



ELITE COMMERCIAL REIT

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

**Unaudited Condensed Interim Consolidated Financial Statements and
Dividend Announcement for the Year Ended 31 December 2021**

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(I) Unaudited Condensed Interim Consolidated Financial Statements



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A. Condensed interim statements of financial position

	Note	Group		Trust	
		31/12/2021 £'000	31/12/2020 £'000	31/12/2021 £'000	31/12/2020 £'000
Non-current assets					
Investment properties	5	501,347	311,855	-	-
Investments in subsidiaries		-	-	78,505	90,852
Financial derivatives		508	-	-	-
Notes receivable	6	-	-	201,133	111,751
		501,855	311,855	279,638	202,603
Current assets					
Trade and other receivables	7	12,030	881	5,082	3,190
Cash and cash equivalents		19,479	20,153	4,915	4,660
		31,509	21,034	9,997	7,850
Total assets		533,364	332,889	289,635	210,453
Non-current liabilities					
Loans and borrowings	8	217,254	101,906	-	-
Lease liabilities		1,237	-	-	-
Deferred tax liabilities	9	3,799	5,920	-	-
		222,290	107,826	-	-
Current liabilities					
Loans and borrowings	8	6,600	-	-	-
Lease liabilities		7	-	-	-
Trade and other payables		5,625	2,541	616	1,178
Deferred income		8,705	5,364	-	-
Current tax liabilities		1,118	-	-	-
		22,055	7,905	616	1,178
Total liabilities		244,345	115,731	616	1,178
Net assets		289,019	217,158	289,019	209,275
Represented by:					
Units in issue and to be issued	10	304,794	208,689	304,794	208,689
Unit issue costs		(5,903)	(5,903)	(5,903)	(5,903)
(Accumulated losses) / retained earnings		(9,872)	14,372	(9,872)	6,489
Unitholders' funds		289,019	217,158	289,019	209,275
Number of Units in issue and to be issued ('000)	10	476,506	334,858	476,506	334,858
Net asset value per Unit attributable to unitholders (£)	11	0.61	0.65	0.61	0.62



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B. Condensed interim consolidated statement of comprehensive income

	Note	Group			Period from
		6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Year ended 31/12/2021 £'000	6/2/2020 (Listing Date) ⁽¹⁾ to 31/12/2020 £'000
Revenue	12	18,835	11,647	34,731	20,963
Property operating expenses		(494)	(327)	(1,004)	(588)
Net property income		18,341	11,320	33,727	20,375
Manager's management fee		(1,337)	(832)	(2,453)	(1,484)
Trustee's fee		(50)	(52)	(99)	(93)
Other trust expenses		(1,155)	(831)	(1,983)	(3,232)
Finance income		548	-	508	-
Finance costs		(2,737)	(1,312)	(4,854)	(2,354)
Net finance costs		(2,189)	(1,312)	(4,346)	(2,354)
Change in fair value of investment properties	5	(15,110)	15,887	(28,217)	15,887
(Loss)/Profit before tax	13	(1,500)	24,180	(3,371)	29,099
Tax credit/(expense)	14	2,188	(4,699)	(1,370)	(5,741)
Profit/(loss) after tax		688	19,481	(4,741)	23,358
Earnings per Unit (pence)					
Basic	15	0.15	5.84	(1.06)	7.01
Diluted	15	0.14	5.82	(1.06)	6.98

(1) Actual financial results from 6 February 2020 ("Listing Date") to 31 December 2020 is the first reporting period incorporating the results of the Group's portfolio, comprising 97 quality commercial buildings as at the Listing Date (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.

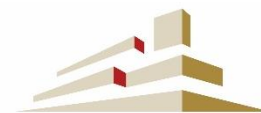


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C. Condensed interim statement of movements in unitholders' funds

Group	Units in issue and to be issued £'000	Unit issue costs £'000	Retained earnings/ (accumulated losses) £'000	Total £'000
At 1/1/2021	208,689	(5,903)	14,372	217,158
<u>Total comprehensive income for the period from 1/1/2021 to 31/12/2021</u>				
Loss for the period	-	-	(4,741)	(4,741)
Total comprehensive income for the period	-	-	(4,741)	(4,741)
<u>Transactions with unitholders, recognised directly in unitholders' funds from 1/1/2021 to 31/12/2021</u>				
Units issued and to be issued for Manager's management fee paid/payable in Units	2,453	-	-	2,453
Units issued and to be issued for lease management fee paid/payable in Units	232	-	-	232
Units issued for Manager's acquisition fee paid in Units	2,125	-	-	2,125
Units issued in satisfaction of part of the purchase consideration for subsidiaries acquired	89,382	-	-	89,382
Units issued under distribution reinvestment plan	1,913	-	-	1,913
Distribution to unitholders	-	-	(19,503)	(19,503)
Total transactions with unitholders for the period	96,105	-	(19,503)	76,602
At 31/12/2021	304,794	(5,903)	(9,872)	289,019



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C. Condensed interim statement of movements in unitholders' funds (cont'd)

Group	Units in issue and to be issued £'000	Unit issue costs £'000	(Accumulated losses)/ retained earnings £'000	Total £'000
At 6/2/2020 (Listing Date)	76,085	(256)	(2,485)	73,344
<u>Total comprehensive income for the period from 6/2/2020 (Listing Date) to 31/12/2020</u>				
Profit for the period	-	-	23,358	23,358
Total comprehensive income for the period	-	-	23,358	23,358
<u>Transactions with unitholders, recognised directly in unitholders' funds from 6/2/2020 (Listing Date) to 31/12/2020</u>				
Issuance of Units on Listing Date	130,910	-	-	130,910
Issue costs	-	(5,647)	-	(5,647)
Units issued and to be issued for Manager's management fee paid/payable in Units	1,484	-	-	1,484
Units issued and to be issued for lease management fee paid/payable in Units	210	-	-	210
Distribution to unitholders	-	-	(6,501)	(6,501)
Total transactions with unitholders for the period	132,604	(5,647)	(6,501)	120,456
At 31/12/2020	208,689	(5,903)	14,372	217,158

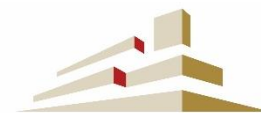


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C. Condensed interim statement of movements in unitholders' funds (cont'd)

Trust	Units in issue and to be issued £'000	Unit issue costs £'000	Retained earnings/ (accumulated losses) £'000	Total £'000
At 1/1/2021	208,689	(5,903)	6,489	209,275
<u>Total comprehensive income for the period from 1/1/2021 to 31/12/2021</u>				
Profit for the period	-	-	3,142	3,142
Total comprehensive income for the period	-	-	3,142	3,142
<u>Transactions with unitholders, recognised directly in unitholders' funds from 1/1/2021 to 31/12/2021</u>				
Units issued and to be issued for Manager's management fee paid/payable in Units	2,453	-	-	2,453
Units issued and to be issued for lease management fee paid/payable in Units	232	-	-	232
Units issued for Manager's acquisition fee paid in Units	2,125	-	-	2,125
Units issued in satisfaction of part of the purchase consideration for subsidiaries acquired	89,382	-	-	89,382
Units issued under distribution reinvestment plan	1,913	-	-	1,913
Distribution to unitholders	-	-	(19,503)	(19,503)
Total transactions with unitholders for the period	96,105	-	(19,503)	76,602
At 31/12/2021	304,794	(5,903)	(9,872)	289,019



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C. Condensed interim statement of movements in unitholders' funds (cont'd)

Trust	Units in issue and to be issued £'000	Unit issue costs £'000	Retained earnings £'000	Total £'000
At 6/2/2020 (Listing Date)	76,085	(256)	6,580	82,409
<u>Total comprehensive income for the period from 6/2/2020 (Listing Date) to 31/12/2020</u>				
Profit for the period	-	-	6,410	6,410
Total comprehensive income for the period	-	-	6,410	6,410
<u>Transactions with unitholders, recognised directly in unitholders' funds from 6/2/2020 (Listing Date) to 31/12/2020</u>				
Issuance of Units on Listing Date	130,910	-	-	130,910
Issue costs	-	(5,647)	-	(5,647)
Units issued and to be issued for Manager's management fee paid/payable in Units	1,484	-	-	1,484
Units issued and to be issued for lease management fee paid/payable in Units	210	-	-	210
Distribution to unitholders	-	-	(6,501)	(6,501)
Total transactions with unitholders for the period	132,604	(5,647)	(6,501)	120,456
At 31/12/2020	208,689	(5,903)	6,489	209,275



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D Condensed interim consolidated statement of cash flows

	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) ⁽¹⁾ to 31/12/2020 £'000
Cash flows from operating activities		
(Loss)/profit before tax	(3,371)	29,099
Adjustments for:		
Finance costs - net	4,346	2,354
Management fee paid/payable in Units	2,453	1,484
Lease management fee paid/payable in Units	232	210
Listing costs expensed in statement of comprehensive income	-	1,721
Change in fair value of investment properties	28,217	(15,887)
Unrealised foreign exchange gain	(9)	(5)
Operating income before working capital changes	<u>31,868</u>	<u>18,976</u>
Changes in:		
Trade and other receivables	(10,926)	(437)
Trade and other payables	2,060	(1,807)
Deferred income	2,608	2,300
Cash generated from operating activities	<u>25,610</u>	<u>19,032</u>
Tax paid	(2,921)	(2,572)
Net cash generated from operating activities	<u>22,689</u>	<u>16,460</u>
Cash flows from investing activities		
Acquisition of subsidiaries, net of cash acquired	(9,399)	-
Net cash used in investing activities	<u>(9,399)</u>	<u>-</u>
Cash flows from financing activities		
Proceeds from issuance of Units	-	130,910
Redemption of existing Units	-	(18,915)
Listing and unit issue costs	-	(7,368)
Interest paid	(3,571)	(3,449)
Proceeds from bank loans	30,800	-
Repayment of bank loans	(22,236)	(105,623)
Distribution to unitholders	(17,590)	(16,306)
Payment of transaction costs related to loans and borrowings	(1,361)	-
Payment of lease liability	(6)	-
(Increase)/Decrease in restricted cash	(131)	5,123
Net cash used in financing activities	<u>(14,095)</u>	<u>(15,628)</u>
Net (decrease)/increase in cash and cash equivalents	(805)	832
Cash and cash equivalents at beginning of the period/ Listing Date ⁽¹⁾	18,976	18,144
Cash and cash equivalents at 31 December ⁽²⁾	<u>18,171</u>	<u>18,976</u>

(1) 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.

(2) Cash and cash equivalents at the end of period exclude restricted cash balance of £1,308,000 (31 December 2020: £1,177,000).



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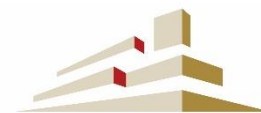
Significant non-cash transactions

For the year ended 31 December 2021, there were the following significant non-cash transactions:

- (i) approximately 131,444,000 Units, amounting to approximately £89,382,000, were issued in satisfaction of part of the purchase consideration for the subsidiaries acquired during the period.
- (ii) approximately 3,199,000 Units, amounting to approximately £2,125,000, were issued to the Manager as satisfaction of the acquisition fee for the subsidiaries acquired during the period.
- (iii) approximately 2,740,000 Units, amounting to approximately £1,822,000, were issued to the Manager as satisfaction of the management fee paid to the Manager.
- (iv) approximately 261,000 Units, amounting to approximately £174,000, were issued to the Manager as satisfaction of the lease management fee paid to the Manager.
- (v) approximately 2,966,000 Units, amounting to approximately £1,913,000, were issued under the distribution reinvestment plan.

For the period from 6 February 2020 (Listing Date) to 31 December 2020, there were the following significant non-cash transactions:

- (i) approximately 1,675,000 Units, amounting to approximately £1,062,000, were issued to the Manager as satisfaction of the management fee paid to the Manager.
- (ii) approximately 239,000 Units, amounting to approximately £151,000, were issued to the Manager as satisfaction of the lease management fee paid to the Manager.



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E Notes to the unaudited condensed interim consolidated financial statements

These notes form an integral part of the unaudited condensed interim consolidated financial statements.

1. Entity information

The Trust is a Singapore-domiciled unit trust constituted pursuant to the trust deed dated 7 June 2018 (as amended) (the "Trust Deed") between Elite Commercial REIT Management Pte. Ltd. (the "Manager") and Perpetual (Asia) Limited (the "Trustee"). The Trust Deed is governed by the laws of the Republic of Singapore. The Trustee is under a duty to take into custody and hold the assets of the Trust held by it or through its subsidiaries in trust for the holders of units ("Units") in the Trust.

On 6 February 2020 (the "Listing Date"), the Units in the Trust were listed on the Mainboard of the Singapore Exchange Securities Trading Limited (SGX-ST).

The principal activity of the Trust and its subsidiaries (the "Group") is to invest in a diversified portfolio of income-producing properties located primarily in the United Kingdom ("UK") and used primarily for commercial purposes.

The condensed interim consolidated financial statements relate to the Trust and its subsidiaries.

2. Basis of preparation

The condensed interim financial statements for the year ended 31 December 2021 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2020. The condensed interim financial statements do not include all the information required for complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with International Financial Reporting Standards ("IFRSs"), except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Pound Sterling (£), which is the Trust's functional currency. All financial information presented in Pound Sterling have been rounded to the nearest thousand, unless otherwise stated.

2.1 New and amended standards adopted by the Group

A number of new and amendments to standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

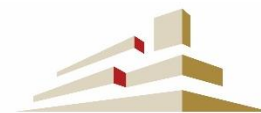
2.2 Use of estimates and judgements

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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 any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next interim period are included in Note 5 – valuation of investment properties.



Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

3. Seasonal operations

The Group's business is not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment reporting

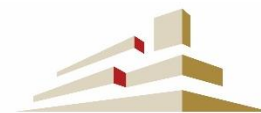
An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components.

Segment information has not been presented as all the Group's investment properties are commercial properties and are located in the United Kingdom.

5. Investment properties

	31/12/2021 £'000	Group	31/12/2020 £'000
As at 1 January 2021/6 February 2020 (Listing date)	311,855		295,968
Acquisition of subsidiaries (including acquisition costs)*	217,709		-
Net change in fair value recognised in profit or loss	(28,217)		15,887
As at 31 December 2021/31 December 2020	501,347		311,855

* The newly acquired subsidiaries, Elite Amphora Limited and Elite Cask Limited, held 58 properties located across the United Kingdom.



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Fair value hierarchy

The fair value measurement for investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation techniques used.

	31/12/2021 £'000	Group	31/12/2020 £'000
Fair value of investment properties (based on valuation report)	500,103		311,855
Add: Carrying amount of lease liabilities	1,244		-
As at 31 December 2021/31 December 2020	501,347		311,855

Measurement of fair value

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

The carrying values of the investment properties as at 31 December 2021 were based on independent professional valuations undertaken by Knight Frank LLP. The carrying values of the investment properties as at 31 December 2020 were based on independent professional valuation undertaken by Colliers International Valuation UK LLP. The independent valuers have appropriate recognised professional qualifications and recent experience in the location and category of the properties being valued.

Recognising the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, each respective valuer had highlighted the importance of the valuation date of the valuations in its valuation report in respect of the valuations as at 31 December 2021 and 31 December 2020.

The independent professional valuations were based on the income capitalization method (2020: income capitalization method). The valuation method used in determining the fair value involve certain estimates including yield rate (2020: yield rate). The specific risks inherent in each of the properties are taken into consideration in arriving at the property valuation. In relying on the valuation report, the Manager has exercised its judgement and is satisfied that the valuation method and estimates used are reflective of market conditions prevailing at the end of the financial year.

Security

As at 31 December 2021, 58 properties held by the newly acquired subsidiaries, Elite Amphora Limited and Elite Cask Limited with a carrying value of £196.0 million (2020: Nil) were pledged as security to secure a credit facility (Note 8).

6. Notes receivable

Notes receivable relate to loan notes issued by a subsidiary, Elite UK Commercial Holdings Limited ("EUKCH"), subscribed by the Trust. During the current interim financial period, the Trust subscribed to a new loan note issued by EUKCH, amounting to £89.4 million in addition to the £111.8 million loan note subscribed in prior year.

£111.8 million and £89.4 million of the loan notes will mature on 16 November 2023 and 25 October 2025 respectively. The unsecured notes carry interest at a fixed interest rate of 5% (2020: 5%) per annum.

Under the terms of the loan notes, the Trust, as a noteholder, has the right, at its sole discretion, to require the EUKCH to purchase all of its notes on specified put option exercise dates, being 16 November 2021 and 16 November 2022 for the £111.8 million loan note, and 9 March 2024 and 9 March 2025 for the £89.4 million loan note. At the reporting date, the Trust has not required and does not intend to require the issuer to redeem the loan notes that it holds.



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7. Trade and other receivables

	Group		Trust	
	31/12/2021 £'000	31/12/2020 £'000	31/12/2021 £'000	31/12/2020 £'000
Trade receivables	11,299	127	-	-
Other receivables	37	16	690	-
Amount due from subsidiaries	-	-	4,216	2,622
	11,336	143	4,906	2,622
VAT & GST receivables	307	562	173	562
Tax receivables	200	128	-	-
Prepayments	187	48	3	6
	12,030	881	5,082	3,190

The trade receivable as of 31 December 2021 relates to receivable from property manager in respect of advance rental collected on behalf by property manager from the tenants for the period from 25 December 2021 to 24 March 2022. A advance rent of £8,705,000 for the period from January 2022 to March 2022 has been recognised as a deferred income.

8. Loans and borrowings

	Group	
	31/12/2021 £'000	31/12/2020 £'000
Secured bank loans	225,600	103,200
Less: Unamortised transaction costs	(1,746)	(1,294)
As at 31 December 2021/31 December 2020	223,854	101,906
Current	6,600	-
Non-current	217,254	101,906
Total	223,854	101,906

As at 31 December 2021, the Group has loan facilities comprising:

£140.0 million term loan and bridge loan facilities

- A £125.0 million secured term loan facility. At the reporting date, £125.0 million (31 December 2020: £103.2 million) was drawn down and is due for repayment in November 2024
- A £15.0 million bridge loan facility. At the reporting date, £6.6 million (31 December 2020: £Nil) was drawn down and is due for repayment in March 2022.
- The shares of a subsidiary, Elite Gemstones Properties Limited, were pledged to secure the facilities.

£94.0 million term loan and revolving credit facilities

- A £80.0 million secured term loan facility. At the reporting date, £80.0 million (31 December 2020: £Nil) was drawn down and is due for repayment in January 2023.
- A £14.0 million revolving credit facility. At the reporting date, £14.0 million (31 December 2020: £Nil) was drawn down and is due for repayment in January 2023.
- The shares of newly acquired subsidiaries, Elite Amphora Limited and Elite Cask Limited and the 58 properties held by these entities, were pledged to secure the facilities.



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9. Deferred tax liabilities

The movement in deferred tax liabilities during the financial period/year is as follows:

Group	At 31/12/2019 £'000	Recognised in profit or loss £'000	At 31/12/2020 £'000	Recognised in profit or loss (Note 14) £'000	At 31/12/2021 £'000
Deferred tax liabilities					
Investment properties	2,349	3,571	5,920	(2,121)	3,799

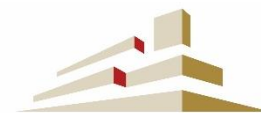
10. Units in issue and to be issued

Group and Trust	31/12/2021		31/12/2020	
	Number of Units '000	£'000	Number of Units '000	£'000
Units issued				
As at 1 January 2021/6 February 2020 (Listing date)	334,858	208,689	139,706	76,085
Issue of new Units:				
- Arising from the initial public offering	-	-	192,514	130,910
- Issued in satisfaction of part of the purchase consideration for subsidiaries acquired	131,444	89,382	-	-
- Acquisition fees paid in Units	3,199	2,125	-	-
- Manager's management fees paid in Units	2,740	1,822	1,675	1,062
- Lease management fees paid in Units	261	174	239	151
- Distribution reinvestment plan	2,966	1,913	-	-
Total issued Units	475,468	304,105	334,134	208,208
Units to be issued				
- Manager's management fees paid in Units	950	631	636	422
- Lease management fees paid in Units	88	58	88	59
Total issuable Units	1,038	689	724	481
Total issued and issuable Units as at 31 December 2021/31 December 2020	476,506	304,794	334,858	208,689

The Group and the Trust do not hold any treasury units as at 31 December 2021 and 31 December 2020.

11. Net asset value per Unit

Net asset value per Unit is based on:	Group		Trust	
	31/12/2021 £'000	31/12/2020 £'000	31/12/2021 £'000	31/12/2020 £'000
Net assets attributable to unitholders	289,019	217,158	289,019	209,275
Total issued and to be issued Units as at 31 December 2021/31 December 2020 ('000) (Note 10)	476,506	334,858	476,506	334,858
Net asset value per Unit (£)	0.61	0.65	0.61	0.62



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12. Revenue

Rental relates to rental income derived from the Group's investment properties.

Over 99% (2020: 99%) of the contracted rental income under the current leases is derived from the UK Government via various government agencies which includes The Secretary of State for Housing, Communities and Local Government.

13. (Loss)/Profit before tax

The following items have been included in arriving at (loss)/profit for the period:

	6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000
Listing costs expensed in statement of comprehensive income	-	-	-	1,721
Finance income:-				
- Fair value gain on financial derivative	548	-	508	-
Finance costs:-				
- Amortisation of transaction costs relating to loans and borrowings	525	165	909	298
- Commitment fee	-	133	28	133
- Interest expense on lease liabilities	20	-	31	-
- Interest expense on loans and borrowings	2,192	1,014	3,886	1,923
	<u>2,737</u>	<u>1,312</u>	<u>4,854</u>	<u>2,354</u>

14. Tax (credit)/expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of comprehensive income are:

	6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000
Current income tax expense	609	1,128	2,385	2,170
Withholding tax expense	1,106	-	1,106	-
Deferred income tax expense relating to origination and reversal of temporary differences	(3,903)	3,571	(2,121)	3,571
	<u>(2,188)</u>	<u>4,699</u>	<u>1,370</u>	<u>5,741</u>

There was a reversal of deferred tax provision of £7.7 million during the 6 months ended 31/12/2021 (of which £1.8 million was provided in the first half of 2021) for latent capital gains on the investment properties held by Elite Commercial REIT upon ECHL's entry into the UK REIT regime on 26 August 2021.



15. Earnings per Unit

Basic earnings per Unit

The calculation of basic earnings per Unit is based on the profit/(loss) attributable to unitholders and the weighted average number of Units outstanding.

	6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000
Profit/(Loss) for the period attributable to unitholders	688	19,481	(4,741)	23,358
	'000	'000	'000	'000
Weighted average number of Units:				
- Units issued at the beginning of the period/on Listing Date	334,858	139,706	334,858	139,706
- Effect of Units arising from initial public offering	-	192,514	-	192,514
- Effect of Units issued in satisfaction of part of the purchase consideration for subsidiaries acquired	131,444	-	107,316	-
- Effect of Units issued as payment of Manager's acquisition fee	3,199	-	2,611	-
- Effect of Units issued and to be issued as payment of Manager's management fee payable in Units	2,225	1,352	1,295	876
- Effect of Units issued and to be issued as payment of lease management fee payable in Units	219	193	132	125
- Effect of Units issued under distribution reinvestment plan	1,596	-	806	-
Weighted average number of Units	473,541	333,765	447,018	333,221

Diluted earnings per Unit

The calculation of diluted earnings per Unit is based on the (loss)/profit attributable to unitholders and the weighted average number of Units outstanding after adjustment for the effects of all dilutive potential Units.

	6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000
Profit/(Loss) for the period attributable to unitholders	688	19,481	(4,741)	23,358
	'000	'000	'000	'000
Weighted average number of Units:				
- Weighted average number of Units (basic)	473,541	333,765	447,018	333,221
- Effect of Units issued and to be issued as payment of Manager's management fee payable in Units	1,465	959	-	1,435
- Effect of Units issued and to be issued as payment of lease management fee payable in Units	130	134	-	202
Weighted average number of Units	475,136	334,858	447,018	334,858

For the year ended 31 December 2021, the diluted earnings per Unit is the same as the basic earnings per Unit as the Units to be issued as payment of Manager's management fee and lease management fee payable in Units were anti-dilutive.



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16. Amount available for distribution

	6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000
Amount available for distribution to unitholders at beginning of the period	8,151	6,517	8,342	-
Profit/(loss) for the period	688	19,481	(4,741)	23,358
Distribution adjustments (Note A)	12,676	(11,155)	29,266	(8,515)
Amount available for distribution to unitholders	21,515	14,843	32,867	14,843
Distributions to unitholders:				
Distribution of GBP1.95 pence per Unit for the period from 6 February 2020(Listing Date) to 30 June 2020	-	(6,501)	-	(6,501)
Distribution of GBP2.49 pence per Unit for the period from 1 July 2020 to 31 December 2020	-	-	(8,338)	-
Distribution of GBP0.90 pence for the period from 1 January 2021 to 8 March 2021	-	-	(3,014)	-
Distribution of GBP1.73 pence for the period from 9 March 2021 to 30 June 2021	(8,151)	-	(8,151)	-
Amount available for distribution to unitholders at end of the period	13,364	8,342	13,364	8,342
Distribution per Unit (pence)	2.80	2.49	5.43	4.44

Note A

	£'000	£'000	£'000	£'000
Distribution adjustments relate to the following items:				
Management fee payable in units	1,337	832	2,453	1,484
Lease management fees payable in units	117	117	232	210
Trustee's fee	50	52	99	93
Amortisation of transaction costs relating to loans and borrowings	525	165	909	298
Fair value gain on financial derivative	(548)	-	(508)	-
Listing costs expensed in statement of comprehensive income	-	-	-	1,721
Change in fair value of investment properties	15,110	(15,887)	28,217	(15,887)
Deferred tax	(3,903)	3,571	(2,121)	3,571
Others	(12)	(5)	(15)	(5)
Distribution adjustments	12,676	(11,155)	29,266	(8,515)



17. Related party transactions

In the normal course of the operations of the Trust, the Manager's management fee and the Trustee's fee have been paid or are payable to the Manager and Trustee respectively.

Other than as disclosed elsewhere in the financial statements, there were the following significant related party transactions during the period.

	6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000
Acquisition of subsidiaries from related corporations of the Manager	-	-	98,989	-
Property management fee paid/payable to a related corporation of the Manager	143	-	231	-
Lease management fee paid/payable to the Manager	117	117	232	210

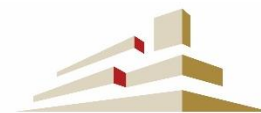
18. Financial assts and financial liabilities

Accounting classifications and fair values

The carrying amounts and fair values of financial assets and liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. The fair value disclosure of lease liabilities is also not required.

	Carrying amount				Fair value			
	Financial assets at amortised cost £'000	At fair value through profit or loss ("FVTPL") £'000	Other financial liabilities £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Group								
31/12/2021								
Financial asset measured at fair value								
Financial derivatives	-	508	-	508	-	508	-	508
Financial assets not measured at fair value								
Trade and other receivables*	11,336	-	-	11,336				
Cash and cash equivalents	19,479	-	-	19,479				
	<u>30,815</u>	<u>-</u>	<u>-</u>	<u>30,815</u>				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(5,625)	(5,625)				
Loans and borrowings	-	-	(223,854)	(223,854)	-	(216,743)	-	(216,743)
	<u>-</u>	<u>-</u>	<u>(229,479)</u>	<u>(229,479)</u>				

* Excluding prepayments, tax receivables and VAT & GST receivables



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18. Financial assts and financial liabilities (cont'd)

	Carrying amount				Fair value			
	Financial assets at amortised cost £'000	At FVTPL £'000	Other financial liabilities £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Group								
31/12/2020								
Financial assets not measured at fair value								
Trade and other receivables*	143	-	-	143				
Cash and cash equivalents	20,153	-	-	20,153				
	<u>20,296</u>	<u>-</u>	<u>-</u>	<u>20,296</u>				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(2,541)	(2,541)				
Loans and borrowings	-	-	(101,906)	(101,906)	-	(96,114)	-	(96,114)
	<u>-</u>	<u>-</u>	<u>(104,447)</u>	<u>(104,447)</u>				
Trust								
31/12/2021								
Financial assets not measured at fair value								
Notes receivable	201,133	-	-	201,133				
Trade and other receivables*	4,906	-	-	4,906				
Cash and cash equivalents	4,915	-	-	4,915				
	<u>210,954</u>	<u>-</u>	<u>-</u>	<u>210,954</u>				
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(616)	(616)				
31/12/2020								
Financial assets not measured at fair value								
Notes receivable	111,751	-	-	111,751				
Trade and other receivables*	2,622	-	-	2,622				
Cash and cash equivalents	4,660	-	-	4,660				
	<u>119,033</u>	<u>-</u>	<u>-</u>	<u>119,033</u>				



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18. Financial assts and financial liabilities (cont'd)

	Carrying amount				Fair value			
	Financial assets at amortised cost £'000	At FVTPL £'000	Other financial liabilities £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Trust								
31/12/2020								
Financial liabilities not measured at fair value								
Trade and other payables	-	-	(1,178)	(1,178)				

* Excluding prepayments, tax receivables and VAT & GST receivables

Measurement of fair value

The following table shows the valuation techniques used in measuring Level 2 fair values, as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Bank loan	Discounted cash flows: The fair value is based on the present value of future payments, discounted at the market rate of interest at the measurement date.	Discount rate: 1.6% (2020: 1.5%)	The estimated fair value varies inversely against the interest rates.
Interest rate swaps	Market comparison technique: The fair values are based on bank quotes. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.	Not applicable	Not applicable

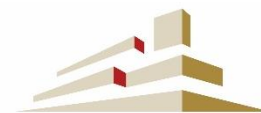
19. Financial ratios

	Group	
	31/12/2021	31/12/2020
Leverage ratio (%)	42.4%	31.0%
Interest coverage ratio (times)	6.0 ^	7.7 *

* The interest coverage ratio is computed based on the financial information for the period 6 February 2020 (Listing Date) to 31 December 2020. The interest coverage ratio is calculated by dividing the earnings before interest, tax, depreciation and amortization (excluding effects of any fair value changes of derivatives and investment properties and foreign exchange translation) ("EBITDA"), and the one-time IPO transaction costs expensed in statement of comprehensive income, by the interest expenses 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.

^ The interest coverage ratio is computed based on the financial information for the year ended 31 December 2021. The interest coverage ratio is calculated by dividing the earnings before interest, tax, depreciation and amortization (excluding effects of any fair value changes of derivatives and investment properties and foreign exchange translation) ("EBITDA"), by the interest expenses and borrowing related fees (excluding interest expense on lease liabilities). Interest expense on lease liabilities is excluded as it does not reflect the serviceability of loans and does not have any impact on the Group's debt servicing ability.

**20. Acquisition of subsidiaries**

On 9 March 2021, the Group acquired 100% of the shares and voting interest in Elite Amphora Limited and Elite Cask Limited, which hold 58 properties located across the United Kingdom. The total purchase consideration for the shares and voting interest in the entities and amounts due to the vendor was approximately £102.9 million. This amount includes acquisition costs and is net of debts assumed. Out of the 58 properties acquired, 54 are freehold and the remaining 4 properties are on a long leasehold tenure ranging between 83 and 983 years.

The total purchase consideration was settled through the (i) the issue of new Units to the vendor at an issue price of £0.68 per new Unit amounting to approximately £89.4 million and (ii) issue of Units to the Manager as payment of the acquisition fee amounting to approximately £2.1 million, and (iii) cash of £11.4 million.

The cash outflow for the acquisition of subsidiaries, net of cash acquired of £2.0 million, is £9.4 million.

Identifiable assets acquired and liabilities assumed

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

	£'000
Investment properties	213,790
Trade and other receivables	152
Cash and cash equivalents	2,001
Loan and borrowings	(113,836)
Amounts due to ex-shareholder	(39,428)
Lease liabilities	(1,250)
Trade and other payables	(659)
Deferred income	(733)
Current tax liabilities	(477)
Net assets	59,560

Net cash outflow

	£'000
Total consideration for 100% equity interest acquired	59,560
Add: Settlement of amounts due to ex-shareholder	39,428
Total	98,988
Add: Acquisition-related costs	3,919
Total	102,907
Less: Scrip consideration	(89,382)
Less: Acquisition fee payable in units	(2,125)
Total	11,400
Less: Cash acquired	(2,001)
Net cash outflow on acquisition	9,399



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(II) Other Information Required By Listing Rule Appendix 7.2



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1. Overview

The condensed interim consolidated financial statements comprise the condensed interim statement of financial position of Elite Commercial REIT and its subsidiaries (“the Group”) and statement of financial position of Elite Commercial REIT (“the Trust”) as at 31 December 2021 and the related condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of movements in unitholders’ fund and condensed consolidated interim statement of cash flows for the six month period then ended and certain explanatory notes.

The condensed interim consolidated financial statements have not been audited or reviewed by the auditors.

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 comprised of 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).

On 9 March 2021 (“Acquisition Date”), the Group completed its acquisition of 58 properties located across the United Kingdom (the “New Properties”). The New Properties are expected to provide stable cashflows and attractive recession-proof yields, while maintaining the enlarged REIT’s exposure to high credit quality UK sovereign tenants in addition to the counter-cyclical DWP.

On 26 August 2021, Elite UK Commercial Holdings Limited (“ECHL”), a wholly owned subsidiary of the Trust, was successfully listed on The International Stock Exchange (the “TISE”), as a UK REIT group. The admission eliminates any future tax on latent capital gains (and its corresponding provision of deferred tax liabilities) of the properties currently held by the Group. Furthermore the Group enjoys UK corporation tax exemption for its UK property rental business income and gains under the UK REIT regime. Notwithstanding the UK corporation tax exemption, the Group will have to pay a withholding tax of 15% on its distributions to Singapore pursuant to the double tax treaty between UK and Singapore.



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2. Review of performance of the Group

2.1 Year ended 31/12/2021 vs Period from 6/2/2020 (Listing Date) to 31/12/2020

	Note	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000	Variance Favourable/ (unfavourable) %
Revenue	(a)	34,731	20,963	65.7
Property operating expenses	(b)	(1,004)	(588)	(70.7)
Net property income		33,727	20,375	65.5
Manager's management fee	(c)	(2,453)	(1,484)	(65.3)
Trustee's fee		(99)	(93)	(6.5)
Other trust expenses	(d)	(1,983)	(3,232)	38.6
Finance income		508	-	n.m.
Finance costs		(4,852)	(2,354)	(106.1)
Net finance costs	(e)	(4,346)	(2,354)	(84.6)
Change in fair value of investment properties	(f)	(28,217)	15,887	277.6
(Loss)/profit before tax		(3,371)	29,099	(111.6)
Tax expense	(g)	(1,370)	(5,741)	76.1
(Loss)/profit after tax		(4,741)	23,358	(120.3)
Amount available for distribution to unitholders at end of the period		13,364	8,342	60.2
Distribution per Unit (pence)		5.43	4.44	22.3

(a) Revenue

Revenue comprises contracted rental income from leasing of the office spaces of the Initial Portfolio and New Properties.

Revenue from its newly acquired portfolio boosted total revenue, increasing 65.7% when compared to the Period from 6/2/2020 (Listing Date) to 31/12/2020. Revenue from the New Properties for the year approximate £11.4 million, contributing to approximately 32.8% of the current £34.7 million revenue.

(b) Property operating expenses

Property operating expenses includes the following items:

	Year ended 31/12/2021 £'000	Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000	Variance Favourable/ (unfavourable) %
Property management fee	590	217	(171.9)
Lease management fee	232	210	(10.5)
Property insurance expenses	180	161	(11.8)
Other property expenses	2	-	n.m.
	1,004	588	(70.7)

The increase in property operating expenses when compared to the Period from 6/2/2020 (Listing Date) to 31/12/2020 is due mainly to the New Properties.

Property management fee is the fee payable to the Property Manager of the Group. Property Manager of the Initial Portfolio is Jones Lang LaSalle Limited while the New Properties are currently managed by Elite Real Estate Services Pte. Ltd. ("ERES"). Property management fee incurred by the New Properties includes the following:

- a property management fee of 2.0% per annum of the gross revenue income of the New Properties
- a lease management fee of 1.0% per annum of the gross revenue income of the New Properties



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- market services commissions for procuring or renewing leases, which range from 0.5 to 2.0 months' gross revenue income of the New Properties; and
- a property management services fee for the development or redevelopment of the New Properties, which ranges from 1.5% to 3.0% of the construction cost.

Lease management fee of £232,000 (Period from 6/2/2020 (Listing Date) to 31/12/2020: £210,000) is based on 1.0% per annum of revenue of the Initial Portfolio and is payable to the Manager. The Manager has elected to receive 100% of the lease management fee in the form of Units.

(c) Manager's management fee

The increase in Manager's management fee when compared to the Period from 6/2/2020 (Listing Date) to 31/12/2020 is due mainly to the New Properties.

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.

(d) Other trust expenses

Other trust expenses consist mainly statutory fees such as audit fees, tax agent fees and corporate secretarial fees, valuation expenses and other trust related expenses.

(e) Net finance costs

Net finance costs consist of amortisation of transaction costs relating to loans and borrowings, commitment fee, change in fair value of financial derivative and lease interest and interest expense on borrowings. Increased net finance costs is in line with the increased borrowings from the New Properties.

(f) Change in fair value of investment properties

Fair value loss on investment properties for the year of £28.2 million relates to fair value loss on certain properties in the Group's portfolio.

(g) Tax expenses

Included in tax expense for the year is a reversal of deferred tax provision of £7.7 million (of which £1.8 million was provided in the first half of 2021) on latent capital gains for the investment properties held by the Group upon its subsidiary's entry into the UK REIT regime on 26 August 2021. The impact was partly offset by the deferred tax provision of £3.8 million on the fair value gains on certain properties during the year.



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2.2 6 months ended 31/12/2021 vs 6 months ended 31/12/2020

	6 months ended 31/12/2021 £'000	6 months ended 31/12/2020 £'000	Variance Favourable/ (unfavourable) %
Revenue	18,835	11,647	61.7
Property operating expenses	(494)	(327)	(51.1)
Net property income	18,341	11,320	62.0
Manager's management fee	(1,337)	(832)	(60.7)
Trustee's fee	(50)	(52)	3.8
Other trust expenses	(1,155)	(831)	(39.0)
Finance income	548	-	n.m.
Finance costs	(2,737)	(1,312)	(108.6)
Net finance costs	(2,189)	(1,312)	(66.8)
Change in fair value of investment properties	(15,110)	15,887	(195.1)
(Loss)/profit before tax	(1,500)	24,180	(106.2)
Tax credit/(expense)	2,188	(4,699)	146.6
Profit after tax	688	19,481	(96.5)
Amount available for distribution to unitholders at end of the period	13,364	8,342	60.2
Distribution per Unit (pence)	2.80	2.49	12.4

Review of performance (2H2021 vs 2H2020)

The revenue and net property income for 6 months ended 31/12/2021 increased 61.7% and 62.0% compared to 6 months ended 31/12/2020, largely attributed from the New Properties. 2H2021 revenue and net property income from New Properties approximate £7.1 million and £6.9 million respectively.

With the Group's increased portfolio, 2H2021 manager's management fee, other trust expenses and net finance costs increased when compared to 2H2020.

Included in the tax credit of £2.2 million is a reversal of deferred tax provision of £7.7 million (of which £1.8 million was provided in the first half of 2021) on latent capital gains for investment properties held by the Group upon its subsidiary's entry into the UK REIT regime on 26 August 2021. The impact was partly offset by the deferred tax provision of £3.8 million on the fair value gains on certain properties during the period.

The tax credit partly offsetted the loss before tax of £1.5 million which is attributed to the fair value loss of investment properties, thus allowing the Group to report a profit after tax of £0.7 million.

Notwithstanding a lower profit after tax of 96.5%, the Group reported a 12.4% increase in Distribution per Unit of 2.80 pence compared to 2H2020 Distribution per Unit of 2.49 pence.



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2.3 Review of statement of financial position

Investment properties for the Group increased £189.4 million to £501.3 million (31 December 2020: £311.9 million) mainly due to newly acquired subsidiaries, Elite Amphora Limited and Elite Cask Limited, on 9 March 2021, which hold 58 properties. The newly acquired subsidiaries, including acquisition costs, contributed £217.6 million worth of investment properties to the Group at the date of acquisition. This is partly offset by £28.2 million fair value loss on the investment properties.

Trade and other receivables as at 31 December 2021 amounted to £12.0 million (31 December 2020: £0.9 million), mostly contributed by trade receivables of £11.3 million. Trade receivables of £11.3 million (2020: £0.1 million) are current and relates to receivable from property manager in respect of advance rental collected on behalf by property manager from the tenants for the period from 25 December 2021 to 24 March 2022.

Loans and borrowings as at 31 December 2021 increased by £121.9 million, mainly attributable to £28.4 million drawdown from an existing £140.0 million loan facilities and a £94.0 million loan assumed from the newly acquired subsidiaries.

Deferred tax liabilities decreased by £2.1 million to £3.8 million as at 31 December 2021 (2020: £5.9 million). This is mainly due to reversal of deferred tax provision of £5.9 million on latent capital gains for the investment properties held by the Group upon its subsidiary's entry into the UK REIT regime on 26 August 2021. The impact was partly offset by the deferred tax provision of £3.8 million on the fair value gains on certain properties during the year.

2.4 Review of statement of cashflows

Net cash generated from operating activities for year ended 31/12/2021 amounted £22.7 million compared to £16.5 million for the Period from 6/2/2020 to 31/12/2020. The Group enjoyed a full year operation income from the Initial Portfolio and almost 10 months of income from the New Properties.

Net cash used in investing activities of £9.4 million is solely for the purpose of acquiring the subsidiaries. This is net of cash acquired from the two subsidiaries amounting to approximately £2.0 million.

Out of the net cash used in financing activities of £14.1 million, (i) £17.6 million were distribution to unitholders paid in 2021, (ii) £22.2 million relates to repayment of bank loans partially for the £113.0 million loans and borrowings acquired from the newly acquired subsidiaries, (iii) payment of £1.4 million relates to loans and borrowing transaction costs for the New Properties, and (iv) payment of interest of £3.6 million is mostly attributed to bank loans interest. The cash outflow for financing activities was partially financed from drawdown of existing loan facility amounting to £30.8 million.



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3. Variance between Actual Results and Projection Statement

	Year ended 31/12/2021 £'000	Projection 12 months ended 31/12/2021 ¹ £'000	Variance Favourable/ (unfavourable) %
Revenue	34,731	23,274	49.2
Property operating expenses	(1,004)	(620)	(61.9)
Net property income	33,727	22,654	48.9
Manager's management fee	(2,453)	(1,642)	(49.4)
Trustee's fee	(99)	(102)	2.9
Other trust expenses	(1,983)	(1,411)	(40.5)
Finance income	508	-	n.m.
Finance costs	(4,852)	(2,681)	(81.0)
Net finance costs	(4,346)	(2,681)	(62.1)
Change in fair value of investment properties	(28,217)	-	n.m.
(Loss)/profit before tax	(3,371)	16,818	(120.0)
Tax expense	(1,370)	(2,816)	51.3
(Loss)/profit after tax	(4,741)	14,002	(133.9)
Amount generated during the period for distribution to unitholders	24,525	16,416	49.4
Distribution per Unit (pence)	5.43	4.88	11.3

n.m. - not meaningful

¹ The Projection Statement was derived from the Projected Consolidated Statements of Comprehensive Income and Distribution for 2021 as disclosed in the Prospectus.

Review of performance (actual vs projection)

Actual revenue amounting to £34.7 million was higher than projection by 49.2%. This was due to contribution by the New Properties of approximately £11.4 million. Consequently, the actual net property income was higher than projection by 48.9%. Excluding the net property income of New Properties of approximately £11.1 million, actual property income is very much aligned with projected net property income of £22.7 million.

Manager's management fee was higher by 49.4% when compared to projection, because of a higher than projected income available for distribution to unitholders. 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 projection. Other trust expenses were 40.5% higher than projection due to other trust expenses incurred from the New Properties.

Net finance costs were £1.7 million higher than projection largely due to the additional loan drawdown to finance the acquisition of New Properties as well as the existing bank loans assumed in the newly acquired subsidiaries, Elite Amphora Limited and Elite Cask Limited.

Tax expense however was lower than projection. It was due to reversal of deferred tax provision on latent capital gains for the investment properties held by the Group upon its subsidiary's entry into the UK REIT regime on 26 August 2021.

Notwithstanding a lower profit after tax of 133.9%, which is mainly due to £28.2 million fair value loss on investment properties, the Group reported a total DPU of 5.43 pence for the 12 months ended 31 December 2021, a 11.3% increase from projected DPU of 4.88 pence.



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4. **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**

The DWP is the primary and uniquely defensive occupier of the majority of the assets held by the Group. As the UK Government's largest public service department, DWP is responsible for crucial welfare, pensions and child maintenance services. Against the current macroeconomic backdrop, our assets via DWP continue to be a crucial social infrastructure that serves the UK society.

As at 31 December 2021, the portfolio is 100% occupied, maintaining a 99% exposure to the UK Government that is rated AA- by Fitch Ratings, Aa3 by Moody's Investors Service, and AA by S&P Global Ratings. The Manager had consistently received at least 99% of rent in advance, within seven days of the due date for FY2021. The Group had received in advance 99.9% of the rent for the three-month period of January 2022 to March 2022, within seven days of the due date.

Four lease events came up in the three months ended 31 December 2021. The lease renewal for the property at East Street, Epsom, has been completed with a new five-year lease drawn up with a break in the third year and more than 10% in rental uplift. The rent review for the Dallas Court, Salford asset has been completed with about 7% in rental uplift. The lease break options for John Street, Sunderland and Sidlaw House, Dundee were exercised, and the leases will expire in March 2022 and June 2022 respectively. The Manager is currently evaluating various re-marketing and development options available for the assets.

There are 123 properties leased by the DWP that has break lease options with the next permissible break in March 2023 and these leases contribute approximately 65.3% to the REIT's portfolio gross rental income. DWP is required to serve notice at least 12 month ahead of the next permissible break in March 2023 to exercise the break options.

If the lease break options are not exercised, all the properties leased to DWP have built-in inflation-linked rental escalation clauses, presenting potential upside at the upcoming rent review in the fifth year of the leases, whereby the new rental rates will start in April 2023. The rental uplift is based on the UK Consumer Price Index ("**CPI**"), subject to an annual minimum increase of 1.0% and maximum of 5.0% on an annual compounding basis from 1 April 2018 to 31 March 2023.

The REIT Manager has been actively engaging the tenant to achieve a favourable outcome by minimising lease breaks. More details will be provided at the appropriate time.

Asset utilisation of the assets are expected to remain high, as demand for DWP's social services remain elevated and the requirement for office space to accommodate an enlarged team of work coaches. Work coaches are critical to the UK Government's Plan for Jobs, aiding people who are trying to get back into the workforce. DWP is also the UK Government's largest public service department, responsible for crucial welfare, pensions and child maintenance services. Given COVID-19's minimal impact on the REIT's business and rent collection, Elite Commercial REIT is expected to continue to provide stable income to its Unitholders.

The Manager continues to be focused on realising opportunities for growth via acquisition of assets which have been leased long-term by various ministries of the UK Government. These opportunities are available to the REIT through the right of first refusal ("**ROFR**") pipeline from sponsors and open market supply.

Other Corporate Developments

Elite UK Commercial Holdings Limited ("**ECHL**"), a wholly owned subsidiary of Elite Commercial REIT, was successfully admitted on The International Stock Exchange (the "**TISE**") as a listed United Kingdom Real Estate Investment Trust ("**UK REIT**"), with effect from 26 August 2021.

With the TISE listing, the tax treatment of Elite Commercial REIT is on par with that of other UK REITs. Elite Commercial REIT's applicable principal tax rate is reduced to 15% from the current 19%, based on the Double Taxation Treaty between the UK and Singapore. Any latent capital gains (and its corresponding deferred tax liabilities) on the properties currently held by Elite Commercial REIT up to the date it was listed on TISE, are eliminated.

On 28 June 2021, the Manager announced the establishment of a distribution reinvestment plan ("**DRP**"), whereby Unitholders of Elite Commercial REIT may elect to receive distributions in the form of fully paid new units in Elite Commercial REIT instead of cash. This will enable Unitholders to increase their unitholding in Elite Commercial REIT without incurring brokerage fees, stamp duties (if any) and other related costs.

Macro Environment

UK's economy is estimated to have grown by 1.0% in Q4 2021, driven mainly by human health and social work activities¹. The Bank of England ("**BoE**") expects UK GDP in Q1 to remain flat due to a slowing in economic activity brought about by the Omicron variant, though it is not expected to last.

¹ Office for National Statistics, GDP first quarterly estimate, UK: October to December 2021, 11 February 2022



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On an annual basis, UK's gross domestic product ("**GDP**") rose by 7.5% in 2021, following a 9.4% fall in 2020 due to the initial impact of the COVID-19 pandemic and public health restrictions². The International Monetary Fund cut its forecast for UK GDP growth in 2022 from 5.0% to 4.7% due to disruptions from the Omicron variant of the coronavirus and supply constraints but raised its estimate for growth in 2023 from 1.9% to 2.3%².

BoE's Monetary Policy Committee ("**MPC**") has set its monetary policy to meet the 2% inflation target to help sustain growth and employment and voted to raise interest rates again in February 2022 by 0.25% percentage points, to 0.5%³ - the second hike in less than two months. The MPC also voted unanimously for BoE to begin reducing the stock of UK government bond purchases.

Twelve-month CPI inflation rose from 5.1% in November 2021 to 5.4% in December 2021⁴. Inflation is expected to increase further in the coming months, peaking at around 7.25% in April 2022, mainly reflecting global energy and tradable goods prices⁴. However, upward pressures on CPI inflation are expected to dissipate over time⁴.

Unemployment has continued to fall, despite the closure of the furlough scheme in September 2021. Unemployment stood at 4.1% in the three months to November 2021⁵ and the labour market is expected to tighten further in the very near term⁴.

Claimant count for the month of November 2021 was at 1.96 million, a decrease of 1.9% compared to the last quarter, and 29.3% lower from a year ago⁶, suggesting that unemployment claimants have been falling over the past year. However, it is noted that unemployment rates still remain higher than pre-pandemic levels at a local level, emphasising the importance of DWP's services to the UK citizens.

As at 11 February 2022, a total of 52.5 million UK citizens have received at least one dose of the COVID-19 vaccine, and 48.7 million UK citizens have received two doses of the vaccine, representing 91.2% and 84.6% of the population aged 12 and over respectively⁷. A total of 37.7 million or 65.5% of the population aged 12 and over has received a booster or a third dose of the vaccine.

² International Monetary Fund, World Economic Outlook Update, January 2022, 25 January 2022

³ Bank of England, Monetary Policy Report, February 2022, 3 February 2022

⁴ Office for National Statistics, Consumer price inflation, UK: December 2021, 19 January 2022

⁵ Office for National Statistics, Labour market overview, UK: January 2022, 18 January 2022

⁶ Gov.UK, Alternative Claimant Count statistics January 2013 to November 2021, 18 January 2022

⁷ Gov.UK, Vaccinations in United Kingdom



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5. Distribution information

5(a) Current financial period

Any distribution declared for the current period? Yes.

Name of distribution: Interim distribution for the period from 1 July 2021 to 31 December 2021

Distribution type: Tax-exempt income

Distribution rate: 2.80 pence per unit

Tax Rate: Tax exempt income distribution
Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders. No tax will be deducted from such distribution.

5(b) Corresponding period of the immediately preceding financial year

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

5(c) Notice of Record Date: 1 March 2022

5(d) Date Payable: 31 March 2022

6. 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.

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

Tan Hai Peng Micheal and Victor Song Chern Chean, Non-Independent Non-Executive Directors, 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.

8. 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.



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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

21 February 2022