution per unit ("DPU") (pence)</b>		<b>2.49</b>	<b>4.44</b>

(1) Unaudited consolidated financial results for 2H 2020 and from the Listing Date to 31 December 2020 are the first reporting periods incorporating the results of the Initial Portfolio held by Elite Commercial REIT. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.



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**Notes:**

(a) Revenue comprises contracted rental income from leasing of the office spaces of the Initial Portfolio. Over 99.0% of the rental income is derived from the current leases with the UK Government via The Secretary of State for Housing, Communities and Local Government (with the Department for Work and Pensions (“DWP”) occupying each property under a group sharing arrangement). The balance rental income is from a small number of retail tenants in two of the 97 properties.

(b) Property operating expenses comprise lease management fee, property management fee and property insurance expenses incurred by the Group.

The lease management fee is payable to the Manager and is based on 1.0% per annum of revenue of each property. The Manager has elected to receive 100% of the lease management fee in the form of Units for the period from the Listing Date to 31 December 2020.

The property management fee is the fee payable to the Property Manager, being Jones Lang LaSalle Limited.

(c) Manager’s management fee relates to the base fee which is calculated based on 10% of the income available for distribution. The Manager has elected to receive 100% of the base fee in the form of Units for the period from the Listing Date to 31 December 2020.

(d) The Trustee’s fee shall not exceed 0.015% per annum of the value of the Deposited Property, subject to a minimum of S\$15,000 per month, excluding out-of-pocket expenses and Goods and Services tax.

(e) Included in other operating expenses are trust expenses and certain IPO transaction costs amounting to £1.7 million which were expensed to the statement of comprehensive income.

(f) Finance costs consist of interest expense on borrowings and amortisation of debt-related upfront fee and transaction costs.

(g) Change in fair value of investment properties is based on the independent valuations of the investment properties as at 31 December 2020.

(h) Tax expense consists of current tax expense and deferred tax expense which is based on the prevailing UK corporate tax rate of 19%.

(i) Included in the distribution adjustments are the following:

	<b>Group</b>	
	<b>2H2020</b> <b>£'000</b>	<b>06-Feb-20 to 31-Dec-20</b> <b>£'000</b>
Management fee paid / payable in units	832	1,484
Lease management fee paid / payable in units	117	210
Trustee’s fee	52	93
Amortisation of debt-related upfront fee and transaction costs	165	298
IPO transaction costs expensed in statement of comprehensive income	-	1,721
Deferred tax expense	3,570	3,570
Change in fair value of investment properties	(15,888)	(15,888)
Unrealised foreign exchange difference	(5)	(5)
<b>Distribution adjustments</b>	<b>(11,157)</b>	<b>(8,517)</b>

1(b)(i) Statement of Financial Position

STATEMENT OF FINANCIAL POSITION	Note	Group 31-Dec-2020 £'000	Trust 31-Dec-2020 £'000
<b>Non-current assets</b>			
Investment properties	(a)	311,855	-
Investments in subsidiaries		-	90,852
Loan to subsidiary		-	111,751
		311,855	202,603
<b>Current assets</b>			
Trade and other receivables		881	3,190
Cash and cash equivalents		20,153	4,660
		21,034	7,850
<b>Total assets</b>		332,889	210,453
<b>Non-current liabilities</b>			
Long term borrowings		101,906	-
Deferred tax liabilities		5,920	-
		107,826	-
<b>Current liabilities</b>			
Trade and other payables		2,541	1,178
Deferred income	(b)	5,364	-
		7,905	1,178
<b>Total liabilities</b>		115,731	1,178
<b>Net assets</b>		217,158	209,275
<b>Represented by:</b>			
Units in issue and to be issued		208,689	208,689
Unit issue costs		(5,903)	(5,903)
Retained earnings		14,372	6,489
<b>Unitholders' funds</b>		217,158	209,275
Net asset value per unit (£)		0.65	0.62
Leverage ratio		31.0%	n.m.
Interest coverage ratio (times)	(c)	7.7	n.m.

n.m. - not meaningful



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- (a) Investment properties are stated at fair values based on the valuations as at 31 December 2020 prepared by Colliers International Valuation UK LLP.
- (b) Deferred income refers to 3-months of rent received in advance for the period from January 2021 to March 2021.
- (d) The interest coverage ratio is calculated by dividing the earnings before interests, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties and foreign exchange translation) ("EBITDA"), and before the one-time IPO transaction costs expensed in statement of comprehensive income, by the interest expense and borrowing related fees.

Including the one-time IPO transaction costs, the interest coverage ratio calculated by dividing EBITDA by the interest expense and borrowings related fees is 6.9 times.

**1(b)(ii) Aggregate Amount of the Group's Borrowings and Debt Securities**

	<b>Group 31-Dec-2020 £'000</b>
<b>AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES</b>	
<b>Secured borrowings</b>	
Amount repayable after one year	103,200
Less: Unamortised portion of upfront fees and transaction costs	(1,294)
	<b>101,906</b>

**Details of borrowings and collaterals**

As at 31 Dec 2020, Elite Commercial REIT, through its wholly-owned subsidiary, has in place £140.0 million of loan facilities, of which £103.2 million is drawn. The lending bank has security over the shares of Elite Gemstones Properties Limited. However, the underlying properties are unencumbered.

50% of the drawn loan is a fixed rate loan, bearing an interest rate of 2.275% per annum. The remaining 50% of the drawn loan is a floating rate loan bearing an interest rate of a margin above the 3-month GBP LIBOR.



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1(c) Consolidated Statement of Cash Flows

CONSOLIDATED STATEMENT OF CASH FLOWS	Group <sup>(1)</sup>	
	2H2020 £'000	06-Feb-20 to 31-Dec-20 £'000
<b>Cash flows from operating activities</b>		
Profit before tax	24,196	29,099
<b>Adjustments for:</b>		
Finance costs	1,312	2,354
Management fee paid / payable in units	832	1,484
Lease management fee paid / payable in units	117	210
IPO transaction costs recognised in statement of comprehensive income	-	1,721
Unrealised foreign exchange gain	(5)	(5)
Change in fair value of investment properties	(15,888)	(15,888)
<b>Operating cash flows before changes in working capital</b>	<b>10,564</b>	<b>18,975</b>
<b>Changes in working capital:</b>		
Trade and other receivables	7,253	(437)
Trade and other payables	60	494
Income taxes paid	(2,545)	(2,572)
<b>Net cash flows from operating activities</b>	<b>15,332</b>	<b>16,460</b>
<b>Cash flows from financing activities</b>		
Proceeds from issue of new units	-	130,910
Redemption of existing units	-	(18,915)
Payment of transaction costs related to the issue of units	-	(7,368)
Repayment of borrowings	-	(105,623)
Interest paid	(1,024)	(3,449)
Distribution to unitholders	(6,501)	(16,306)
Movement in restricted cash	-	5,123
<b>Net cash flows used in financing activities</b>	<b>(7,525)</b>	<b>(15,628)</b>
<b>Net increase in cash and cash equivalents</b>	<b>7,807</b>	<b>832</b>
Cash and cash equivalents at beginning of period / Listing Date	11,169	18,144
<b>Cash and cash equivalents at the end of period <sup>(2)</sup></b>	<b>18,976</b>	<b>18,976</b>

(1) Unaudited consolidated financial results from the Listing Date to 31 December 2020 are the first reporting periods incorporating the results of the Initial Portfolio held by Elite Commercial REIT. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.

(2) Cash and cash equivalents at the end of period exclude restricted cash balance of £1,177,000.





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

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS	2H2020			
	Units in issue and to be issued	Unit issue costs	Retained earnings	Total
<b>Group</b>				
At 1 July 2020	207,740	(5,903)	1,376	203,213
<b>Total comprehensive income for the period</b>				
Profit after tax and total comprehensive income for the period	-	-	19,497	19,497
<b>Total comprehensive income for the period</b>	-	-	19,497	19,497
<b>Transactions with unitholders</b>				
Units to be issued for lease management fee and manager's management fee payable in units	949	-	-	949
Distribution to Unitholders	-	-	(6,501)	(6,501)
<b>Total transactions with unitholders</b>	949	-	(6,501)	(5,552)
<b>At 31 December 2020</b>	<b>208,689</b>	<b>(5,903)</b>	<b>14,372</b>	<b>217,158</b>
<b>Trust</b>				
At 1 July 2020	207,740	(5,903)	10,917	212,754
<b>Total comprehensive income for the period</b>				
Profit after tax and total comprehensive income for the period	-	-	2,073	2,073
<b>Total comprehensive income for the period</b>	-	-	2,073	2,073
<b>Transactions with unitholders</b>				
Units to be issued for lease management fee and manager's management fee payable in units	949	-	-	949
Distribution to Unitholders	-	-	(6,501)	(6,501)
<b>Total transactions with unitholders</b>	949	-	(6,501)	(5,552)
<b>At 31 December 2020</b>	<b>208,689</b>	<b>(5,903)</b>	<b>6,489</b>	<b>209,275</b>



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

STATEMENT OF MOVEMENT IN UNITHOLDERS' FUNDS	06-Feb-20 to 31-Dec-20			
	Units in issue and to be issued	Unit issue costs	Retained earnings	Total
<b>Group</b>				
As at 6 February 2020 ("Listing Date")	76,085	(256)	(2,485)	73,344
<b><u>Total comprehensive income for the period</u></b>				
Profit after tax and total comprehensive income for the period	-	-	23,358	23,358
<b>Total comprehensive income for the period</b>	-	-	23,358	23,358
<b><u>Transactions with unitholders</u></b>				
Issuance of units on Listing Date	130,910	-	-	130,910
Issue costs	-	(5,647)	-	(5,647)
Units to be issued for lease management fee and manager's management fee paid / payable in units	1,694	-	-	1,694
Distribution to Unitholders	-	-	(6,501)	(6,501)
<b>Total transactions with unitholders</b>	132,604	(5,647)	(6,501)	120,456
<b>At 31 December 2020</b>	<b>208,689</b>	<b>(5,903)</b>	<b>14,372</b>	<b>217,158</b>
<b>Trust</b>				
As at 6 February 2020 ("Listing Date")	76,085	(256)	6,580	82,409
<b><u>Total comprehensive income for the period</u></b>				
Profit after tax and total comprehensive income for the period	-	-	6,410	6,410
<b>Total comprehensive income for the period</b>	-	-	6,410	6,410
<b><u>Transactions with unitholders</u></b>				
Issuance of units on Listing Date	130,910	-	-	130,910
Issue costs	-	(5,647)	-	(5,647)
Units to be issued for lease management fee and manager's management fee paid / payable in units	1,694	-	-	1,694
Distribution to Unitholders	-	-	(6,501)	(6,501)
<b>Total transactions with unitholders</b>	132,604	(5,647)	(6,501)	120,456
<b>At 31 December 2020</b>	<b>208,689</b>	<b>(5,903)</b>	<b>6,489</b>	<b>209,275</b>



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**1(d)(ii) Details of changes in Units**

DETAILS OF CHANGES IN UNITS	Group & Trust	
	2H2020 Units	06-Feb-20 to 31-Dec-20 Units
<b><u>Units in issue</u></b>		
At beginning of the period / 6 February 2020	333,379,707	139,705,895
Issuance of units on Listing Date	-	192,514,100
Issuance of units - Manager's management fees	660,478	1,675,112
Issuance of units - Lease management fees	93,561	238,639
	334,133,746	334,133,746
<b><u>Units to be issued</u></b>		
Manager's management fee payable in units	636,385	636,385
Lease management fee payable in units	87,893	87,893
	724,278	724,278
<b>Total units in issue and issuable at the end of the period</b>	<b>334,858,024</b>	<b>334,858,024</b>

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

Elite Commercial REIT did not hold any treasury units as at 31 December 2020. Total number of issued units in Elite Commercial REIT are as disclosed in section 1(d)(ii).

**1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury units 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 have not been audited or reviewed by the auditors.

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

Not applicable.

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

The accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those stated in the Prospectus dated 28 January 2020.

**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.**

Not applicable.



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## 6. Earnings Per Unit (“EPU”) and Distribution Per Unit (“DPU”) of the Group

EARNINGS PER UNIT & DISTRIBUTION PER UNIT	Group <sup>(1)</sup>	
	2H2020	06-Feb-20 to 31-Dec-20
<b>EPU (basic and diluted)</b>		
Total profit after tax before distribution for the period (£'000)	19,497	23,358
<b>Basic EPU <sup>(2)</sup></b>		
Weighted average number of units as at end of period ('000)	333,765	333,221
<b>Basic EPU (pence)</b>	<b>5.84</b>	<b>7.01</b>
<b>Diluted EPU <sup>(3)</sup></b>		
Weighted average number of units as at end of period ('000)	334,858	334,858
<b>Diluted EPU (pence)</b>	<b>5.82</b>	<b>6.98</b>
<b>DPU</b>		
Income available for distribution for the period (£'000)	8,340	14,841
<b>DPU (pence) <sup>(4)</sup></b>	<b>2.49</b>	<b>4.44</b>

- (1) Unaudited consolidated financial results for 2H 2020 and from the Listing Date to 31 December 2020 are the first reporting periods incorporating the results of the Initial Portfolio held by Elite Commercial REIT. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.
- (2) Basic EPU has been calculated by dividing total profit after tax against weighted average number of units as at the end of period.
- (3) Diluted EPU has been calculated by dividing total profit after tax against weighted average number of units as at the end of period, adjusted on the basis that the lease management fee units and manager’s management fee units were issued at the beginning of the period.
- (4) DPU is computed based on number of units in issue entitled to distributions as at the end of the respective periods. DPU of 1.95 pence for 1H 2020 has been declared and paid.



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**7. Net Asset Value (“NAV”) / Net Tangible Asset (“NTA”) Per Unit**

<b>NET ASSET VALUE / NET TANGIBLE ASSET PER UNIT</b>	<b>Group 31-Dec-20</b>	<b>Trust 31-Dec-20</b>
<b>NAV / NTA per unit (£)</b> (based on issued and issuable units at the end of the period)	<b>0.65</b>	<b>0.62</b>

**8. Review of performance of the group**

Please refer to Section 9 for a review of the actual results for the 2H period and from Listing Date to 31 December 2020 against the forecast as disclosed in the Prospectus dated 28 January 2020.



9. Variance between Actual Results and Forecast Statement

VARIANCE FROM FORECAST STATEMENT	GROUP					
	2H2020			06-Feb-20 to 31-Dec-20		
	Actual £'000	Forecast £'000	Fav / (Unfav) %	Actual <sup>(a)</sup> £'000	Forecast £'000	Fav / (Unfav) %
Revenue	11,647	11,701	(0.5)	20,963	20,985	(0.1)
Property operating expenses	(327)	(312)	(4.8)	(588)	(559)	(5.2)
<b>Net property income</b>	<b>11,320</b>	<b>11,389</b>	<b>(0.6)</b>	<b>20,375</b>	<b>20,426</b>	<b>(0.2)</b>
Manager's management fee	(832)	(811)	(2.6)	(1,484)	(1,454)	(2.1)
Trustee's fee	(52)	(51)	(2.0)	(93)	(92)	(1.1)
Other operating expenses	(816)	(819)	(0.4)	(3,233)	(3,321)	2.6
Finance costs	(1,312)	(1,416)	7.3	(2,354)	(2,540)	7.3
Fair value gain on investment properties	15,888	-	n.m.	15,888	-	n.m.
<b>Profit before tax</b>	<b>24,196</b>	<b>8,292</b>	<b>191.8</b>	<b>29,099</b>	<b>13,019</b>	<b>123.5</b>
Tax expense	(4,699)	(1,393)	(237.3)	(5,741)	(2,498)	(129.8)
<b>Profit after tax</b>	<b>19,497</b>	<b>6,899</b>	<b>182.6</b>	<b>23,358</b>	<b>10,521</b>	<b>122.0</b>
Distribution adjustments	(11,157)	1,206	n.m.	(8,517)	4,015	n.m.
<b>Income available for distribution to Unitholders</b>	<b>8,340</b>	<b>8,105</b>	<b>2.9</b>	<b>14,841</b>	<b>14,536</b>	<b>2.1</b>
DPU - pence	2.49	2.42	2.9	4.44	4.34	2.3

n.m. - not meaningful

Notes:

- (a) Unaudited consolidated financial results for 2H 2020 and from the Listing Date to 31 December 2020 are the first reporting periods incorporating the results of the Initial Portfolio held by Elite Commercial REIT. Although Elite Commercial REIT was constituted on 7 June 2018, the initial public offering was completed on 6 February 2020 which was the official listing date of Elite Commercial REIT.



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### **Review of performance (actual vs forecast) – 2H 2020**

Income available for distribution to Unitholders amounting to £8.3 million, higher than forecast by 2.9%.

Actual revenue amounting to £11.6 million was lower than forecast by 0.5%. Consequently, the actual net property income was lower than forecast by 0.6%.

Manager's management fee were higher by 2.6% when compared to forecast, because of a higher than forecasted income available for distribution to Unitholders by 2.9%. Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).

Trustee's fee and other operating expenses were largely in line with forecast.

Finance costs were 7.3% lower than forecast largely due to the decline in the benchmark rate of 3-month GBP Libor, resulting in cost savings as compared to the forecast presented in the Prospectus.

Tax expense was higher than forecast by 237.3% mainly due to the deferred tax arising from the change in fair value of investment properties as at end of the period. The deferred tax was included in the distribution adjustments and hence has no effect on the income available for distribution to Unitholders.

Overall profit after tax was higher by 182.6% compared to forecast as a result of fair value gain on investment properties amounting to £15.9 million and after netting out corresponding deferred taxes on the fair value gain.

### **Review of performance (actual vs forecast) – 06 Feb 2020 to 31 Dec 2020**

Income available for distribution to Unitholders amounting to £14.8 million, higher than forecast by 2.1%.

Actual revenue and actual net property income amounting to £21.0 million and £20.4 million respectively were in line with forecast.

Manager's management fee were higher by 2.1% when compared to forecast, because of a higher than forecasted income available for distribution to Unitholders by 2.1%. Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).

Trustee's fee was largely in line with forecast. Other operating expenses were 2.6% lower than forecast.

Finance costs were 7.3% lower than forecast largely due to the decline in the benchmark rate of 3-month GBP Libor, resulting in cost savings as compared to the forecast presented in the Prospectus.

Tax expense was higher than forecast by 129.8% mainly due to the deferred tax arising from the change in fair value of investment properties as at end of the period. The deferred tax was included in the distribution adjustments and hence has no effect on the income available for distribution to Unitholders.

Overall profit after tax was higher by 122.0% compared to forecast as a result of fair value gain on investment properties amounting to £15.9 million and after netting out corresponding deferred taxes on the fair value gain.



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**10. Commentary on 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**

**Update on the Group's Operations in relation to the COVID-19 and Brexit situation**

While the UK navigates a post-Brexit economy in 2021, the nation faced considerable headwinds in 2020 as the country battled Covid-19 and underwent two lockdowns – in March and October – in addition to pressures faced by the UK Government to strike a Brexit deal with the European Union (EU) by 31 December 2020. On 4 January 2021, in response to combat a new variant of COVID-19, the UK Government announced its third and latest lockdown with tougher restrictions<sup>1</sup> with the closure of schools and all non-essential businesses and services.

The DWP, the primary and uniquely counter-cyclical occupier of the assets held by the Group, has committed to increase the number of work coaches it employs to 27,000 by March 2021<sup>2</sup>. Work coaches provide assistance to people trying to get back into the workforce. The DWP has reiterated that it will continue to keep its Jobcentres open despite the latest lockdown, to help those who need extra support and are unable to interact via phone or digital means<sup>3</sup>. At the same time, the government has extended the Coronavirus Job Retention Scheme ("CJRS", also known as furlough scheme) until the end of April 2021<sup>4</sup>. Against the current macroeconomic backdrop, our assets via DWP continue to be a crucial social infrastructure that serves the UK society.

As of 31 December 2020, the portfolio is 100% occupied. In terms of rent collection, the Group received in advance 99.6% of the 3-months of rent for the period spanning across the months of January 2021 to March 2021, within 7 days of the due date. The Group expects to provide a stable income to investors as over 99.0% of rental income is derived from full repairing and insuring (triple net) leases from the UK Government. Rated AA and Aa2 by S&P and Moody's respectively, the UK Government has one of the lowest debt-to-GDP ratios amongst the G7 countries. On top of that, the COVID-19 situation does not trigger force majeure or termination clauses of the Group's leases with the UK Government.

In October 2020, the Group announced its plan to acquire 58 UK commercial properties for £212.5 million, the Group's maiden acquisition since IPO. The acquisition is expected to be DPU accretive, the enlarged portfolio will boost the REIT's size by 67% and will increase the number of properties from 97 to 155. The Group's primary intention is to finance the proposed acquisition with (i) the issue of Consideration Units, (ii) net proceeds from an equity fund raising, and/or (iii) external bank borrowings (refer to the Circular dated 28 December 2020 for more information). An Extraordinary General Meeting in relation to the proposed acquisition has been held on 25 January 2021 and received 99.99% approval from Unitholders.

The Group remains well capitalised, with adequate working capital and debt headroom to meet its ongoing obligations. The Manager will continue to monitor the COVID-19 situation closely and will announce any material developments regarding the Group's operations in a timely manner, in compliance with Rule 703 of the Listing Manual.

**Macro Environment**

Rising COVID-19 infections and lockdown controls are expected to weigh on the UK economy at the beginning of 2021 as the government ramps up its vaccination programme. GDP is expected to contract by 1.5% in Q1 according to a Goldman Sachs report. The Office for Budget Responsibility (OBR) remarked that UK's GDP will be as much as 4% lower in the long term, following UK's "hard Brexit", and this view is shared by Bank of England's Governor, Andrew Bailey. However, the bank is ready to support the economy by maintaining low-borrowing costs for longer if conditions deteriorate rapidly.

Unemployment is expected to increase in 2021 once the furlough scheme ends in April. OBR estimates that jobless rate will peak at about 7.5% in the middle of 2021 – representing 2.6 million people out of work – up from about 4% before the pandemic struck. As at November 2020, there were approximately 2.7 million unemployment claims<sup>5</sup> and approximately 2.4 million people on the government's furlough scheme as at 30 September 2020<sup>5</sup>.

<sup>1</sup> "National lockdown: Stay at Home", Gov.UK, 4 January 2021

<sup>2</sup> "Thousands of new Work Coach vacancies open across the UK", Gov.UK, 10 September 2020

<sup>3</sup> "Jobcentre guidance on new national COVID restrictions", Gov.UK, 6 January 2021

<sup>4</sup> "Summary of existing support", Gov.UK, 8 January 2021

<sup>5</sup> "Coronavirus Job Retention Scheme statistics: November 2020", Gov.UK, 25 November 2020





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Outlook for the UK economy in 2021 remains muted as economists are of the opinion that UK GDP would not regain its previous level until the second half of 2022, or later. In response, the UK government has extended a range of economic support for businesses and unemployment recovery, including UK wide support for jobs through CJRS and Self-Employed income Support Scheme till April 2021, and various loan schemes for businesses as well as tax holidays<sup>6</sup>.

Globally, according to the Organisation of Economic Cooperation and Development (OECD), global GDP could rise to pre-pandemic levels by the end of this year, but recovery will not be equal across all countries.

<sup>6</sup> Summary of existing support", Gov.UK, 8 January 2021



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**11. Distribution**

**11(a) Current financial period**

Any distribution declared for the current period? Yes.

Name of distribution: Final distribution for the period from 1 July 2020 to 31 December 2020

Distribution type: Capital distribution

Distribution rate: 2.49 pence per unit

Tax Rate: Capital distribution

Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes. No tax will be deducted at source from the capital distribution. For Unitholders who are liable to Singapore income tax on gains arising from the disposal of Units, the amount of capital distribution will be applied to reduce the cost base of their Units for the purpose of calculating the taxable gains when the Units are subsequently disposed of.

**11(b) Corresponding period of the immediately preceding financial year**

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

Not applicable.

**11(c) Record date:** 11 February 2021

**11(d) Date Payable:** 19 March 2021

**12. If no dividend has been declared/recommended, a statement to that effect.**

Not applicable



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13. **If the Group has obtained a general mandate from Unitholders for IPTs, the aggregate value of each transaction as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.**

No general mandate had been obtained from Unitholders for Interested Person Transactions.

14. **Interested Person Transactions (“IPTs”)**

Name of Entity	Nature of Relationship	2H2020		06-Feb-20 to 31-Dec-20	
		Aggregate value of all IPTs during the financial year under review	Aggregate value of all IPTs under the IPT mandate or shareholder s’ mandate for IPTs under Rule 920 during the financial year under review	Aggregate value of all IPTs during the financial year under review	Aggregate value of all IPTs under the IPT mandate or shareholders’ mandate for IPTs under Rule 920 during the financial year under review
		£’000	£’000	£’000	£’000
<b>Elite Commercial REIT Management Pte Ltd</b>	The Manager of the REIT				
Management fee paid and payable in units		832	-	1,484	-
Lease management fee paid and payable in units		117	-	210	-
<b><u>Perpetual (Asia) Limited</u></b>	Trustee of the REIT				
Trustee fees paid and payable		52	-	93	-
Establishment fee on listing day		-	-	11	-

15. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer’s most recently audited financial statements, with comparative information for the immediately preceding year.**

No business segment information has been presented as all the properties are used predominantly for commercial purposes and are located in United Kingdom.

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

Not applicable



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**17. Breakdown of Revenue**

	<b>06-Feb-20 to 31-Dec-20 £'000</b>
(a) Gross revenue reported from 6 February 2020 to 30 June 2020	9,316
(b) Profit after tax before distribution from 6 February 2020 to 30 June 2020	3,861
(c) Gross revenue reported for second half year	11,647
(d) Profit after tax before distribution for second half year	19,497

**18. Breakdown of Total Distributions**

	<b>FY2020 £'000</b>
6 February 2020 to 30 June 2020	6,501

**19. Use of proceeds from Initial Public Offering (“IPO”)**

The following table set out the use of IPO proceed is in accordance to the intended sources and applications of the total proceeds from the IPO and the issuance of the Cornerstone Units.

<b>As at 31 Dec 2020</b>	<b>Amount allocated £'000</b>	<b>Amount utilised £'000</b>	<b>Balance <sup>(2)</sup> £'000</b>
Partial repayment of existing facility agreements/ loans <sup>(1)</sup>	101,940	101,940	-
Redemption of certain Private Trust Units	18,915	18,915	-
Transaction costs	8,305	7,368	937
Working capital	1,750	-	1,750
	<b>130,910</b>	<b>128,223</b>	<b>2,687</b>

(1) The Deutsche Bank Loan was partially repaid, and the Pierfront Loan was fully repaid by the Listing Date.

(2) The balance is mainly from lower IPO transaction costs. These savings have been reallocated for general working capital purposes.



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**20. Confirmation pursuant to Rule 720(1) of the Listing Manual**

We, on behalf of the board of directors of the Manager, confirm that the Manager has procured undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

**21. Confirmation pursuant to Rule 704(13) of the Listing Manual**

Pursuant to Rule 704(13) of the Listing Manual of Singapore Exchange Securities Trading Limited, the REIT Manager confirm that there is no person occupying managerial position in the REIT Manager who is a relative of a director, chief executive officer, substantial shareholder of the Company or substantial unitholder of Elite Commercial REIT.

Certain statements in this release constitute “forward-looking statements”. This release also contains forward-looking financial information. Such forward-looking statements and financial information involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements and financial information. Such forward-looking statements and financial information are based on numerous assumptions regarding the Manager’s present and future business strategies and the environment in which the Group will operate in the future. Because these statements and financial information reflect the current views of the Manager concerning future events, these statements and financial information necessarily involve risks, uncertainties and assumptions. Actual future performance could differ materially from these forward-looking statements and financial information. You should not place any reliance on these forward-looking statements and financial information.

**By Order of the Board**

Shaldine Wang  
Chief Executive Officer

**Elite Commercial REIT Management Pte. Ltd.**  
**(Company Registration Number: 201925309R)**  
**As Manager of Elite Commercial REIT**

1 February 2021