

Prime US REIT and its subsidiaries
(Constituted under a trust deed dated 7 September 2018
in the Republic of Singapore)

Condensed Consolidated Financial Statements
For the six months and full year ended 31 December 2021

Prime US REIT and its subsidiaries

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Prime US REIT and its subsidiaries

Introduction

For the 6 months and full year ended 31 December 2021

Overview

Prime US REIT (“PRIME” or the “Group”) is a Singapore real estate investment trust constituted by the Trust Deed dated 7 September 2018 (as amended) between KBS US Prime Property Management Pte. Ltd., as the Manager of PRIME (the “Manager”) and DBS Trustee Limited, as the Trustee of PRIME (the “Trustee”).

PRIME was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 19 July 2019 (the “Listing Date”). PRIME’s principal investment strategy is to invest, directly or indirectly, in stabilised income-producing office assets and real estate related assets, in the United States of America (“U.S.”). PRIME’s key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in Distribution Per Unit (“DPU”) and net asset value (“NAV”) per Unit, while maintaining an appropriate capital structure.

As at 31 December 2021, the portfolio of PRIME comprises of 14 office properties (“the Properties”) in the U.S. with an aggregate NLA of 4.4 million sq. ft with approximately US\$1.7 billion in value, as follows:

1. Tower I at Emeryville
2. 222 Main
3. Village Center Station I
4. Village Center Station II
5. 101 South Hanley
6. Tower 909
7. Promenade I & II
8. CrossPoint
9. One Washingtonian Center
10. Reston Square
11. 171 17th Street
12. Park Tower
13. One Town Center (as announced on 21 July 2021, the Group completed the acquisition of One Town Center located at Boca Raton, Florida)
14. Sorrento Towers (as announced on 23 July 2021, the Group completed the acquisition of Sorrento Towers located at 5355 & 5375 Mira Sorrento Place, San Diego)

Summary of Results

	Group					
	1 Jul 2021 to 31 Dec 2021	1 Jul 2020 to 31 Dec 2020		1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020	
	Actual	Actual	+/(-) %	Actual	Actual	+/(-) %
Gross Revenue (US\$'000)	84,672	72,360	17.0	156,741	143,557	9.2
Net Property Income (US\$'000)	54,358	47,539	14.3	100,698	94,989	6.0
Income available for distribution to Unitholders (US\$'000)	40,176	36,200	11.0	75,601	72,078	4.9
Available DPU (US cents)	3.45	3.42	0.9	6.78	6.94	(2.3)

Prime US REIT and its subsidiaries

Condensed Statements of Financial Position
As at 31 December 2021

	Note	Group			Trust		
		31 December 2021 US\$'000	31 December 2020 US\$'000	+/- %	31 December 2021 US\$'000	31 December 2020 US\$'000	+/- %
Current assets							
Cash and cash equivalents		13,873	37,442	(62.9) (i)	1,571	2,246	(30.1)
Trade and other receivables		1,825	1,623	12.4	563	185	N.M. (ii)
Amounts due from subsidiaries		–	–	N.M.	–	24,860	(100.0) (iii)
Prepaid expenses		2,654	2,584	2.7	1	9	(88.9)
		18,352	41,649	(55.9)	2,135	27,300	(92.2)
Non-current assets							
Investment properties	5	1,653,000	1,405,200	17.6 (iv)	–	–	N.M.
Derivative assets		1,580	–	N.M. (v)	–	–	N.M.
Investment in subsidiaries		–	–	N.M.	963,898	879,988	9.5 (vi)
		1,654,580	1,405,200	17.7	963,898	879,988	9.5
Total assets		1,672,932	1,446,849	15.6	966,033	907,288	6.5
Current liabilities							
Trade and other payables		15,903	14,540	9.4	868	385	125.5
Amounts due to related parties		361	328	10.1	361	328	10.1 (vii)
Rental security deposits		892	532	67.7 (viii)	–	–	N.M.
Rent received in advance		9,329	6,493	43.7 (ix)	–	–	N.M.
		26,485	21,893	(50.3) (x)	1,229	713	72.4

N.M.: not meaningful

Prime US REIT and its subsidiaries

Condensed Statements of Financial Position
As at 31 December 2021

	Note	Group			Trust		
		31 December 2021 US\$'000	31 December 2020 US\$'000	+/- %	31 December 2021 US\$'000	31 December 2020 US\$'000	+/- %
Non-current liabilities							
Loans and borrowings	6	628,973	480,352	30.9 (xi)	–	–	N.M.
Rental security deposits		3,428	3,953	(13.3) (xii)	–	–	N.M.
Derivative liabilities		8,908	23,476	(62.1) (xiii)	–	–	N.M.
Preferred shares		125	125	–	–	–	N.M.
Deferred tax liabilities		13,929	9,258	50.5 (xiv)	–	–	N.M.
		655,363	517,164	26.7	–	–	N.M.
Total liabilities		681,848	539,057	26.5	1,229	713	72.4
Net assets attributable to Unitholders		991,084	907,792	9.2	964,804	906,575	6.4
Represented by:							
Unitholders' funds		991,084	907,792	9.2	964,804	906,575	6.4
Units in issue and to be issued ('000)	7	1,170,191	1,060,437	10.3	1,170,191	1,060,437	10.3
Net asset value per Unit (US\$) attributable to Unitholders	8	0.85	0.86	(1.1)	0.82	0.85	(3.6)

N.M.: not meaningful

Prime US REIT and its subsidiaries

Condensed Statements of Financial Position As at 31 December 2021

Explanatory Notes

- (i) Cash and cash equivalents – Decrease primarily due to the repayment of previously utilized revolving credit facility. For detailed movement, refer to Condensed Consolidated Statement of Cash Flows.
- (ii) Trade and other receivables – Increase primarily due to difference in timing of receipts.
- (iii) Amounts due from subsidiaries – Amount as at 31 December 2020 relate to dividend receivables from PRIME's Singapore subsidiaries which have since been received.
- (iv) Investment properties – Increase primarily due to the acquisition of One Town Center and Sorrento Towers.
- (v) Derivative assets – Increase primarily due to the new swaps entered for the two new loans related to the acquisition of One Town Center and Sorrento Towers.
- (vi) Investments in subsidiaries – Increased due to incorporation of new subsidiaries as part of acquisition of new properties during the year.
- (vii) Amounts due to related parties – Increased due to timing of repayments for amounts due to the Manager.
- (viii) Rental security deposits (current) – Increase in rental deposit (current) due to reclassification from rental deposit (non-current) for leases expiring in the next 12 months and increase from the acquisitions of One Town Center and Sorrento Towers.
- (ix) Rent received in advance – Increased primarily due to the two acquisitions of One Town Center and Sorrento Towers and difference in timing of receipts.
- (x) Current liabilities – Notwithstanding the net current liability position, based on the Group's existing financial resources, the Group believes that it will be able to refinance its borrowings and meet its current obligations as and when they fall due
- (xi) Loans and borrowings – Increase due to two new loans related to the acquisition of One Town Center and Sorrento Towers, partially offset by repayment of previously utilized revolving credit facility.
- (xii) Rental security deposits (non-current) – Decrease mainly due to the termination of WeWork's lease, partially offset by the increase from the acquisitions of One Town Center and Sorrento Towers.
- (xiii) Derivative liabilities – Decrease due to a mark to market gain of US\$16.1 million. This is primarily due to projected further increase in market interest rates as at 31 December 2020, resulting in a gain from the mark-to-market of these swaps.
- (xiv) Deferred tax liabilities – Increase due to widening of taxable temporary difference between book value and tax base of investment properties.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Condensed Consolidated Statement of Comprehensive Income For the 6 months and full year ended 31 December 2021

Note	Group							
	1 Jul 2021 to 31 Dec 2021	1 Jul 2020 to 31 Dec 2020	+ / (-)		1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020	+ / (-)	
	US\$'000	US\$'000	%		US\$'000	US\$'000	%	
Gross revenue	9	84,672	72,360	17.0	156,741	143,557	9.2	(i)
Property operating expenses	10	(30,314)	(24,821)	22.1	(56,043)	(48,568)	15.4	(ii)
Net property income		54,358	47,539	14.3	100,698	94,989	6.0	(iii)
Manager's base fee		(4,099)	(3,694)	11.0	(7,714)	(7,355)	4.9	(iv)
Manager's performance fee		-	(622)	(100.0)	-	(622)	(100.0)	
Trustee's fee		(105)	(98)	7.1	(193)	(188)	2.7	
Other trust expenses	12	(1,025)	(527)	94.6	(1,860)	(1,426)	30.4	
Net change in fair value of derivatives		7,637	2,681	184.9	16,147	(16,356)	(198.7)	(v)
Finance expenses	11	(9,451)	(7,165)	31.9	(16,986)	(14,871)	14.2	(vi)
Finance income		4	-	N.M.	4	3	33	
Net income before tax and fair value change in investment properties		47,319	38,114	24.1	90,096	54,174	66.3	
Net fair value change in investment properties		(17,199)	(28,935)	(40.6)	(17,199)	(28,935)	(40.6)	(vii)
Net income before tax		30,120	9,179	N.M.	72,897	25,239	188.8	
Tax (expense)/credit	13	(784)	1,982	(139.5)	(4,709)	(2,030)	132.0	(viii)
Net income for the period attributable to Unitholders		29,336	11,161	162.9	68,188	23,209	193.8	
Earnings per Unit (US cents)								
Basic and diluted	14	2.52	1.06	138.7	6.13	2.24	173.9	
Net Income attributable to Unitholders		29,336	11,161	162.9	68,188	23,209	193.8	
Distribution adjustments		10,840	25,039	(56.7)	7,413	48,869	(84.8)	
Income available for distribution to Unitholders		40,176	36,200	11.0	75,601	72,078	4.9	

Explanatory Notes

- (i) Gross revenue – Higher by 9.2% largely due to contributions from One Town Center and Sorrento Towers which were acquired in July 2021, termination income from WeWork leases and increased recovery income from Village Center II property taxes.
- (ii) Property operating expenses – Higher by 15.4% largely due to the acquisition One Town Center and Sorrento Towers and increase in property taxes for Village Center Station II which also resulted in higher recoveries income in Gross Revenue.
- (iii) Net property income – Higher by 6.0% largely due to increase in gross revenue from the acquisition of One Town Center and Sorrento Tower, offset by property operating expenses increasing by a larger extent relative to gross revenue.
- (iv) Manager's base fee – Higher by 4.9% in line with higher income available for distribution to Unitholders. The Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).
- (v) Net change in fair value of derivatives – A gain of US\$16.1 million primarily due to projected further increase in market interest rates as at 31 December 2021, resulting in a gain from the mark-to-market of these swaps.
- (vi) Finance expenses – Higher by 14.2% primarily due to the two new loans related to the acquisition of One Town Center and Sorrento Towers.
- (vii) Net fair value change in investment properties – PRIME obtains independent appraisals on an annual basis and according to the latest appraisals as of 31 December 2021, there is a net decrease in appraised fair value of investment properties.
- (viii) Tax (expense)/credit – Lower deferred tax recognised mainly due to the decrease in fair value of investment properties in 2021 is lower than the decrease in fair value of investment properties in 2020.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Distribution Statement

For the 6 months and full year ended 31 December 2021

	Group			
	1 Jul 2021 to 31 Dec 2021	1 Jul 2020 to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Income available for distribution to Unitholders at the beginning of period	35,498	27,036	36,250	29,176
Net income for the period	29,336	11,161	68,188	23,209
Distribution adjustments (Note A)	10,840	25,039	7,413	48,869
Income available for distribution to Unitholders for the period	40,176	36,200	75,601	72,078
Distribution to Unitholders				
- Distribution of US 3.15 cents per unit for the period from 19 July 2019 to 31 December 2019	-	-	-	(29,138)
- Distribution of US 0.96 cents per unit for the period from 1 January 2020 to 20 February 2020	-	-	-	(8,880)
- Distribution of US 2.56 cents per unit for the period from 21 February 2020 to 30 June 2020	-	(26,986)	-	(26,986)
- Distribution of US 3.42 cents per unit for the period from 1 July 2020 to 31 December 2020	-	-	(36,177)	-
- Distribution of US 3.42 cents per unit for the period from 1 January 2021 to 5 July 2021	(36,326)	-	(36,326)	-
Total Distribution to Unitholders	(36,326)	(26,986)	(72,503)	(65,004)
Income available for distribution to Unitholders at the end of the period	39,348	36,250	39,348	36,250

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Distribution Statement (cont'd) For the 6 months and full year ended 31 December 2021

Note A - Distribution adjustments comprise:

	Group			
	1 Jul 2021 to 31 Dec 2021	1 Jul 2020 to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
	US\$'000	US\$'000	US\$'000	US\$'000
Property related non-cash items ⁽¹⁾	(1,666)	(2,797)	(3,524)	(6,139)
Manager's base fee paid/payable in Units	3,280	2,955	6,172	5,884
Manager's performance fee payable in Units	-	622	-	622
Trustee's fee	105	98	193	188
Amortisation of upfront debt-related transaction costs ⁽²⁾	972	577	1,552	1,133
Net change in fair value of derivatives	(7,637)	(2,681)	(16,147)	16,356
Net fair value change in investment properties	17,199	28,935	17,199	28,935
Deferred tax expense	772	(2,022)	4,671	1,990
Others ⁽³⁾	(2,185)	(648)	(2,703)	(100)
Distribution adjustments	10,840	25,039	7,413	48,869

The Distribution Statement presents the distributions made to Unitholders during the period/year and the income available for distribution to Unitholders at the end of the period/year.

⁽¹⁾ Mainly comprise straight-line rent adjustments and amortisation of lease incentives.

⁽²⁾ Upfront debt-related transaction cost are amortised over the life of the borrowings.

⁽³⁾ This includes free rent reimbursements, adjustments related to lease termination income and other adjustments. The free rent reimbursements were related to free rent periods granted to certain tenants at Park Tower, One Town Center and Sorrento Towers. As part of the acquisition of these properties, the sellers reimbursed the Group for free rent under existing lease arrangements and free rent reimbursements are applied towards distributable income during these free rent periods.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2021

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Group			
At 1 January 2021	891,622	16,170	907,792
Net income for the period	–	38,852	38,852
Net increase in net assets resulting from operations	891,622	55,022	946,644
Unitholders' transactions			
Manager's base fee paid/payable in Units	2,892	–	2,892
Distribution to Unitholders	(10,895)	(25,282)	(36,177)
Net decrease in net assets resulting from Unitholders' transactions	(8,003)	(25,282)	(33,285)
At 30 June 2021	883,619	29,740	913,359
Net income for the period	–	29,336	29,336
Unitholders' transactions			
Issue of new units for private placement ⁽¹⁾	80,000	–	80,000
Issue costs ⁽²⁾	(1,628)	–	(1,628)
Issue of new units for Distribution Reinvestment Plan ⁽³⁾	3,062	–	3,062
Manager's base fee paid and payable in Units	3,281	–	3,281
Distribution to Unitholders	(12,853)	(23,473)	(36,326)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	71,862	(23,473)	48,389
At 31 December 2021	955,481	35,603	991,084

⁽¹⁾ 98,766,000 Units were issued on 6 July 2021 for Private Placement to raise US\$80.0 million of proceeds for the acquisition of One Town Center and Sorrento Towers.

⁽²⁾ The issue costs relate mainly to the underwriting and professional fees for the Private Placement.

⁽³⁾ 3,679,911 new Units were issued on 20 August 2021 at the issue price of US\$0.832 per Unit for the cumulative distribution for the period from 1 January 2021 to 5 July 2021.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2021

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Group			
At 1 January 2020	791,606	33,704	825,310
Net income for the period	–	12,048	12,048
Net increase in net assets resulting from operations	791,606	45,752	837,358
Unitholders' transactions			
Issue of new units for private placement ⁽¹⁾	120,000	–	120,000
Manager's base fee paid/payable in Units	2,929	–	2,929
Issue costs ⁽²⁾	(2,502)	–	(2,502)
Distribution to Unitholders	(19,518)	(18,500)	(38,018)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	100,909	(18,500)	82,409
At 30 June 2020	892,515	27,252	919,767
Net income for the period	–	11,161	11,161
Unitholders' transactions			
Issue costs	273	–	273
Manager's base fee paid and payable in Units	3,577	–	3,577
Distribution to Unitholders	(4,743)	(22,243)	(26,986)
Net decrease in net assets resulting from Unitholders' transactions	(893)	(22,243)	(23,136)
At 31 December 2020	891,622	16,170	907,792

(1) 125,392,000 Units were issued on 21 February 2020 for Private Placement to raise US\$120.0 million of proceeds for the acquisition of Park Tower.

(2) The issue costs relate mainly to the underwriting and professional fees for the Private Placement.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2021

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Trust			
At 1 January 2021	891,622	14,953	906,575
Net income for the period	–	22,877	22,877
Net increase in net assets resulting from operations	891,622	37,830	929,452
Unitholders' transactions			
Manager's base fee paid/payable in Units	2,892	–	2,892
Distribution to Unitholders	(10,895)	(25,282)	(36,177)
Net decrease in net assets resulting from Unitholders' transactions	(8,003)	(25,282)	(33,285)
At 30 June 2021	883,619	12,548	896,167
Net income for the period	–	20,248	20,248
Unitholders' transactions			
Issue of new units for private placement ⁽¹⁾	80,000	–	80,000
Issue costs ⁽²⁾	(1,628)	–	(1,628)
Issue of new units for Distribution Reinvestment Plan ⁽³⁾	3,062	–	3,062
Manager's base fee paid and payable in Units	3,281	–	3,281
Distribution to Unitholders	(12,853)	(23,473)	(36,326)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	71,862	(23,473)	48,389
At 31 December 2021	955,481	9,323	964,804

⁽¹⁾ 98,766,000 Units were issued on 6 July 2021 for Private Placement to raise US\$80.0 million of proceeds for the acquisition of One Town Center and Sorrento Towers.

⁽²⁾ The issue costs relate mainly to the underwriting and professional fees for the Private Placement.

⁽³⁾ 3,679,911 new Units were issued on 20 August 2021 at the issue price of US\$0.832 per Unit for the cumulative distribution for the period from 1 January 2021 to 5 July 2021.

Prime US REIT and its subsidiaries

Condensed Statements of Changes in Unitholders' Funds
For the 6 months and full year ended 31 December 2021

	Attributable to Unitholders		
	Units in issue and to be issued US\$'000	Retained earnings US\$'000	Total US\$'000
Trust			
At 1 January 2020	791,606	33,704	825,310
Net income for the period	–	12,048	12,048
Net increase in net assets resulting from operations	791,606	45,752	837,358
Unitholders' transactions			
Issue of new units for private placement ⁽¹⁾	120,000	–	120,000
Manager's base fee paid/payable in Units	2,929	–	2,929
Issue costs ⁽²⁾	(2,502)	–	(2,502)
Distribution to Unitholders	(19,518)	(18,500)	(38,018)
Net increase/(decrease) in net assets resulting from Unitholders' transactions	100,909	(18,500)	82,409
At 30 June 2020	892,515	27,252	919,767
Net income for the period	–	11,161	11,161
Unitholders' transactions			
Reversal of issuance costs	273	–	273
Manager's base fee paid and payable in Units	3,577	–	3,577
Distribution to Unitholders	(4,743)	(22,243)	(26,986)
Net decrease in net assets resulting from Unitholders' transactions	(893)	(22,243)	(23,136)
At 31 December 2020	891,622	16,170	907,792

⁽¹⁾ 125,392,000 Units were issued on 21 February 2020 for Private Placement to raise US\$120.0 million of proceeds for the acquisition of Park Tower.

⁽²⁾ The issue costs relate mainly to the underwriting and professional fees for the Private Placement.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Condensed Consolidated Statement of Cash Flows
For the 6 months and full year ended 31 December 2021

	Note	Group			
		1 Jul 2021 to 31 Dec 2021	1 Jul 2020 to 31 Dec 2021	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
		US\$'000	US\$'000	US\$'000	US\$'000
Operating activities					
Net income before tax		30,120	9,179	72,897	25,239
Adjustments for:					
Property related non-cash items		(1,666)	(2,797)	(3,524)	(6,139)
Manager's fee paid/payable in Units		3,280	3,577	6,171	6,506
Impairment loss on trade receivables		151	220	384	445
Net fair value change in derivatives		(7,637)	(2,681)	(16,147)	16,356
Foreign exchange losses/(gains)		9	(77)	38	(72)
Finance expenses		9,451	7,165	16,986	14,871
Finance income		(4)	-	(4)	(3)
Fair value change in investment properties		17,199	28,935	17,199	28,935
Operating cash flow before working capital changes		50,903	43,521	94,000	86,138
Changes in working capital					
Trade and other receivables		(621)	2,242	(586)	344
Prepaid expenses		(103)	(525)	(70)	(384)
Trade and other payables		(983)	(1,575)	765	966
Amounts due to related parties		172	13	34	(148)
Rental security deposits		(1,233)	1,499	(1,255)	1,543
Rent received in advance		2,700	(781)	2,836	1,433
Cash flow from operations		50,835	44,394	95,724	89,892
Taxes paid		(13)	(39)	(39)	(39)
Net cash generated from operating activities		50,822	44,355	95,685	89,853
Cash flows from investing activities					
Acquisition of investment properties and related assets and liabilities	(a)	(238,715)	-	(238,715)	(161,768)
Deposits paid for future acquisitions of investment properties		7,000	-	-	-
Settlement of liabilities in relation to the acquisition of investment properties		(5,506)	(1,917)	(5,552)	(2,422)
Payment for capital expenditure relating to investment properties		(7,797)	(6,608)	(16,097)	(11,737)
Interest received		4	-	4	3
Net cash used in investing activities		(245,014)	(8,525)	(260,360)	(175,924)

Prime US REIT and its subsidiaries

Condensed Consolidated Statement of Cash Flows (cont'd)
For the 6 months and full year ended 31 December 2021

	Note	Group			
		1 Jul 2021 to 31 Dec 2021	1 Jul 2020 to 31 Dec 2021	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
		US\$'000	US\$'000	US\$'000	US\$'000
Cash flows from financing activities					
Distribution to Unitholders		(33,262)	(26,986)	(69,439)	(65,004)
Proceeds from issuance of Units	(b)	80,000	–	80,000	120,000
(Payment)/Reversal for transaction costs relating to issuance of Units		(1,445)	273	(1,445)	(2,230)
Dividends on preferred shares		(8)	(8)	(16)	(16)
Proceeds from loans and borrowings		221,575	45,000	355,575	150,500
Payment of transaction costs related to loans and borrowings		(1,480)	(25)	(1,910)	(606)
Repayment of loans and borrowings		(93,000)	(44,000)	(206,596)	(103,500)
Interest paid on loans and borrowings		(8,167)	(6,562)	(15,025)	(13,565)
Transaction costs related to preferred shares		–	–	–	(1)
Net cash generated from/(used in) financing activities		164,213	(32,308)	141,144	85,578
Net (decrease)/increase in cash and cash equivalents		(29,979)	3,522	(23,531)	(493)
Cash and cash equivalents at the beginning of the period		43,860	33,843	37,442	37,862
Effect of exchange rate fluctuations on cash held in foreign currency		(8)	77	(38)	73
Cash and cash equivalents at end of the period		13,873	37,442	13,873	37,442

(a) Acquisition of investment properties and related assets and liabilities

	Group	
	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
	US\$'000	US\$'000
Agreed purchase consideration for investment properties	245,500	165,500
Acquisition costs	3,025	1,880
Capital expenditure and leasing costs under seller's responsibility	(2,505)	(4,180)
Net cash consideration for investment properties	246,020	163,200
Accrued expenses and other payables	(6,215)	(1,061)
Rental security deposits	(1,090)	(371)
Acquisition of investment properties and related assets and liabilities	238,715	161,768

Prime US REIT and its subsidiaries

Condensed Consolidated Statement of Cash Flows (cont'd) For the 6 months and full year ended 31 December 2021

(b) Proceeds from issuance of Units

An aggregate of 98,766,000 Units were issued at US\$0.81 per unit for gross proceeds of US\$80.0 million pursuant to a private placement completed on 6 July 2021.

The proceeds from the issuance of Units and loan facilities were used for the following:

	Group	
	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
	US\$'000	US\$'000
Acquisitions of properties ⁽¹⁾	246,020	163,200
Transaction costs ⁽²⁾	2,867	2,658
Total costs	248,887	165,858

⁽¹⁾ Actual cash consideration was net of sellers' portion of capital and leasing costs and includes acquisition costs.

⁽²⁾ Transaction costs include expenses incurred to the issuance of Units and bank borrowings.

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Consolidated Portfolio Statement
As at 31 December 2021

Description of property	Location	Tenure of land	Fair value as at 31 December 2021 US\$'000	Percentage of total net assets as at 31 December 2021 %	Fair value as at 31 December 2020	Percentage of total net assets as at 31 December 2020
Tower 1 at Emeryville	San Francisco Bay Area (Oakland)	Freehold	115,000	11.6	115,700	12.7
222 Main	Salt Lake City	Freehold	228,000	23.0	224,000	24.7
Village Center Station I	Denver	Freehold	81,000	8.0	86,400	9.5
Village Center Station II	Denver	Freehold	156,000	15.7	155,100	17.1
101 South Hanley	St. Louis	Freehold	79,300	8.0	80,000	8.8
Tower 909	Dallas	Freehold	81,600	8.2	80,900	8.9
Promenade I & II	San Antonio	Freehold	74,900	7.6	71,000	7.8
CrossPoint	Philadelphia	Freehold	102,000	10.3	99,000	10.9
One Washingtonian Center	Washington D.C. Area (Suburban Maryland)	Freehold	92,500	9.3	102,000	11.2
Reston Square	Washington D.C. Area (Suburban Virginia)	Freehold	35,100	3.5	46,900	5.2
171 17th Street	Atlanta	Freehold	200,000	20.2	180,700	19.9
Park Tower	Sacramento	Freehold	157,600	15.9	163,500	18.0
One Town Center	Boca Raton	Freehold	101,000	10.2	-	-
Sorrento Towers	San Diego	Freehold	149,000	15.0	-	-
Total investment properties			1,653,000	166.5	1,405,200	154.7
Other assets and liabilities (net)			(661,916)	(66.5)	(497,408)	(54.7)
Net assets			991,084	100.0	907,792	100.0

The accompanying notes form an integral part of the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

1. General

Prime US REIT (the “Trust”) is a Singapore real estate investment trust constituted pursuant to the trust deed (the “Trust Deed”) dated 7 September 2018 (as amended and restated) between KBS US Prime Property Management Pte. Ltd. (the “Manager”) and DBS Trustee Limited (the “Trustee”). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the “Group”.

KBS Asia Partners Pte. Ltd. is the sponsor (the “Sponsor”) of the Trust.

The Trust was inactive from the date of its constitution to 19 July 2019 (the “Listing Date”). The Trust was admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 19 July 2019.

The registered office and principal place of business of the Manager is located at 1 Raffles Place, #40-01 One Raffles Place, Singapore 048616.

The principal activity of the Trust is investment holding. The principal activities of the Trust’s subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The Group’s key objectives are to provide sustainable distribution and strong total returns for Unitholders.

2. Basis of preparation

2.1 Statement of compliance

The condensed financial statements for the six months and full year ended 31 December 2021 have been prepared in accordance with IAS 34 – *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”), and the applicable requirements of the Code on Collective Investment Schemes (the “CIS Code”) issued by the Monetary Authority of Singapore (“MAS”) and the provisions of the Trust Deed.

The condensed financial statements do not include all the information required for a 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 (“IFRS”), except for the adoption of new and amended standards as set out in Note 2.3 which are not expected to have a material impact on the financial statements.

The condensed financial statements are presented in United States dollars (“US\$”), which is the functional currency of the Trust. All financial information presented in United States dollars has been rounded to the nearest thousand (US\$’000), unless otherwise stated.

Notwithstanding the net current liability position, based on the Group’s existing financial resources, the Group believes that it will be able to refinance its borrowings and meet its current obligations as and when they fall due.

2. Basis of preparation (cont'd)

2.2 Significant accounting judgements and estimates

The preparation of the Group's condensed consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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

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.

Judgements made in applying accounting policies

There are no critical judgments made in applying accounting policies that have the most significant effect on the amounts recognised in the condensed consolidated financial statements.

Key sources of estimation uncertainty

The key assumption concerning the future and other key sources of estimation uncertainty at the end of the reporting period are described as follows:

Valuation of investment properties

The Group carries its investment properties at fair value with changes in fair values being recognised in profit or loss. The fair values of investment properties are determined based on assumptions and estimates on parameters including inputs from independent real estate valuation experts where available using recognised valuation techniques. These techniques include the Discounted Cash Flow Method, Income Capitalisation Method and Direct Comparison Method. The key assumptions used to determine the fair value of these investment properties are provided in Note 5.

Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

2. Basis of preparation (cont'd)

2.3 New and amended standards adopted by the Group

A number of amendments to standards have become applicable for the current reporting period. The adoption of those standards does not have any material impact on the Group's financial statements.

New standards issued but not yet effective

The Group has not adopted the following standards which are applicable to the Group that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to IAS 37: <i>Cost of Fulfilling a Contract</i>	1 January 2022
Annual Improvements to IFRS Standards 2018-2021	1 January 2022
Amendments to IAS 1: <i>Classification of Liabilities as Current or Non-Current</i>	1 January 2023
Amendments to IAS 8: Definition of Accounting Estimates	1 January 2023

The adoption of the standards above will have no material impact on the financial statements in the year of initial application.

3. Seasonal operations

The Group's businesses are 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 revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group's investment properties are primarily commercial office properties and are located in the United States. Therefore, the directors consider that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in the condensed consolidated financial statements.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

5. Investment properties

	Group	
	30 December 2021	31 December 2020
	US\$'000	US\$'000
Condensed Statements of Financial Position		
At 1 January	1,405,200	1,254,700
Acquisitions (including acquisition costs) ⁽¹⁾	246,020	163,200
Capital expenditure (including leasing commissions and incentives) ⁽²⁾	14,330	9,474
Fair value changes in investment properties	(12,550)	(22,174)
As at year end	1,653,000	1,405,200
Condensed Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(12,550)	(22,174)
Net effect of straight-lining	(4,649)	(6,761)
Net fair value change recognised in the Statement of Comprehensive Income	(17,199)	(28,935)

⁽¹⁾ Includes acquisition fees of US\$2,451,000 (2020: US\$1,650,000) paid to Manager as disclosed in Note 15.

⁽²⁾ Includes net lease commissions of US\$3,877,000 (2020: US\$1,592,000) and lease incentives amortisation of US\$605,000 (2020: US\$167,000)

Valuation of investment properties

Investment properties are stated at fair value, which has been determined based on valuations performed as at 31 December 2021. The valuations were performed by JLL Valuation & Advisory Services, LLC an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

5. Investment properties (cont'd)

Valuation of investment properties (cont'd)

The following table shows the Group's valuation techniques used in measuring the fair value of investment properties, as well as the key unobservable inputs used as at 31 December 2021:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurements
Discounted cash flow method	<ul style="list-style-type: none">Discount rate of 6.50% to 8.50% (2020: 6.25% to 8.50%)Terminal capitalisation rate of 5.75% to 8.00% (2020: 5.75% to 7.75%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Income capitalisation method	<ul style="list-style-type: none">Capitalisation rate of 5.25% to 7.50% (2020: 4.25% to 7.50%)	Higher capitalisation rate would result in a lower fair value, while lower rate would result in a higher fair value.
Direct comparison method	<ul style="list-style-type: none">Price per square foot of US\$208 to US\$533 (2020: US\$213 to US\$560)	Higher price per square foot would result in a higher fair value, while lower rate would result in a lower fair value.

The Group carries its investment properties at fair value with changes in fair value being recognised in profit or loss, determined annually by independent professional valuers based on open market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The independent professional valuers have considered valuation techniques including direct comparison method, capitalisation approach and discounted cash flows in arriving at the open market value as at the reporting date. These valuation methods involve certain estimates. The Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of the current market conditions.

The fair value of the Group's investment properties is determined based on significant unobservable inputs and is categorised under Level 3 of the fair value measurement hierarchy based on the inputs to the valuation techniques used.

Property pledged as security

Three investment properties with carrying value of US\$478,000,000 (one property in 2020: US\$224,000,000) are mortgaged to secure loans (Note 6).

Prime US REIT and its subsidiaries

**Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021**

5. Investment properties (cont'd)

Fair value of investment properties held by the Group:

<u>Property</u>	<u>Description and Location</u>	<u>Tenure</u>	31 December 2021 US\$'000	31 December 2020 US\$'000
Tower I at Emeryville	12-storey Class A office building located in Emeryville, California	Freehold	115,000	115,700
222 Main	21-storey Class A office building located in Salt Lake City, Utah	Freehold	228,000	224,000
Village Center Station I	9-storey Class A office building located in Greenwood Village, Colorado	Freehold	81,000	86,400
Village Center Station II	12-storey Class A office building located in Greenwood Village, Colorado	Freehold	156,000	155,100
101 South Hanley	19-storey Class A office building located in St. Louis, Missouri	Freehold	79,300	80,000
Tower 909	19-storey Class A office building located in Irving, Texas	Freehold	81,600	80,900
Promenade I & II	Two 4-storey Class A office buildings located in San Antonio, Texas	Freehold	74,900	71,000
CrossPoint	4-storey Class A office building located in Wayne, Pennsylvania	Freehold	102,000	99,000
One Washingtonian Center	14-storey Class A office building located in Gaithersburg, Maryland	Freehold	92,500	102,000
Reston Square	7-storey Class A office building located in Reston, Virginia	Freehold	35,100	46,900
171 17th Street	21-storey Class A office building located in Atlanta, Georgia	Freehold	200,000	180,700
Park Tower	24-storey Class A office building located in Sacramento, California.	Freehold	157,600	163,500
One Town Center	10-storey Class A office building located in Boca Raton, Florida.	Freehold	101,000	-
Sorrento Towers	7-storey Class A office building located in San Diego, California.	Freehold	149,000	-
			1,653,000	1,405,200

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

6. Loans and borrowings

	Nominal interest rate	Maturity	Group	
			31 December 2021 US\$'000	31 December 2020 US\$'000
Non-current	% per annum			
Revolving credit facility ⁽¹⁾	LIBOR + 1.30%	July 2022 ⁽⁵⁾	14,000	59,596
Four-year term loan facility ⁽²⁾	LIBOR + 1.15%	July 2023 ⁽⁴⁾	200,000	160,000
Five-year term loan facility ⁽²⁾	LIBOR + 1.15%	July 2024	200,000	160,000
Three-year term loan facility ⁽³⁾⁽⁶⁾	LIBOR + 1.65%	July 2024	44,675	–
Three-year term loan facility ⁽³⁾⁽⁷⁾	LIBOR + 1.65%	July 2024	69,900	–
Ten-year term loan facility ⁽⁸⁾	4.11%	August 2029	105,000	105,000
			633,575	484,596
Less: Unamortised transaction costs			(4,602)	(4,244)
Total loans and borrowings			628,973	480,352

(1) The total amount available under this facility as of 31 December 2021 is US\$200.0 million (31 Dec 2020: US\$150.0 million).

(2) The borrower is Prime US-Lower Tier, LLC, which has pledged its equity interest in each of the property-owning entities (apart from the entities owning the 222 Main property, One Town Center and Sorrento Towers).

(3) The facility has two one-year extension options.

(4) The facility has a one-year extension option.

(5) The facility has two one-year extension options. The Group has the discretion to roll over the facility upon meeting certain conditions. Management has assessed that they are able to meet these conditions and planned to exercise its extension option for a year upon its maturity in July 2022. Accordingly, the Group continues to disclose this as non-current liability.

(6) The borrower is Prime US-One Town Center, and the facility is secured by the One Town Center property.

(7) The borrower is Prime US-Sorrento Tower and the facility is secured by the Sorrento Towers property.

(8) The borrower is Prime US-222 Main, LLC, and the facility is secured by the 222 Main property.

As at 31 December 2021, the Group had total gross loans and borrowings of US\$633.6 million (2020: US\$484.6 million) and US\$231.0 million (2020: US\$90.4 million) unutilised under the revolving credit facilities to meet its future obligations.

The interest rate on certain term loans aggregating US\$444.6 million in total (2020: US\$330.0 million) have been hedged using floating-to-fixed interest rate swaps and the ten-year term loan has a fixed interest rate. The weighted average interest rate (including amortisation of upfront debt-related transaction costs and commitment fees) on loans and borrowings from 1 January 2021 to 31 December 2021 was 2.96% (2020: 3.21%) per annum (taking into account the interest rate swaps). Aggregate leverage, as defined in the Property Funds Appendix, as at 31 December 2021 was 37.9% (2020: 33.5%). Interest coverage ratio for the year ended 31 December 2021 was 5.4 times (2020: 5.8 times).

Prime US REIT and its subsidiaries

**Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021**

7. Units in issue and to be issued

	Group and Trust			
	2021		2020	
	No. of Units '000	US\$'000	No. of Units '000	US\$'000
Units in issue				
As at beginning of year	1,057,791	889,513	925,004	790,268
Issue of new Units:				
- Private placement	98,766	80,000	125,392	120,000
- Units issued pursuant to Distribution Reinvestment Plan	3,680	3,062	–	–
- Management base fees paid in Units	7,175	6,015	7,395	5,735
- Performance fees paid in Units	780	622	–	–
- Issue costs	–	(1,628)	–	(2,229)
- Distribution to Unitholders	–	(23,748)	–	(24,261)
As at end of year	1,168,192	953,836	1,057,791	889,513
Units to be issued				
Management fee payable in Units	1,999	1,645	1,866	1,487
Performance fee payable in Units	–	–	780	622
Total Units in issue and to be issued as at end of year	1,170,191	955,481	1,060,437	891,622

The Trust did not hold any Units in treasury as at 31 December 2021 and 31 December 2020. There are no sales, transfers disposals, cancellation and/or use of treasury Units.

The Trust's subsidiaries do not hold any Units in the Trust as at 31 December 2021 and 31 December 2020.

Distribution Reinvestment Plan ("DRP")

On 21 June 2021, PRIME established a DRP. Consequently, for the cumulative distribution on 20 August 2021, 3,679,911 new Units had been issued at the issue price of US\$0.832 per Unit for the period from 1 January 2021 to 5 July 2021.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

7. Units in issue and to be issued (cont'd)

Base fee

Pursuant to the Trust Deed, the Manager is entitled to a base fee at the rate of 10.0% per annum of the Trust's annual distributable income (calculated before accounting for the base fee and performance fee, if any). The base fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 80.0% (2020: 80.0%) of its base fee in the form of Units for the year ended 31 December 2021.

Performance fee

Pursuant to the Trust Deed, the Manager is entitled to a performance fee equal to the rate of 25.0% of the difference in Distribution Per Unit ("DPU") in a financial year with the DPU in the preceding financial year (calculated before accounting for performance fee but after accounting for the base fee in each financial year) multiplied by the weighted average number of Units in issue for such financial year. The performance fee is payable if the DPU in any financial year exceeds the DPU in the preceding financial year, notwithstanding that the DPU in the financial year where the performance fee is payable may be less than the DPU in any preceding financial year.

The performance fee is payable in the form of cash and/or Units as the Manager may elect, in such proportions as may be determined by the Manager.

The Manager has elected to receive 100.0% of its performance fee in the form of Units for the year ended 31 December 2020.

8. Net asset value per Unit

	Group		Trust	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
Net asset value per Unit (US\$)	0.85	0.86	0.82	0.85
Net asset value per Unit is based on:				
- Net assets (US\$'000)	991,084	907,792	964,804	906,575
- Total Units in issue and to be issued at year end ('000)	1,170,191	1,060,437	1,170,191	1,060,437

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

9. Gross revenue

	Group			
	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jul 2020 to 31 Dec 2020 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000	1 Jan 2020 to 31 Dec 2020 US\$'000
Rental income	63,770	59,692	123,134	117,532
Recoveries income	12,096	9,369	21,601	18,675
Other operating income	8,806	3,299	12,006	7,350
Gross revenue	84,672	72,360	156,741	143,557

Recoveries income includes, amongst others, charges to tenants for recovery of certain operating costs and real estate taxes and is estimated in accordance with the individual tenant leases.

Other operating income includes parking income and lease termination income.

10. Property operating expenses

	Group			
	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jul 2020 to 31 Dec 2020 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000	1 Jan 2020 to 31 Dec 2020 US\$'000
Utilities	3,937	3,173	6,930	6,037
Repair and maintenance expenses	3,748	3,342	7,199	6,211
Property management fees	3,247	2,780	6,050	5,596
Property taxes	11,072	9,300	20,868	18,450
Other property operating expenses	8,310	6,226	14,996	12,274
Property operating expenses	30,314	24,821	56,043	48,568

Other property operating expenses comprise mainly of janitorial, security, insurance, and lot and landscaping costs.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

11. Finance expenses

	Group			
	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jul 2020 to 31 Dec 2020 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000	1 Jan 2020 to 31 Dec 2020 US\$'000
Interest expense on loans and borrowings	8,292	6,401	15,095	13,452
Amortisation of upfront debt-related transaction costs	972	577	1,552	1,133
Commitment fees	179	179	313	269
Dividends on preferred shares	8	8	26	17
Finance expenses	9,451	7,165	16,986	14,871

Upfront debt-related transaction costs are amortised over the tenure of the borrowings.

12. Other trust expenses

Included in other trust expenses are the following:

	Group			
	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jul 2020 to 31 Dec 2020 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000	1 Jan 2020 to 31 Dec 2020 US\$'000
Audit fees and non audit fees paid/payable to auditors of the Group	187	276	565	514
Tax compliance fees	189	69	381	347
Valuation fees	123	22	123	101
Investor relations and processing expenses				
Other expenses ⁽¹⁾	526	160	791	464
Other trust expenses	1,025	527	1,860	1,426

⁽¹⁾ Other expenses include legal fees, investor relations and miscellaneous expenses.

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

13. Tax 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 consolidated statement of comprehensive income are:

	Group			
	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jul 2020 to 31 Dec 2020 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000	1 Jan 2020 to 31 Dec 2020 US\$'000
Current tax expense				
- Current period/year	13	40	39	40
Deferred tax expense				
Movement in temporary differences	771	(2,022)	4,670	1,990
Total tax expenses/(credit)	784	(1,982)	4,709	2,030

14. Consolidated Earnings per Unit ("EPU") and Distribution per Unit ("DPU")

	Group			
	1 Jul 2021 to 31 Dec 2021	1 Jul 2020 to 31 Dec 2020	1 Jan 2021 to 31 Dec 2021	1 Jan 2020 to 31 Dec 2020
EPU				
Net income for the period (US\$'000)	29,336	11,161	68,188	23,209
Weighted average number of Units in issue and to be issued ⁽¹⁾	1,162,501,891	1,055,820,377	1,111,620,167	1,036,322,175
Basic and diluted EPU (US cents) ⁽²⁾	2.52	1.06	6.13	2.24
DPU				
Income available for distribution to Unitholders (US\$'000)	40,176	36,200	75,601	72,078
Number of Units in issue at the end of the period ⁽³⁾	1,168,192,083	1,057,790,830	1,168,192,083	1,057,790,830
DPU (US cents)	3.45	3.42	6.78	6.94

(1) Based on the weighted average number of Units in issue during the period and the Units to be issued as part payment of the Manager's base fee incurred for the period from 1 October 2021 to 31 December 2021.

(2) Diluted EPU is equivalent to basic EPU as there were no dilutive instruments in issue during the period.

(3) Number of Units in issue as at 31 December 2021 and 31 December 2020

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

15. Significant related party transactions

In the normal course of its business, the Group carried out transactions with related parties on terms agreed between the parties. During the year, in addition to those disclosed elsewhere in the condensed consolidated financial statements, the following significant related party transactions took place at terms agreed between the parties:

	Group			
	1 Jul 2021 to 31 Dec 2021 US\$'000	1 Jul 2020 to 31 Dec 2020 US\$'000	1 Jan 2021 to 31 Dec 2021 US\$'000	1 Jan 2020 to 31 Dec 2020 US\$'000
Manager's base fees paid/payable	4,099	3,694	7,714	7,355
Manager's performance fee paid	–	622	–	622
Manager's acquisition fees paid	2,451	–	2,451	1,650
Reimbursement to the Manager	110	59	194	550
Reimbursement to a related party	200	29	205	113
Trustee fees paid/payable	105	98	193	188

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

16. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3: Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are 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.

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 31 December 2021 US\$'000			
	Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
– recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	–	–	1,653,000	1,653,000
Total non-financial assets	–	–	1,653,000	1,653,000
Financial assets				
Derivative assets				
- <i>Interest rate swaps</i>	–	1,580	–	1,580
Total financial assets	–	1,580	–	1,580
Liabilities measured at fair value - recurring				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swaps</i>	–	8,908	–	8,908
Total financial liabilities	–	8,908	–	8,908

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

16. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Group 31 December 2020 US\$'000			
	Fair value measured at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
- recurring				
Non-financial assets				
Investment properties				
- <i>Commercial</i>	-	-	1,405,200	1,405,200
Total non-financial assets	-	-	1,405,200	1,405,200
Liabilities measured at fair value - recurring				
Financial liabilities				
Derivative liabilities				
- <i>Interest rate swaps</i>	-	23,476	-	23,476
Total financial liabilities	-	23,476	-	23,476

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

17. Financial assets and financial liabilities

(a) Classification and fair value

Set out below is an overview of the financial assets and financial liabilities of the Group as at 31 December 2021 and 31 December 2020:

Group	Carrying amount			Total carrying amount US\$'000
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Economic hedging instruments at fair value through profit or loss US\$'000	
31 December 2021				
Financial assets not measured at fair value				
Cash and cash equivalents	13,873	–	–	13,873
Trade and other receivables ⁽¹⁾	1,257	–	–	1,257
	15,130	–	–	15,130
Financial assets measured at fair value				
Derivative assets	–	–	1,580	1,580
	–	–	1,580	1,580
Financial liabilities not measured at fair value				
Trade and other payables	–	15,903	–	15,903
Amounts due to related parties	–	361	–	361
Rental security deposits	–	4,320	–	4,320
Loans and borrowings	–	628,973	–	628,973
Preferred shares	–	125	–	125
	–	649,682	–	649,682
Financial liabilities measured at fair value				
Derivative liabilities	–	–	8,908	8,908
	–	–	8,908	8,908

⁽¹⁾ Excludes GST Receivables

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

17. Financial assets and financial liabilities (cont'd)

(a) Classification and fair value (cont'd)

Group	Carrying amount			Total carrying amount US\$'000
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Economic hedging instruments at fair value through profit or loss US\$'000	
31 December 2020				
Financial assets not measured at fair value				
Cash and cash equivalents	37,442	–	–	37,442
Trade and other receivable ⁽¹⁾	1,438	–	–	1,438
	38,880	–	–	38,880
Financial liabilities not measured at fair value				
Trade and other payables	–	14,540	–	14,540
Amounts due to related parties	–	328	–	328
Rental security deposits	–	4,485	–	4,485
Loans and borrowings	–	480,352	–	480,352
Preferred shares	–	125	–	125
	–	499,830	–	499,830
Financial liabilities measured at fair value				
Derivative liabilities	–	–	23,476	23,476
	–	–	23,476	23,476

⁽¹⁾ Excludes GST Receivables

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements
For the 6 months and full year ended 31 December 2021

17. Financial assets and financial liabilities (cont'd)

(a) Classification and fair values (cont'd)

	Carrying amount		
	Financial assets at amortised cost US\$'000	Financial liabilities carried at amortised cost US\$'000	Total carrying amount US\$'000
Trust			
31 December 2021			
Financial assets not measured at fair value			
Cash and cash equivalents	1,571	–	1,571
	1,571	–	1,571
Financial liabilities not measured at fair value			
Trade and other payables	–	868	868
Amounts due to related parties	–	361	361
	–	1,229	1,229
31 December 2020			
Financial assets not measured at fair value			
Cash and cash equivalents	2,246	–	2,246
Amounts due from subsidiaries	24,860	–	24,860
	27,106	–	27,106
Financial liabilities not measured at fair value			
Trade and other payables	–	385	385
Amounts due to related parties	–	328	328
	–	713	713

Prime US REIT and its subsidiaries

Notes to the Condensed Consolidated Financial Statements For the 6 months and full year ended 31 December 2021

18. Financial ratios

	Group	
	31 December 2021 %	31 December 2020 %
Ratio of expenses to weighted average net assets ⁽¹⁾		
- Including performance component of the Manager's management fees	0.99	1.06
- Excluding performance component of the Manager's management fees	0.99	0.99
Portfolio turnover rate ⁽²⁾	—	—

(1) The annualised ratio is computed in accordance with guidelines of the Investment Management Association of Singapore ("IMAS"). The expenses used in the computation relate to expenses at the Group level, excluding property related expenses, finance expenses, net foreign exchange differences and income tax expense. The Group did not incur any performance fee for 31 December 2021.

(2) The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of weighted average net asset value in accordance with the formula stated in the CIS Code. There were no sales of properties for both years.

19. Subsequent events

Distribution

On 16 February 2022, the Manager announced a cumulative distribution per Unit of 3.36 US cents (comprising a tax-exempt income component of 2.07 US cents, and a capital component of 1.29 US cents) for the period from 6 July 2021 to 31 December 2021. This distribution will be paid on or around 31 March 2022.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

1. Review

The Condensed Consolidated Statements of Financial Position of Prime US REIT and its subsidiaries as at 31 December 2021 and the related Condensed Consolidated Statement of Comprehensive Income, Condensed Statements of Changes in Unitholders' Funds and Condensed Consolidated Statement of Cash Flows for the six-month period and full year ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Review of 2H2021 vs 2H2020

Gross revenue of US\$84.7 million was 17.0% or US\$12.3 million higher in 2H2021 largely due to contributions from the acquisition of One Town Center and Sorrento Tower which were acquired in July 2021.

Property operating expenses of US\$30.3 million was 22.1% or US\$5.5 million higher in 2H2021 largely due to contribution from One Town Center and Sorrento Tower.

Net property income of US\$54.4 million was 14.3% or US\$6.8 million higher in 2H2021 largely due to increase in gross revenue from the acquisition of One Town Center and Sorrento Tower, offset by property operating expenses increasing by a larger extent relative to gross revenue.

Manager's base fee of US\$4.1 million was 11.0% or US\$0.4 million higher in 2H2021 is in line with higher income available for distribution to Unitholders. The Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).

Net fair value change in derivatives resulted in a gain of US\$7.6 million which was 184.9% or US\$5.0 million higher in 2H2021. This is primarily due to projected further increase in market interest rates as at 31 December 2021, resulting in a gain from the mark-to-market of these swaps.

Finance expenses of US\$9.5 million was higher by 31.9% or US\$2.3 million in 2H2021 primarily due to the two new loans related to the acquisition of One Town Center and Sorrento Towers.

Net fair value change in investment properties resulted in a loss of US\$17.2 million which was 40.6% lower when compared to 2H2020. This is largely driven by fair value losses on One Washingtonian Center, Reston Square, Village Center I, and Park Tower offset by gains on 171 17th Street.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

2. Review of performance of the Group (cont'd)

Review of FY2021 vs FY2020

Gross revenue of US\$156.7 million was 9.2% or US\$13.1 million higher in 2021 largely due to contributions from the acquisition of One Town Center and Sorrento Tower which were acquired in July 2021.

Property operating expenses of US\$56.0 million was 15.4% or US\$7.5 million higher in 2021 largely due to contribution from One Town Center and Sorrento Tower and increase in property taxes for Village Center II.

Net property income of US\$100.7 million was 6% or US\$5.7 million higher in 2021 largely due to increase in gross revenue from the acquisition of One Town Center and Sorrento Tower, offset by property expenses increasing by a larger extent relative to gross revenue.

Manager's base fee of US\$7.7 million was 4.9% or US\$0.4 million higher in 2021 is in line with higher income available for distribution to Unitholders. The Manager's base fee is 10.0% of income available for distribution to Unitholders (calculated before accounting for the Manager's base fee).

Net fair value change in derivatives resulted in a gain of US\$16.1 million in 2021 (compared to a loss of US\$16.3 million in the prior period). This is primarily due to projected further increase in market interest rates as at 31 December 2021, resulting in a gain from the mark-to-market of these swaps.

Finance expenses of US\$17.0 million was higher by 14.2% or US\$2.1 million in 2021 primarily due to the two new loans related to the acquisition of One Town Center and Sorrento Towers.

Net fair value change in investment properties resulted in a loss of US\$17.2 million which was 40.6% lower when compared to FY2020. This is largely driven by fair value losses on One Washingtonian Center, Reston Square, Village Center I, and Park Tower offset by gains on 171 17th Street.

Tax expense of US\$4.7 million was US\$2.6 million higher in 2021. This is primarily due to widening of taxable temporary difference between book value and tax base of investment properties.

Overall, income available for distribution to Unitholders of US\$75.6 million was 4.9% or US\$3.5 million higher in 2021.

3. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Manager has not disclosed any financial forecast for the current period.

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

With the pandemic continuing to be a constraint to a full recovery, 2021 was characterized by a series of fits and starts as the Delta and Omicron variants disrupted return-to-office plans. However, it is important to note that the U.S. economy is continuing its recovery. Employers are hiring as evidenced by more than 6.1 million new jobs created over the past year, with office-using workers continuing to make up a significant share of this growth¹. Given widespread vaccine availability, the development of new therapeutic treatments, and business and leisure travel trending toward pre-COVID levels, optimism is growing for continued recovery in 2022. With 156.9 million square feet of gross leasing in 2021, the U.S. has seen a 14.6% year over year increase². Confidence in leasing has also increased, with average lease terms up to 7.8 years – a 5.4% increase².

Flight to quality continues to remain an important criterion for tenants in the market for new space. Buildings delivered since 2015 are now recording more than 51 million square feet of occupancy gains since Q2 2020 compared to just under 200 million square feet of outflows in older, second-generation product. This is highlighted by 12.7 million square feet of new office space that was delivered in Q4, bringing the 2021 total to 55.4 million square feet of newly delivered space². The abundance of new construction has the dual impact of pushing vacancy rates up while also helping to maintain asking rents, as new office space typically commands higher rents than the rest of the market. Other signs of optimism are seen in sublease availability, which remained flat in Q4 2021 after increasing each quarter since the onset of the pandemic, as many tenants are considering reoccupying the space they initially put on the sublease market².

The U.S. vacancy ended the year at 17.6%, compared to 15.5% a year ago¹. While vacancy rates remain high, the 35-bps increase quarter over quarter was the smallest change in vacancy since the pandemic began with the five previous quarters averaging a 77 bps increase¹. Tech continued to remain the dominant leasing driver, representing 21% of fourth quarter activity. Additionally, leases larger than 100,000 square feet grew significantly faster than the market as a whole, rising 46.6% over the quarter and representing 43.6% of activity².

With the economy accelerating, vaccination rates rising, and increased consumer activity, job growth is expected to continue in 2022. Return to office continues to be impacted by the most recent Omicron outbreak, and while many companies have avoided stating another return-to-work date, given the increase in leasing activity, it is expected that employees will be returning to the office as soon as feasible.

As of 31 December 2021, the portfolio occupancy of PRIME remained resilient at 90.3% with a WALE of 4.2 years, and approximately 99% of leases have rental escalations. PRIME's diversified portfolio is supported by its industry sector diversification, with favorable tenant exposure in the STEM/TAMI sectors. The portfolio's strong fundamentals bode well for PRIME's resiliency and continued success. The Manager maintains a proactive and prudent approach in its leasing and active asset management activities to maximize returns to Unitholders.

¹ Cushman & Wakefield Q4 2021 MarketBeat – US National Office

² JLL US Office Outlook Q4 2021

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

5. Distributions

(a) Current Financial Period reported on

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

(i) 5th distribution of US 3.36 cents for the period from 6 July 2021 to 31 December 2021

Distribution period : 5th Distribution for the period from 6 July 2021 to 31 December 2021

Distribution type/rate : Distribution of US 3.36 cents per Unit comprising of:
a. Tax-exempt income: US 2.07 cents per Unit
b. Capital: US 1.29 cents per Unit

Tax rate : Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.

Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of PRIME Units, the amount of capital distribution will be applied to reduce the cost base of PRIME Units for Singapore income tax purpose.

Unitholders who do not submit required U.S. tax forms completely and accurately by Friday, 11 March 2022 will be subject to 30% withholding taxes on the distribution.

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Yes.

(i) 3rd Distribution of US 3.42 cents for the period from 1 July 2020 to 31 December 2020

Distribution period : 3rd Distribution for the period from 1 July 2020 to 31 December 2020

Distribution type/rate : a. Tax-exempt income: US 2.39 cents per Unit
b. Capital: US 1.03 cents per Unit

Tax rate : Capital distribution represents a return of capital to Unitholders for Singapore income tax purpose and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of PRIME Units, the amount of capital distribution will be applied to reduce the cost base of PRIME Units for Singapore income tax purpose.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

5. **Distributions (cont'd)**

(c) Book closure date

5th Distribution – 24 February 2022

(d) Date paid/payable

5th Distribution – 31 March 2022

6. **Distribution Statement**

Other than disclosed in Paragraph 5, no other distribution has been declared/recommended.

7. **Segmental Information**

Segment revenue and results for operating 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.

Not applicable. The Group operates within a single business segment and within a single geographical segment in the U.S

8. **Material changes in contribution by operating segments**

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

Please refer to Paragraph 2 above for the review of performance

9. **General Mandate relating to Interested person transactions**

The Group has not obtained a general mandate from Unitholders for Interested Person Transactions.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

10. Breakdown of revenue

	FY2021 US'000	FY2020 US'000	Change %
First half year			
Gross Revenue	72,069	71,197	1.2
Net Property Income	46,340	47,450	(2.3)
Second Half Year			
Gross Revenue	84,672	72,360	17.0
Net Property Income	54,358	47,539	14.3

11. Breakdown of Annual Total Distribution

	FY2021 US'000	FY2020 US'000
19 July 2019 to 31 December 2019 (paid)	-	29,138
1 January 2020 to 20 February 2020 (paid)	-	8,880
21 February 2020 to 30 June 2020 (paid)	-	26,986
1 July 2020 to 31 December 2020 (paid)	36,177	-
1 January 2021 to 5 July 2021 (paid)	36,326	-
6 July 2021 to 31 December 2021 (to be paid)	39,276	-
	111,779	65,004

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

The Manager confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

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

Pursuant to Rule Pursuant to Rule 704(13) of the Listing Manual, the Manager confirms that there is no person occupying a managerial position in the Manager who is a relative of a director, chief executive officer, substantial shareholder of the Manager or substantial unitholder of PRIME.

**On behalf of the Board
KBS US Prime Property Management Pte. Ltd.
(Company Registration Number: 201825461R)
As Manager of Prime US REIT**

**Mr. Charles J. Schreiber Jr.
Chairman**

**Professor Annie Koh
Director**

16 February 2022

Prime US REIT and its subsidiaries

Other Information required by Listing Rule Appendix 7.2

This announcement may contain forward-looking statements that involve assumptions, risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, governmental and public policy changes, and the continued availability of financing in the amounts and terms necessary to support future business.

Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on the current view of management on future events. The value of units in Prime US REIT (the "Units") and the income derived from them may fall as well as rise. Units are not obligations of, deposits in, or guaranteed by, the Manager, DBS Trustee Limited (as trustee of Prime US REIT) or any of their affiliates.

An investment in Units is subject to investment risks, including the possible loss of the principal amount invested. Holders of Units (the "Unitholder") have no right to request the Manager to redeem or purchase their Units while the Units are listed. It is intended that Unitholders may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "SGX-ST"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

This announcement is not to be distributed or circulated outside of Singapore. Any failure to comply with this restriction may constitute a violation of United State securities laws or the laws of any other jurisdiction.

The past performance of Prime US REIT is not necessarily indicative of its future performance

**By Order of the Board
KBS US Prime Property Management Pte. Ltd.
(Company Registration Number: 201825461R)
As Manager of Prime US REIT**

**Ngiam May Ling
Company Secretary
16 February 2022**