ELITE COMMERCIAL REIT

# Charting Growth Beyond Milestones

ANNUAL REPORT 2021

# Contents




## 2021 sets the foundation for future growth.

We have delivered on our promises and outperformed our mission to achieve positive outcomes and sustainable returns for stakeholders.

We built on our strengths and bolstered our foundations through strategic acquisition, proactive asset management and trailblazing in tax optimisation. Guided by our purpose of shaping lives through our business, we seek out like-minded partners in making a difference with a purpose-driven mindset as we embark on our sustainability journey.

As we celebrate the year, we continue to have our eyes on future growth.

City Hall, London (Southwark)

**Annual Report 2021 is available for viewing online and download at:**
https://investor.elitecreit.com/ar.html

# Corporate Profile

## The First UK-focused Singapore REIT

Nutwood House, Canterbury

Elite Commercial REIT (the "**REIT**") is a Singapore real estate investment trust established with the investment strategy of principally investing, directly or indirectly, in commercial assets and real estate-related assets in the United Kingdom ("**UK**"). Listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 6 February 2020, Elite Commercial REIT is the first and only UK-focused listed REIT in Singapore.

The REIT's portfolio ("**Portfolio**") comprises 155 predominantly freehold[1] quality commercial buildings located across the UK with an aggregate value of £500.1 million[2,3]. The Portfolio has a total net internal area of approximately 3.9 million square feet and a total site area of approximately 72 hectares. Of the total portfolio, 58 of the properties were acquired on 9 March 2021 during the REIT's maiden acquisition.

The Portfolio offers a stable cash flow with over 99.0% of the gross rental income derived from the AA-rated UK Government and a long weighted average lease expiry of 6.0 years[2]. All the leases are on full repairing and insuring[4] ("**FRI**") basis and a majority of them include rental escalations that is linked to the UK Consumer Price Index. The Portfolio is primarily occupied by the Department for Work and Pensions ("**DWP**"), the UK's largest public service department that is responsible for welfare, pensions and child maintenance for over 23 million claimants. DWP is a uniquely resilient occupier and the Portfolio is part of the crucial public infrastructure through which DWP provides services to the community.

The REIT's key objectives are to provide Unitholders with regular and stable distributions and to achieve long-term growth in distribution and net asset value per unit, while maintaining an appropriate capital structure through disciplined execution of its key strategies.

The REIT is managed by Elite Commercial REIT Management Pte. Ltd., which is owned by Elite Partners Holdings Pte. Ltd. (68.0%), Sunway RE Capital Pte. Ltd. (15.0%) and Jin Leng Investments Pte. Ltd. (17.0%).

1. *Of the 155 properties, 150 properties are freehold properties and 5 properties are on long leasehold tenures.*
2. *As at 31 December 2021.*
3. *Portfolio value is the fair value of investment properties (based on valuation report).*
4. *Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability.*

# At a Glance

**1st & Only**
UK-focused Singapore REIT

Over
**99%**
leased to the AA-rated UK Government

**58**
assets acquired in FY 2021

**97%**
freehold[1]

**100%**
portfolio occupancy rate[2]

See **pages 42 – 65** for more information on our assets.


**155**
Total Assets

No. of properties

| | |
|---|---|
| Scotland | 27 |
| North West | 26 |
| North East | 12 |
| Yorkshire & Humber | 11 |
| Wales | 20 |
| Midlands | 17 |
| South West | 12 |
| East | 8 |
| London | 10 |
| South East | 12 |

## Key Investment Merits

1 **Attractive & resilient yields through economic cycles**
Consistently achieved ~100% of rent collection in advance since listing, amid Brexit and UK pandemic lockdowns

2 **Geographically diversified**
A network of assets across the UK covering strategic regional cities

3 **Crucial public infrastructure**
Primarily occupied by the Department for Work and Pensions

4 **Centrally located assets**
Primarily in town centres, close to transportation nodes & amenities

5 **Future growth potential**
Acquisition pipelines, asset enhancement & redevelopment potential

## Elite Commercial REIT Sponsors

| Elite Partners Holdings Pte. Ltd. | Ho Lee Group Pte. Ltd. | Sunway RE Capital Pte. Ltd. |
|---|---|---|
| Elite Partners Holdings | Ho Lee Group | SUNWAY |

1. *Of the 155 properties, 150 properties are freehold properties and 5 properties are on long leasehold tenures.*
2. *As at 31 December 2021.*

# Key Financial Highlights

**Gross Revenue[1,2]** (£'000)

34,731

+65.7% y-o-y over FY 2020[3] 20,963

+49.2% IPO Projection[4] 23,274

**Net Property Income[1]** (£'000)

33,727

+65.5% y-o-y over FY 2020[3] 20,375

+48.9% IPO Projection[4] 22,654

**Portfolio Value[5]** (£'000)

500,103

As at 31 December 2021

**Amount Generated for Distribution[1]** (£'000)

24,525

+65.2% y-o-y over FY 2020[3] 14,843

+49.4% IPO Projection[4] 16,416

**Distribution per Unit[1]** (pence)

5.43

+22.3% y-o-y over FY 2020[3] 4.44

+11.3% IPO Projection[4] 4.88

**Net Asset Value per Unit** (£)

0.61

**Total Assets** (£'000)

533,364

**Gross Borrowings** (£'000)

225,600

**Aggregate Leverage Ratio[6]** (%)

42.4

**Interest Coverage Ratio[7]** (times)

6.0

**Weighted Average Debt Maturity** (years)

2.1

**Fixed Interest Rate Exposure** (%)

63.2

1. *Based on actual results for the financial period from 1 January 2021 to 31 December 2021.*
2. *The portfolio of 58 properties acquired on 9 March 2021 contributes approximately £11.4 million to the topline revenue for FY 2021.*
3. *Actual FY 2020 refers to the financial period from 6 February 2020 (Listing Date) to 31 December 2020.*
4. *IPO projection for FY 2021 refers to the profit projection for the financial period from 1 January 2021 to 31 December 2021.*
5. *Portfolio value is the fair value of investment properties (based on valuation report).*
6. *The Aggregate Leverage Ratio is computed by dividing Gross Borrowings by Total Assets net of the carrying amount of lease liabilities of £1.2 million.*
7. *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 amortisation (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.*

## DISTRIBUTION GROWTH

Consistently outperformed IPO projections for

**8 consecutive quarters**

## POSITIVE LEASE RE-GEARING

Lease stability and income visibility for

**83.1%**

of the portfolio by GRI[1] for the next six years through the removal of lease break options

## SOUND STEWARDSHIP

5th Governance Index for Trusts 2021

**Joint 6th**

out of 45 REITs and Business Trusts, in its debut on the list

## WIN-WIN PARTNERSHIP

**1st**

Sustainability Collaboration with UK Government's DWP

1. *Based on annualised gross rental income for the financial year ended 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

Investing for

# Lasting Impact

"We have delivered on our promises and built incredible momentum this year, surpassing our projections on the financial forecast, acquisition milestones, as well as accolades within the industry."

**David Lim Teck Leong**
Chairman

# Chairman and CEO's Letter to Unitholders

## Delivering Promises Enhancing Value

*From left:*

**David Lim Teck Leong**
Chairman and Independent Non-Executive Director

**Shaldine Wang**
Chief Executive Officer

# Elite Commercial REIT was placed joint 6th out of 45 REITs and Business Trusts in its debut on the 5th Governance Index for Trusts in 2021.

### Dear Unitholders,

On behalf of the Board of Directors of Elite Commercial REIT Management Pte. Ltd, we are pleased to present Elite Commercial REIT's annual report for the financial year ended 31 December 2021 ("**FY 2021**").

Amidst a backdrop of uncertainty underpinned by global economic, political and societal challenges, Elite Commercial REIT delivered a set of strong results in FY 2021. We had a productive year, with three significant events namely maiden acquisition, lease re-gearing and sustainability collaboration.

### Maiden Acquisition Delivers Value to Unitholders

We completed our maiden acquisition of 58 quality UK commercial properties during the year. With the acquisition, we increased our portfolio valuation by 60.3% from £311.9 million as at 31 December 2020 to £500.1 million as at 31 December 2021.

The acquisition has also facilitated the diversification of our occupier and tenant base towards other UK Government occupiers beyond Department for Work and Pensions ("**DWP**") to account for 10.4% of total gross rental income. This has deepened the REIT's exposure to UK sovereign credit and enhanced the income generation ability of our portfolio. Following the acquisition, we have added seven new government-affiliated occupiers — the Ministry of Defence, HM Revenue & Customs, National Records of Scotland, HM Courts and Tribunals Service, National Resources Wales, Home Office and Environment Agency.

We closed the year with a total revenue of £34.7 million, compared to £21.0 million in FY 2020[1]. The improved performance was primarily due to contributions from our maiden acquisition which amounted to £11.4 million, or 32.8% of total FY 2021 revenue.

In line with the higher revenue, amount generated for distribution to Unitholders was £24.5 million in FY 2021, compared to £14.8 million in FY 2020[1]. As a result, FY 2021 distribution per unit ("**DPU**") was 5.43 pence, compared to 4.44 pence in FY 2020[1].

### Re-gearing Our Portfolio for Enhanced Stability and Visibility

We announced on 28 February 2022 and 11 March 2022, the outcome of a lease re-gearing exercise where we removed lease break options occurring in March 2023 from 108 of the 117 DWP-occupied assets. This translates to 83.1% of the total portfolio gross rental income[2] with a stable lease profile until March 2028 without any lease break options. This outcome optimised the REIT's lease profile and minimised both risk and uncertainty to achieve enhanced lease stability and income visibility for the REIT over the next six years.

Moreover, we will continue to benefit from the existing built-in inflation-linked rental escalation clause, presenting potential upside which will start in April 2023. A majority of our leases have rental uplift based on the UK Consumer Price Index, 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.

We have begun reviewing value creation for those assets where the lease breaks have been exercised. The options for value creation include re-letting to new tenants as a commercial space, conversion into other uses, redevelopment potential or disposal in the open market.

1. *FY 2020 refers to the financial period from 6 February 2020 (Listing Date) to 31 December 2020.*
2. *Based on annualised gross rental income for the financial year ended 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Chairman and CEO's Letter to Unitholders

We have secured a new five-year lease for East Street, Epsom, which incorporates a rental uplift of approximately 11% to start in April 2023 and a break option at year three. We also secured a rent review for Units 1-2 Dallas Court, Salford which allowed us to realise approximately 7% uplift in the rent. These favourable outcomes are a result of the strong tenant-landlord relationships, allowing us to find mutually beneficial results in the interests of both parties.

With the lease re-gearing completed, the Manager will now focus on initiatives to address lease expiry concentrations in 2028.

### Sustainability Collaboration

Notwithstanding having full repairing and insuring[3] lease terms, we have entered into a sustainability collaboration agreement with the UK's Secretary of State for Levelling Up, Housing and Communities to contribute a total of £14.67 million over the next three years towards upgrading the energy efficiency of buildings occupied by DWP. This will ultimately benefit the Energy Performance Certificate ("**EPC**") of the affected properties.

This sustainability collaboration is part of our proactive strategy to integrate sustainability considerations into our overall business strategy, and is a strong validation of our resolve to achieve net zero carbon emissions by 2050[4].

In 2021, we formed a Sustainability Committee to integrate sustainability into our business strategy, and a Sustainability Working Team ("**SWT**") to implement the strategy across our business. In line with the strategy, we are pleased to report the achievement of the SWT in securing the sustainability collaboration with the DWP.

Our inaugural Sustainability Report is published in this year's annual report from page 78 to 105. Our Sustainability Report details the REIT's materiality assessment, stakeholder engagement and an assessment of climate risks and opportunities in an increasingly sustainability-focused environment.

Our climate reporting is aligned with the Monetary Authority of Singapore's Environmental Risk Management guidelines, and follows the TCFD (Task Force on Climate-related Financial Disclosures) recommendations. The Sustainability Report has been prepared using the Global Reporting Initiative's GRI Standards and SASB (Sustainability Accounting Standards Board) Real Estate Standards, and aligns with the UN SDGs (United Nations Sustainable Development Goals).

### Optimising Our Tax Structure

Other notable achievements that demonstrate our focus on delivering value include the successful technical listing of Elite UK Commercial Holdings Limited ("**ECHL**") on The International Stock Exchange ("**TISE**") in August 2021. This has qualified ECHL as a UK REIT group, allowing it to reap several tax-saving benefits and further improve its distributable income. ECHL is wholly owned by Elite Commercial REIT.

Through this development, we are exempt from UK corporation tax, which currently stands at 19% and is legislated to rise to 25% from 1 April 2023. Instead, we are only required to pay 15% withholding tax on dividends[5] remitted from UK back to Singapore. Furthermore, for future acquisitions of property investment company holding UK properties, any unrealised gains on the properties (and the corresponding deferred tax liabilities) will also be eliminated on acquisition. This is another validation of the REIT management's abilities and adds to our track record of creating long-term value for Unitholders.

### Corporate Governance and Stewardship

On the governance front, we have formed two Board committees – a Strategic Planning Committee ("**SPC**") and a Sustainability Committee ("**SC**"). The SPC has been established to support the Board of Directors with its oversight responsibilities in two key areas: First is to evaluate and conceptualise major strategic initiatives including mergers and acquisitions or disposals, investments and management of property portfolio and asset enhancement initiatives; and second is to recommend proposals to the Board to drive long-term value creation. The SPC also provides direction and guidance to the Manager on strategic planning and matters of strategic implementation.

We also added a new Independent Non-Executive Director, Mr Yezdi Phiroze Chinoy, to the Board of the REIT Manager in July 2021. He brings expertise in the areas of finance, investments, operations, compliance and Board stewardship.

In recognition of our high standards of corporate governance and risk management, Elite Commercial REIT

3. *Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability.*
4. *Gov.UK, HM Government, Net Zero Strategy: Build Back Greener, October 2021.*
5. *Pursuant to the Double Taxation Treaty between the UK and Singapore, a withholding tax of 15% is applicable on the distribution of UK property income and exempt gains from ECHL to Elite Commercial REIT.*

In recognition of our timely disclosures and high standards of communication with unitholders, Elite Commercial REIT was bestowed several awards during the year.

was placed joint 6th out of 45 REITs and Business Trusts in its debut on the 5th Governance Index for Trusts in 2021. In addition, we joined the top 15% of SGX-listed companies in the SGX Fast Track Programme, which recognises listed companies with high standards of corporate governance and an exemplary compliance track record.

### Commitment to Investor Relations

We established a dividend reinvestment plan ("**DRP**") in June 2021 to allow Unitholders to participate in the future growth of the REIT in a convenient and cost-effective manner. The issue of new units in lieu of cash distributions under the DRP will strengthen Elite Commercial REIT's balance sheet, enhance working capital reserves, and improve the liquidity of our units.

In recognition of our timely disclosures and high standards of communication with unitholders, Elite Commercial REIT was bestowed several awards during the year. Our inaugural Annual Report 2020 won a Bronze under the REIT: Commercial / Industrial / Office category at the global ARC Awards 2021, and was commended by a global panel of judges for its creativity, clarity and effectiveness.

Elite Commercial REIT was accorded a Certificate for Excellence in Investor Relations at the IR Magazine Awards – South East Asia 2021 as our inaugural Annual Report 2020 was shortlisted as a finalist in the Best Annual Report (Small Cap) category, together with several leading listed companies from the South East Asia region.

### Looking Ahead

Uncertainties continue from the COVID-19 pandemic, supply chain disruption and the deepening of Russia-Ukraine crisis at the end of February 2022. We continue to monitor the developments of the Russia-Ukraine crisis and the consequences of the economic sanctions imposed, which continue to present significant uncertainty to the global markets. Increased demand in the international gas market has led to higher energy prices, which results in inflationary pressure in the UK[6]. In addition, as Russia and Ukraine are important producers of staples such as wheat, food prices are expected to increase and weigh on consumers and businesses in the UK in the near term.

However, on a positive note, our properties are mainly let to the AA-credit rated UK Government with a long weighted average lease expiry ("**WALE**") of 6.0 years as at 31 December 2021. We have access to a portfolio of quality assets through a right of first refusal option extended by our Sponsors, and will explore potential third-party acquisitions as well as undeveloped land banking opportunities in the portfolio for organic growth. Our proactive approach to capital management has ensured that Elite Commercial REIT remains well-capitalised, backed by a prudent capital structure, with adequate working capital to meet its ongoing obligations with no refinancing requirements in FY 2022.

### Acknowledgements

We would like to thank our Board of Directors for their vision, stewardship and invaluable advice in FY 2021. To our Unitholders, Sponsors, tenants, occupiers, lenders, capital and business partners, thank you for your unwavering trust and support.

Last but not least, we would like to thank our employees for their passion, commitment and invaluable contributions over the past year.

We look forward to your continued support as we deliver another year of exciting growth in FY 2022.

**David Lim Teck Leong**
Chairman and Independent
Non-Executive Director

**Shaldine Wang**
Chief Executive Officer

6. *UK Parliament, House of Commons Library, Insight: Economic update: Ukraine crisis adds to inflationary pressures, 28 February 2022.*

# Board of Directors

## David Lim Teck Leong

Chairman and Independent Non-Executive Director
Chairman of Sustainability Committee
Member of Audit and Risk Committee
Member of Nominating and Remuneration Committee

Mr David Lim Teck Leong is the Chairman and Independent Non-Executive Director of the Manager.

Mr Lim is the founder and Managing Partner of David Lim & Partners LLP and has been the Managing Partner since 1990.

Mr Lim began his career at Rodyk & Davidson (now known as Dentons Rodyk & Davidson LLP) in 1982 with a focus in commercial litigation, corporate finance, restructuring, and mergers and acquisitions up till 1989. He has represented multiple multi-national corporations and corporations from a myriad of sectors including finance and banking, fund management, private equity, oil and gas, logistics, healthcare, construction, information technology and telecommunications, property development, hospitality and shipping.

Mr Lim sits on the board of G.K. Goh Holdings Limited listed on the SGX-ST, as an Independent and Non-Executive Director.

Mr Lim is the Chairman of Allium Healthcare Pte. Ltd., a subsidiary of G.K. Goh Holdings Limited. He also sits on the boards of private companies in Singapore, Indonesia and Thailand in non-executive and independent capacities. He was also the Chairman and Non-Executive Director of Croesus Retail Asset Management Pte. Ltd. from 2012 to 2017.

Mr Lim is an honorary legal advisor (for David Lim & Partners LLP) of the Singapore Physiotherapy Association and a Fellow of the Singapore Institute of Directors. He was also appointed by the Monetary Authority of Singapore to be a Member of the Corporate Governance Council (2017 – 2018).

Mr Lim graduated from King's College London with a Bachelor of Laws and obtained his professional qualification as a Barrister-at-Law from Gray's Inn, London in 1981.

## Tan Huay Lim

Independent Non-Executive Director
Chairman of Audit and Risk Committee

Mr Tan Huay Lim is the Independent Non-Executive Director and the Chairman of the Audit and Risk Committee of the Manager.

Mr Tan has over 30 years of experience in audit, accounting and finance. He served as a partner at KPMG Singapore for 23 years until his retirement in September 2015.

Mr Tan has extensive experience in auditing companies in a wide range of industries. He was a Banking Partner involved in the audit of financial institutions and was involved in a number of initial public offerings as well as merger and acquisition transactions during his tenure with KPMG. Mr Tan was the Singapore Head of KPMG Global China Practice from September 2010 to September 2015.

Mr Tan is currently an Independent Non-Executive Director of three other companies listed on the main board of the Singapore Exchange, namely Zheneng Jinjiang Environment Holding Company Limited; Dasin Retail Trust Management Pte. Ltd., the manager of Dasin Retail Trust; and Sheng Siong Group Ltd. Mr Tan is also an Independent Non-Executive Director of two companies listed on the main board of the Hong Kong Stock Exchange, Linklogis Inc. and SF REIT Asset Management Limited, the manager of SF Real Estate Investment Trust.

Mr Tan received his Bachelor's degree in Commerce (Accountancy) from Nanyang University, Singapore in 1978. He is a Fellow Member of the Institute of Singapore Chartered Accountants, the Association of Certified Accountants (United Kingdom), and the Certified Practising Accountants (Australia).

## Koo Tsai Kee

Independent Non-Executive Director
Chairman of Nominating and Remuneration Committee
Member of Audit and Risk Committee

Mr Koo Tsai Kee is the Independent Non-Executive Director of the Manager.

Mr Koo is currently the Advisory Director of Temasek International Advisors Pte. Ltd.. He joined Temasek International Pte. Ltd. in 2011 as a Managing Director, specialising in strategic relations, and subsequently moved to Temasek International Advisors Pte. Ltd. in 2016.

He is also a Non-Executive Director of Temasek Foundation, Temasek Foundation IPC and Temasek Foundation Cares.

Before joining Temasek, Mr Koo served in various Ministries of the Singapore Government with his last appointment as the Minister of State for Defence. From 1997 to 2011, he held various appointments within the Singapore Government, including Senior Parliamentary Secretary and Parliamentary Secretary in the Ministries of Finance, National Development, Defence, and Environment and Water Resources. In addition, he was a Member of the Parliament from 1991 to 2011. From 1993 to 1997, he was with National Trades Union Congress as Assistant Secretary General, responsible for Industrial Relations.

From 1983 to 1993, Mr Koo was an academic staff at the Nanyang Technological University and from 1979 to 1982, he was a Surveyor with the Public Works Department, Roads Division (the Department has been absorbed into the Land Transport Authority).

Mr Koo graduated from University of New South Wales, Australia, with a Bachelor of Surveying (Hons). He also holds a Master of Science (Dist) from University College London, UK and a Master of Philosophy from University of London, UK.

# Board of Directors

## Nicholas David Ashmore

Independent Non-Executive Director

Major General (Retired) Nicholas David Ashmore is the Independent Non-Executive Director of the Manager.

Major General (Retired) Ashmore is currently the Executive Director of Ratho Consulting Ltd., a consultancy company he founded in 2018, which specialises in providing management consultancy services in the business strategy, defence, and property and infrastructure sectors. From 2017 to 2018, he was an Operations Director with Carillion Plc, where he was responsible for facilities management contracts with the UK Government.

Major General (Retired) Ashmore served in the British Army for more than 30 years, joining in 1984 and leaving in 2017 with the rank of Major General. He served at Regimental Duty with the Royal Regiment of Artillery, including on operations around the world, and also served in the UK's Ministry of Defence, where he specialised in defence resources and plans, property and infrastructure, and human resources.

Major General (Retired) Ashmore holds a Bachelor of Arts (Hons) Degree in History and English from Northumbria University, UK.

## Yezdi Phiroze Chinoy

Independent Non-Executive Director
Member of Sustainability Committee

Mr Yezdi Phiroze Chinoy is the Independent Non-Executive Director of the Manager.

Mr Chinoy is a financial services professional with over three decades of experience in multiple roles and responsibilities spanning the banking and financial services industry in various geographies.

Mr Chinoy was previously with Assicurazioni Generali S.p.A, one of the largest global insurance and asset management groups, as its Regional Chief Investment Officer for Asia. In his role, Mr Chinoy oversaw investment strategies and was responsible for optimising investment performance of Generali's insurance operations in Asia. Mr Chinoy was also the Chief Executive Officer of Generali Investments Asia Ltd., a role he held concurrently between 2014 and 2018. Besides that, Mr Chinoy also provided leadership as a director on the Board of Directors of several Generali Group Companies and Joint Ventures in China, Hong Kong and Singapore.

Mr Chinoy has spent several years with other global financial institutions in Corporate Legal and Compliance roles covering multiple jurisdictions.

Mr Chinoy holds a Bachelor of Commerce and a Bachelor of Laws, both from the University of Mumbai. Mr Chinoy is a Member of The Institute of Company Secretaries of India and of the Institute of Chartered Secretaries and Administrators, United Kingdom (now known as The Chartered Governance Institute UK & Ireland). He also holds several other qualifications in financial services including as a Certified Anti-Money Laundering Specialist ("**CAMS**"), International Compliance Association ("**ICA**") and a Financial Industry Certified Professional ("**FICP**").

## Tan Hai Peng Micheal

Non-Independent Non-Executive Director
Chairman of Strategic Planning Committee
Member of Nominating and Remuneration Committee

Mr Tan Hai Peng Micheal is the Non-Independent Non-Executive Director of the Manager.

Mr Tan is currently the Executive Chairman of Elite Partners Capital Pte. Ltd. ("**EPC**"), where he provides leadership in forging strategic business relationships and broadening business outreach, as well as offering advice and guidance to the senior management. He is also an Executive Director of Ho Lee Group Pte. Ltd. and is responsible for the general and strategic management of the group.

Mr Tan has extensive experience in management and business development. He served as the Executive Chairman of the SGX-ST-listed LH Group Limited (formerly Liang Huat Aluminium Limited) from 2010 to 2017. He also served as the Non-Executive Director of Viva Industrial Trust Management Pte. Ltd. (the manager of SGX-ST-listed Viva Industrial Trust which has since merged with ESR-REIT).

From 1993 to 1995, Mr Tan was a Liner Executive at Neptune Orient Lines Limited, covering shipments between India and North America.

In addition, Mr Tan was conferred The Public Administration Medal (Bronze) (Military) in 2020 and The Commendation Medal (Military) in 2013 by the Singapore Government.

Mr Tan is also the Chairman of Sembawang Community Club Management Committee and he was conferred The Public Service Star and The Public Service Medal in 2017 and 2011 respectively, for his contributions to the community.

Mr Tan graduated from the Florida Institute of Technology, United States, with a Bachelor of Science in Computer Engineering (Hons) and holds a Master of Business Administration (for Senior Executives) from the National University of Singapore.

## Victor Song Chern Chean

Non-Independent Non-Executive Director
Member of Strategic Planning Committee

Mr Victor Song Chern Chean is the Non-Independent Non-Executive Director of the Manager.

Mr Song is one of the founding shareholders of Elite Partners Holdings Pte. Ltd. ("**EPH**") and the Managing Director of EPC. He is responsible for the latter's management and operations, investment strategies of the various funds under management, as well as investment activities, capital markets, asset management and build-to-suit project management. He is one of the founding members of Elite Commercial REIT, the second REIT he was involved in setting up.

Prior to the establishment of EPC, Mr Song was one of the founding members of Viva Industrial Trust ("**VIT**") which has since merged with ESR-REIT, where he also held the positions of Head of Asset Management and Investment Director of VIT's manager, Viva Industrial Trust Management Pte. Ltd. He was responsible for the business plans and operations of the properties, as well as the formulation and evaluation of acquisition and divestment opportunities. During his tenure at VIT's manager, VIT's total assets under management grew steadily to more than S$1 billion.

Earlier in his career, Mr Song was part of the investment team at SGX-ST-listed Cambridge Industrial Trust (currently known as ESR-REIT), where he was responsible for formulating investment strategies and the execution of investment transactions. In addition, he was a consultant providing management and advisory services to real estate-related contracts, as well as the Operation and Marketing Manager at Lyman Group, where he was responsible for operations and lease management.

Mr Song has over 17 years of experience across the entire real estate investment value chain in leasing, asset management and advisory, build-to-suit activities, acquisitions, investment and divestment.

Mr Song graduated from the Royal Melbourne Institute of Technology with a Bachelor of Business (Business Administration). He has also obtained a Certificate of Real Estate Valuation from the International Management Academy and a Certificate of Real Estate Investment Finance from the Asia Pacific Real Estate Association.

# Board of Directors

## Tan Dah Ching

Non-Independent Non-Executive Director

Mr Tan Dah Ching is the Non-Independent Non-Executive Director of the Manager.

Mr Tan is currently the Executive Director for EPC, where he manages the capital markets and fundraising functions. He is also the Non-Executive Independent Director of TSH Corporation Limited, a food and beverage company listed on the SGX Catalist.

Mr Tan has over 17 years of experience in corporate finance. Prior to joining EPC, he was managing his own portfolio of investments.

From 2008 to 2013, he was a Business Development Manager at Swissco Holdings Limited, where he oversaw the corporate finance activities. Prior to that, he was an Investment Manager at Kim Seng Holdings Pte. Ltd. from 2006 to 2008 and an Associate at Genesis Capital Pte. Ltd. from 2003 to 2006, where he was involved in initial public offerings and financial advisory.

Mr Tan holds a Bachelor of Engineering (Chemical Engineering) from the National University of Singapore.

## Evan Cheah Yean Shin

Non-Independent Non-Executive Director

Mr Evan Cheah Yean Shin is an Non-Independent Non-Executive Director of the Manager.

Mr Cheah is currently the Group Chief Executive Officer (“**CEO**”) for Digital and Strategic Investments at Sunway Group, a leading Malaysian conglomerate with multi-industry interests in property development, property investment, construction, healthcare, leisure and hospitality, retail mall management, fund management, building materials & industrial distribution and manufacturing.

Mr Cheah has more than 10 years of experience in general management, investments and technology across various businesses within Sunway Group.

Prior to his current role, he was the CEO of Sunway Group’s China operations responsible for its China Corporate Office. Concurrently, he was the Executive Vice President – President’s Office driving new business growth and synergies for Sunway Group.

Mr Cheah sits on the board of Sunway Construction Berhad, a company listed on the Main Market of Bursa Malaysia Securities Berhad, as a non-independent non-executive director. He currently also sits on the boards of various private operating companies including as Chairman of the Board for Credit Bureau Malaysia Sdn. Bhd., Sunway Money Sdn. Bhd., Multicare Health Pharmacy Sdn. Bhd. and Tianjin Eco-City Sunway Property Development Co. Ltd.

Mr Cheah graduated with a Bachelor’s Degree in Commerce and a Bachelor’s Degree in Business Systems from Monash University in 2001. He is a Chartered Financial Analyst (“**CFA**”) Charterholder, a Fellow of Certified Practising Accountants (“**CPA**”) Australia, and a Member of Malaysian Institute of Accountants.

## Tan Kok Heng

Alternate Director to Evan Cheah Yean Shin
Member of Sustainability Committee
Member of Strategic Planning Committee

Dr Tan Kok Heng is the alternate director to Mr Evan Cheah Yean Shin.

Dr Tan Kok Heng is currently the Chief Executive Officer of Sunway RE Capital Pte. Ltd., the real estate investment management arm of Sunway Berhad.

At Sunway, Dr Tan oversees the real estate fund management business, whose responsibilities include deal origination and fund raising, with emphasis in setting up listed and unlisted funds, with the objective of building its overseas property business as well as growing its recurring income.

Prior to joining Sunway, Dr Tan was the CEO of Fund Management Business and Head of Property Investment of Sime Darby Property Berhad ("**SDPB**"). He was instrumental in setting up several private real estate and development funds for SDPB, as well as being involved in numerous joint ventures.

Before his appointment at SDPB, he also held various executive appointments, with Colliers International (Singapore) Pte. Ltd. and CapitaLand Limited.

Dr Tan graduated from the National University of Singapore with a Bachelor of Science (Hons) in Estate Management. He also holds a Graduate Diploma in Financial Management from the Singapore Institute of Management, Master of International Business from the Curtin University of Technology, Australia and Doctorate (Transdisciplinary Studies) from Central Queensland University, Australia. He is also a member of the Singapore Institute of Directors ("**SID**") and is a committee member of the Nomination and Remuneration Chapter in SID.

# Management Team

## Shaldine Wang

Chief Executive Officer

Ms Shaldine Wang is the Chief Executive Officer of the Manager.

Ms Wang has over 25 years of experience in corporate finance, financial management and investments. Prior to her present appointment, she was the Portfolio Director of Elite UK Commercial Fund.

Prior to that, Ms Wang was the Head of Projects at Sime Darby Real Estate Management Pte. Ltd., where she was responsible for investment and development opportunities for the Sime Darby Property private fund. Before that, she was the Group Finance Director of China Huarong Energy Company Limited, a shipbuilding, energy exploration and production and offshore engineering company listed on the Hong Kong Stock Exchange, where she was in charge of the finance-related activities of the Exploration & Production and Offshore & Marine business units.

Ms Wang was the Chief Financial Officer of PST Management Pte. Ltd., the trustee-manager of SGX-ST-listed Pacific Shipping Trust, which was sponsored by Pacific International Lines Pte. Ltd.. Before that, Ms Wang had served as the Head of Investment at Cambridge Industrial Trust Management Limited, the manager of SGX-ST-listed Cambridge Industrial Trust (now known as ESR-REIT) where she was responsible for portfolio investment, divestment and built-to-suit activities.

Ms Wang holds a Bachelor of Science in Biological Science from the University of Guelph, Canada and a Master of Arts in International Financial Analysis from the University of Newcastle Upon Tyne, UK.

## Joel Cheah

Chief Financial Officer

Mr Joel Cheah is the Chief Financial Officer of the Manager.

Mr Cheah is responsible for the overall financial, treasury, tax and risk management matters of the REIT, as well as working with the management team to formulate strategic plans for the REIT in accordance with the Manager's stated investment strategy.

In recognition of his outstanding stewardship over taxation matters, the Manager was named the winner for Excellence in Tax Management and Optimisation under the Operational Excellence Award category at the FutureCFO Excellence Awards 2022.

Mr Cheah has over 14 years of experience in the areas of finance, capital markets, treasury and strategic planning. Prior to his current role, he was the Finance Director of Elite UK Commercial Fund.

Prior to that, Mr Cheah was the Senior Vice President of Finance for the Manager of a SGX-ST-listed hospitality trust, where he was responsible for the oversight of the preparation of statutory accounts for reporting, managing tax affairs and treasury matters.

Mr Cheah also served as the Treasurer at Cambridge Industrial Trust Management, the manager of SGX-ST-listed Cambridge Industrial Trust (currently known as ESR-REIT), where he was responsible for treasury, capital markets and portfolio risk management. He was named Highly Commended Winner for Best Financing Solution at the Adam Smith Asia Awards 2015.

Mr Cheah started his career in strategic planning and investment research roles for various financial institutions.

Mr Cheah holds a Bachelor of Business from Nanyang Technological University, Singapore and a Master of Science (Real Estate) from National University of Singapore. He is also a Chartered Financial Analyst.

## Jonathan Edmunds

Chief Investment Officer

Mr Jonathan Edmunds is the Chief Investment Officer of the Manager.

Mr Edmunds has close to 20 years of experience in the real estate industry, focusing on real estate investment and management across various sectors globally. Previously, he was the Investment and Asset Management Director of Elite UK Commercial Fund.

Preceding that, Mr Edmunds was the Director of the Real Estate department of AEP Investment Management Pte. Ltd., where he was responsible for the strategic investment and transaction management for their UK, Australia and Singapore mandates. He was also a lead manager of Basil Property Trust and was responsible for investments, fund acquisitions and structuring.

Mr Edmunds had previously worked in the UK and Switzerland. He was the Vice President of the Real Estate department in Beaumont Partners where he was responsible for fund raising, acquisitions, structuring, reporting, and managing the Global Student Housing and Multi-Family investment strategy. He also completed the analysis, structuring and closing of acquisitions for the company's European and North American credit income strategies.

Prior to that, Mr Edmunds served as the Director of the Real Estate department of WW Advisors Ltd, managing a US$250 million equity mandate to acquire income-producing assets in the UK and Europe. He originated and managed the acquisition of a portfolio of assets as well as structured and arranged the debt capital, implemented interest rate hedges and managed asset performance for the portfolio.

Earlier in his career, Mr Edmunds was an associate at Lazard, a Corporate Finance Advisory firm in the UK. He started off as an Associate of Deutsche Bank AG's Real Estate Debt Markets department.

Mr Edmunds graduated from University of the West of England with a BA (Hons) Business Studies. He also holds a Master of Arts in Property Valuation and Law from The City University in London, UK.

## Chai Hung Yin

Assistant Vice President, Investor Relations

Ms Chai Hung Yin is the Assistant Vice President of Investor Relations for the Manager.

Ms Chai is responsible for facilitating communications and liaison with unitholders, potential investors, analysts and the media. She formulates and drives investor engagement initiatives for the REIT, and provides strategic counsel and insights to senior management on investor sentiments and market conditions.

Ms Chai has over 17 years of experience in investor relations, corporate communications and journalism. Prior to joining the Manager, she spent close to four years with YTL Starhill Global REIT Management Limited, the manager of Starhill Global Real Estate Investment Trust, as the Assistant Vice President of Investor Relations and Corporate Communications. During her tenure there, Ms Chai played a key role in external and internal communications as well as the process of developing the sustainability reporting framework for the REIT.

Prior to that, Ms Chai was a journalist with various newspapers, including the national financial broadsheet - The Business Times Singapore. During the 13 years working in the media industry, Ms Chai wrote for a public audience in various beats, from macroeconomic news to corporate, business, regional, social and health, catering key messages to different market segments.

Ms Chai holds a Bachelor of Applied Science in Food Science and Technology from the National University of Singapore. Ms Chai also obtained the International Certificate in Investor Relations, jointly provided by The Investor Relations Society of United Kingdom and the Investor Relations Professionals Association (Singapore).

# Delivering long-term value and driving sustainable growth

We believe in creating sustainable value, making a difference in the long-term, and impacting lives of our stakeholders in the following core aspects.

**ENVIRONMENT**

Achieve
## Net Zero 2050

Through collaboration with our tenants, we aim to achieve effective environmental risk management through reduction in greenhouse gas emissions as well as reduce water and energy usage in our properties.

**SOCIAL**

Caring for our
## People

We aim to provide a comfortable and convenient space for our stakeholders and invest in our human capital to drive the REIT's long-term growth.

**GOVERNANCE**

Business
## Accountability

We support gender diversity at the workplace and strive to uphold ethical work practices while maintaining transparent disclosures in our reporting.

Paving with

# Purpose

"The best way to achieve sustainable business outcomes is to be clear with our purpose. We believe consistent shareholder value stems from a unified purpose of unlocking the true potential of the resources within our organisation and the community at large. Eventually, it's about being purpose-driven when serving our stakeholders."

**Shaldine Wang**
Chief Exective Officer

# Strategy and Value Creation

The Manager is focused on delivering sustainable growth and returns to Unitholders over the long term.

## 01 Our Competitive Strengths

### Quality Assets with Strong Fundamentals

Our portfolio of 155 quality commercial assets is primarily leased to a AA-rated tenant on full repairing and insuring lease terms with superior WALE.

### Primary Occupier of a Resilient Nature

The UK Government's DWP is naturally a resilient occupier as it administers crucial welfare, pensions and child maintenance policy serving over 23 million claimants. To this end, our assets provide crucial infrastructure for DWP to serve the community.

### Strong Financials with Enhanced Flexibility

Our proactive approach towards capital management ensures our strong financial position and provides us with enhanced financial flexibility to pursue attractive growth opportunities.

### Proactive Manager with Proven Track Record

The collective wealth of experience and knowledge of our employees in investment and management of real estate assets, finance and investor relations is integral to the REIT's long-term growth and value creation.

### Strong Sponsors with Alignment of Interest

Our Sponsors' interests are aligned with Unitholders through their holdings in Elite Commercial REIT. We are able to leverage our Sponsors' real estate expertise, financial strength and potential ROFR assets.

### Attractive Market with Demonstrated Resilience

The highly liquid UK real estate market continues to demonstrate long-term resilience and attract international investors based on the country's transparent real estate framework and open approach to foreign investment.

## 02 Our Approach to Value Creation

The Manager seeks to deliver sustainable and growing returns through the following strategies:

### 01 Acquisition Growth Strategy

- Employ a rigorous research-driven selection process to identify value-accretive commercial properties to generate attractive cash flows and yields
- Leverage our Sponsors' Right Of First Refusal pipeline of quality UK commercial assets
- Harness the extensive expertise and network of our Sponsors and our team in the UK to source for quality acquisitions
- Adopt a long-term investment approach to enhance future income and capital growth

### 02 Active Asset Management Strategy

- Proactive engagement to build strong relationships with tenants
- Focus on improving tenant mix and optimising lease profiles to increase stability of income and realise cost efficiencies
- Identify potential property enhancements or redevelopment opportunities to enhance income streams
- Divest under-performing assets to redeploy capital and optimise the performance of our portfolio

### 03 Prudent Capital Management Strategy

- Prudent management of Aggregate Leverage Ratio and Interest Coverage Ratio coupled with proactive management of financing sources to optimise financial flexibility
- Employ an appropriate mix of debt and equity to finance acquisitions and asset enhancements
- Optimise borrowing costs and employ all-in borrowing cost hedging strategies
- Continuous monitoring of exposure to risk with a view to maximise risk-adjusted returns to Unitholders

## 03 FY 2021 Value Creation

### Acquisition Growth

- Completed maiden acquisition of 58 centrally located quality assets to increase the REIT's portfolio by 60% to 155 properties
- Yield-accretive acquisition increased net internal area by 1.3 million sq ft to 3.9 million sq ft
- Diversified tenant base with seven new government occupiers including the Ministry of Defence, HM Revenue and Customs, HM Courts and Tribunals Service, as well as Home Office
- Portfolio valued at £500.1 million as at 31 December 2021

### Financial Performance

- Amount generated for distribution of £24.5 million, up 65.2% from £14.8 million in FY 2020[1]
- Total DPU of 5.43 pence, up 22.3% from 4.44 pence in FY 2020[1]
- Distribution yield of 8.2% based on the closing unit price of £0.665 as at 31 December 2021
- Successful technical listing of Elite UK Commercial Holdings Limited on The International Stock Exchange from 26 August 2021 to enhance tax efficiencies
- Consistently outperformed IPO projections for the past eight consecutive quarters

### Active Asset Management and Enhancement

- Portfolio occupancy at 100% throughout 2021
- Strong relationship with AA-rated UK Government tenants continue to guarantee resilient cash flow
- Consistent success in advance rental collection since listing despite lockdowns and challenging business conditions
- Landmark lease re-gearing optimised lease profile and enhanced income visibility, ensuring that 83.1% of portfolio by GRI[2] run free of lease break options to 2028 and benefit from current inflation-linked rent escalations from April 2023

### Sustainability and Corporate Governance

- Embarked on first sustainability collaboration with main occupier in February 2022 – a 3-year £14.67 million investment to improve sustainability and energy efficiency across DWP-occupied assets, in line with the UK Government's national climate agenda of achieving net zero carbon emissions by 2050
- Included in the SGX Fast Track Programme for listed issuers which recognises companies for high standards of corporate governance and good compliance track record
- Ranked joint 6th out of 45 REITs and Business Trusts in its debut on the 5th Governance Index for Trusts 2021
- Won a Bronze in global ARC Awards 2021

### Prudent Capital Management

- Aggregate leverage of 42.4%
- All-in borrowing cost[3] of 2.4%
- 63.2% of debt on fixed rates
- Interest cover of 6.0 times
- 60.8% of assets are unencumbered
- Bestowed Excellence in Tax Management and Optimisation Award at the FutureCFO Excellence Awards 2022 for future-proofing the REIT's tax structure via an innovative and landmark restructuring

1. *FY 2020 refers to the financial period from 6 February 2020 (Listing Date) to 31 December 2020.*
2. *Based on annualised gross rental income for the financial year ended December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*
3. *Includes amortisation of debt-related transaction costs.*

# Key Milestones

# 2020

## Feb

Listed on SGX on 6 Feb 2020

Singapore public offer was 8.3x subscribed; First day of trading closed

**4.4%**

**higher than IPO price**

## Mar

UBS

UBS initiated coverage

## May

UOBKayHian

UOB Kay Hian initiated coverage

## Jun

CGSCIMB

CGS-CIMB initiated coverage

## Jul

**1H 2020 results**

**DPU exceeded forecast by**

**1.0%**

# 2021

## Feb

**FY 2020 results**

**Full year DPU surpassed forecast by**

**2.3%**

## Mar

**Completed**

**£212.5M**

maiden portfolio acquisition comprising 58 assets across the UK

## May

Named as one of the

**Top 20**

**Small Cap Companies** in RHB 20 Jewels 2021 Edition

## Jun

DRP is established

## Jul

DBS

DBS initiated coverage

## Aug

**1H 2021 results**

**DPU exceeded projection by**

**8.7%**

**Admission of ECHL**
As a UK REIT Group

ARC AWARDS INTERNATIONAL XXXV 2021 WINNER

Inaugural Annual Report won a **Bronze in global ARC Awards 2021**

## Oct

Maybank Kim Eng

Maybank Kim Eng initiated unrated report

## Nov

GIFT

**Ranked**

**Joint 6th**

**out of 45 REITs and Business Trusts** in its debut on the 5th Governance Index for Trusts 2021

**3Q 2021 results**

**DPU exceeded projection by**

**20.3%**

## Dec

SGX

**Included in SGX Fast Track Programme** for listed issuers

Accorded a **Certificate for Excellence in Investor Relations** at the IR Magazine Awards - South East Asia 2021

# 2022

## Feb

**FY 2021 results**

**DPU exceeded projection by**

**11.3%**

**Winner**

for Excellence in Tax Management and Optimisation under the Operational Excellence Award category at the **FutureCFO Excellence Awards 2022**

Positive lease re-gearing exercise **secures lease profile of**

**83.1%**

of portfolio by GRI[1] over the next six years

**Embarked on 1st sustainability collaboration** with UK Government's DWP to 'green' assets occupied by DWP

Department for Work & Pensions

1. *Based on annualised gross rental income for the financial year ended 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

DISTRIBUTION PER UNIT

**5.43** pence

+22.3% higher than FY 2020[1]

INTEREST COVERAGE

**6.0**x

ADMISSION OF ECHL AS A UK REIT GROUP

Applicable headline tax reduced to

**15**%

CAPITAL

Establishment of

**Dividend Reinvestment Plan (DRP)**

1. *FY 2020 refers to the actual financial period from 6 February 2020 (Listing Date) to 31 December 2020.*

Growing
# Sustainable Value

“We are proud to share that we have delivered more than our initial IPO promises by outperforming projections for eight consecutive quarters. This achievement is attributed to our steadfast purpose-driven values, as well as our strategic financial approach to growth. We are primed for sustainable value creation in the long-term.”

**Joel Cheah**
Chief Financial Officer

# Financial Review

| Statement of Comprehensive Income | FY 2021 £'000 | Projections 2021 £'000 | Variance Favourable/ (unfavourable) % | FY 2020 [1] £'000 | Variance Favourable/ (unfavourable) % |
|---|---|---|---|---|---|
| Revenue | 34,731 | 23,274 | 49.2 | 20,963 | 65.7 |
| Property operating expenses | (1,004) | (620) | (61.9) | (588) | (70.7) |
| **Net property income ("NPI")** | **33,727** | **22,654** | **48.9** | **20,375** | **65.5** |
| Manager's management fee | (2,453) | (1,642) | (49.4) | (1,484) | (65.3) |
| Trustee's fees | (99) | (102) | 2.9 | (93) | (6.5) |
| Other trust expenses | (1,983) | (1,411) | (40.5) | (3,232) | 38.6 |
| Net finance costs | (4,346) | (2,681) | (62.1) | (2,354) | (84.6) |
| Change in fair value of investment properties | (28,217) | – | n.m. | 15,887 | (277.6) |
| **(Loss)/Profit before tax** | **(3,371)** | **16,818** | **(120.0)** | **29,099** | **(111.6)** |
| Tax (expense)/credit | (1,370) | (2,816) | 51.3 | (5,741) | 76.1 |
| **(Loss)/Profit after tax** | (4,741) | 14,002 | (133.9) | 23,358 | (120.3) |
| **Amount generated for distribution to unitholders** | **24,525** | **16,416** | **49.4** | **14,843** | **65.2** |
| Distribution per Unit (pence) | 5.43 | 4.88 | 11.3 | 4.44 | 22.3 |

1. *FY 2020 refers to the financial results from 6 February 2020 (Listing Date) to 31 December 2020.*

## In FY 2021, Elite Commercial REIT completed its maiden acquisition of 58 quality properties and delivered a strong performance. In doing so, the Manager delivered on its IPO promises by outperforming IPO projections for eight consecutive quarters.

FY 2021 amount generated for distribution to unitholders of £24.5 million and distribution per Unit of 5.43 pence, were 49.4% and 11.3% higher than the projection of £16.4 million and 4.88 pence provided in the IPO prospectus respectively.

Revenue was £34.7 million in FY 2021, an increase of 65.7% from £21.0 million in FY 2020[1] primarily due to the incremental income contribution from 58 quality assets following the completion of its maiden acquisition. For the same reasons, net property income was £33.7 million in FY 2021, 65.5% higher compared to £20.4 million in FY 2020[1].

The Manager's management fee was 65.3% higher at £2.5 million, largely attributed to the REIT's increased amount generated for distribution. As defined in the Trust Deed, the Manager's management fee relates to the base fee which is calculated based on 10% of the annual distributable income. In FY 2021, the Manager has elected to receive 100% of the base fee in the form of Units.

Other trust expenses was £2.0 million, 38.6% lower compared to FY 2020[1] due to the absence of one-time IPO transaction costs amounting to £1.7 million which were expensed to the statement of comprehensive income in FY 2020[1].

Net finance costs was £4.3 million, 84.6% higher compared with £2.4 million in FY 2020[1]. This was in line with the increased borrowings to fund the REIT's maiden acquisition.

The carrying values of the investment properties as at 31 December 2021 were based on independent professional valuations undertaken by Knight Frank LLP. A fair value loss on investment properties of £28.2m was reflected in the Elite Commercial REIT's portfolio in FY 2021.

In the valuation report by Knight Frank LLP, they provided the following market conditions explanatory note:

*"The COVID-19 pandemic and measures to tackle it continue to affect economies and real estate markets globally. Nevertheless, as at the valuation date property markets are mostly functioning, with transaction volumes and other relevant evidence at levels where enough market evidence exists upon which to base opinions of value. Accordingly - and for the avoidance of doubt, our valuation is not reported as being subject to 'material valuation uncertainty' as defined by VPS 3 and VPGA 10 of the RICS Valuation – Global Standards.*

*This explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential 'for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date."*

Tax expense was £1.4 million in FY 2021, 76.1% lower compared to £5.7 million in FY 2020[1]. FY 2021 tax expense included a reversal of deferred tax provision on latent capital gains for the investment properties held by Elite Commercial REIT upon its wholly owned subsidiary – Elite UK Commercial Holdings Limited'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.

The fair value changes on investment properties and deferred tax were non-cash items and adjusted as distribution adjustments. Amount generated for distribution to unitholders was £24.5 million, 65.2% higher compared to £14.8 million in FY 2020[1]. As a result, DPU was 5.43 pence, 22.3% above FY 2020[1] DPU of 4.44 pence.

**Number of Properties Acquired**

**58**

**Distribution per unit (pence)**

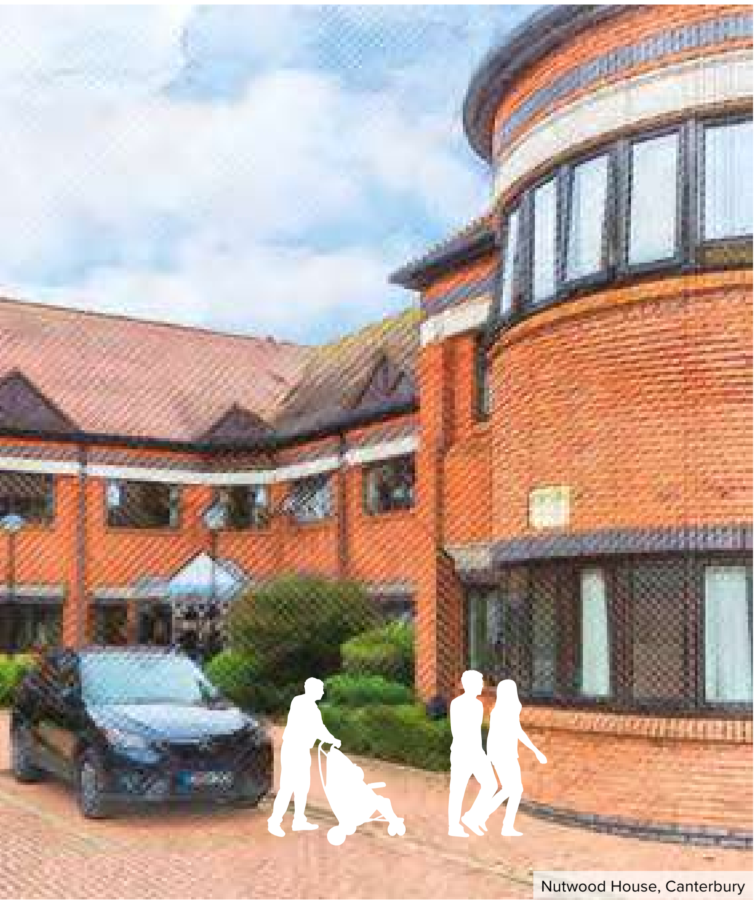
**5.43**

# Capital Management

## The Manager of Elite Commercial REIT employs a disciplined and prudent approach to capital management to optimise the REIT's capital structure and cost of capital.

The Manager periodically assesses the levels of diversification of the REIT's sources of debt financing and will access the capital markets to optimise gearing levels and maximise returns to Unitholders. This rigorous methodical approach provides Elite Commercial REIT with maximum financial flexibility to realise its growth and value creation objectives.

| Key Financial Indicators | As at 31 December 2021 |
|---|---|
| Total Gross Borrowings (£ million) | 225.6 |
| Total Assets (£ million) | 533.4 |
| Aggregate Leverage Ratio[1] | 42.4 |
| Interest Coverage Ratio (times) | 6.0 |
| Weighted Average Debt Maturity (years) | 2.1 |
| Proportion of Interest Rate Fixed (%) | 63.2 |
| All-in borrowing cost[2] (%) | 2.4 |
| Proportion of Unencumbered Properties[3] | 60.8 |


Nutwood House, Canterbury

### Optimised Capital Risk Profile

As at 31 December 2021, total gross borrowings was £225.6 million. There was an increase compared to prior year primarily due to the completion of the REIT's £212.5 million maiden portfolio acquisition of 58 quality commercial properties during the year.

Elite Commercial REIT has in place £205.0 million of term loan facilities and a £14.0 million revolving credit facility, both of which have been fully drawn as at 31 December 2021. The REIT has a £15.0 million bridge loan facility, of which £6.6 million was drawn as at 31 December 2021.

With an aggregate leverage of 42.4% as at 31 December 2021, Elite Commercial REIT ended the year with a balanced capital risk profile, below the regulatory limit of 50.0%. At this aggregate leverage, the REIT has a debt headroom of £81.0 million[4], providing the Elite Commercial REIT with financial flexibility to realise its growth strategy.

1. *The Aggregate Leverage Ratio is computed by dividing Gross Borrowings by Total Assets net of carrying amount of lease liabilities of £1.2 million.*
2. *Includes amortisation of debt-related transaction costs.*
3. *Based on valuations; unencumbered assets refer to properties without land mortgages.*
4. *Based on regulatory Aggregate Leverage Ratio limit of 50%.*

Elite Commercial REIT has a relatively well-staggered debt maturity profile with no repayment due in 2022. With an all-in borrowing[2] cost of 2.4% and interest coverage ratio of 6.0 times, the REIT is well-positioned to meet its debt obligations as and when they fall due.

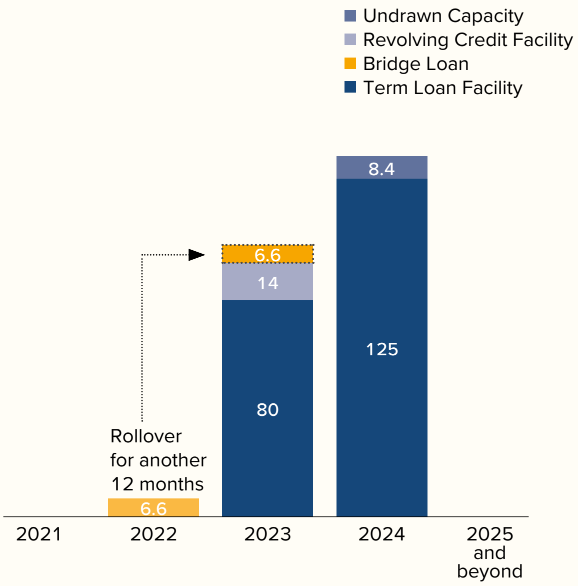
As part of its prudent capital management strategy, the Manager intends to improve on the REIT's weighted average debt maturity of 2.1 years, by actively exploring the refinancing of borrowings ahead of their maturities and extending the loan tenor.

## Risk Management Strategies

Elite Commercial REIT continues to be largely insulated from currency movements between the British Pound and Singapore Dollar. The REIT benefits from a natural hedge as its assets and borrowings are predominantly denominated in pounds and its functional currency is also in pounds.

The Manager seeks to ensure stability in overall borrowing costs by fixing at least 50% of the REIT's interest rate exposure.

## Debt Maturity Profile (£ million)




## Debt Composition


| | % |
|---|---|
| Fixed Rate[5] | 63 |
| Variable Rate | 37 |

*As at 31 December 2021.*

5. *Includes interest rate swaps with a total notional amount of £80 million.*

Crown House, Worthing

# Asset Management

## In a short span of two years, we increased our portfolio size by 60%, diversified our tenant mix and enhanced stability of lease expiry profile.

### Focused Growth to Drive Sustainable Returns

From the onset, we have been cognisant of the trust and support that Unitholders have placed in us to create value for Unitholders over the longer term. With the support of our committed Sponsors, we were delighted to have made good on our promise to deliver optimised growth and sustainable returns by completing our maiden acquisition during the year.

In a short span of two years, we increased our portfolio size by about 60% from 97 to 155 commercial properties across the United Kingdom with an aggregate net internal area of 3.9 million sq ft. The quality of our properties are underpinned by their robust leases, strong tenant profile, good location and primarily freehold tenures. Our portfolio of properties was valued at £500.1 million as at 31 December 2021, compared with £311.9 million as at 31 December 2020.

### High-quality and Diverse Tenants

During the year, our primary occupier, DWP, contributed 89.6% of portfolio by GRI[1] for FY 2021. The government-affiliated occupier's uniquely resilient nature provided Elite Commercial REIT with greater income stability and resilient cashflow throughout economic cycles.

We made progress with our objective to diversify our tenant base with established clients of similar profile in 2021. Our maiden portfolio acquisition added seven quality government occupier and extended our exposure to various UK sovereign credit. New government-affiliated tenants included the Ministry of Defence, HM Revenue & Customs, National Records of Scotland, HM Courts and Tribunals Service, National Resources Wales, Home Office and the Environment Agency.

The strong creditworthiness of our government-related tenants continue to provide a high assurance of income visibility through timely rental payments. Whilst Brexit and UK lockdowns affected tenants and landlords since the onset of the pandemic, we have consistently achieved 100% of rent collection in advance since our listing in February 2020.

### FY 2021 Portfolio Highlights

**Number of Properties**

**155** (▲ 58 properties)

FY 2020: 97

**Portfolio Value**

**£500.1M** (▲ 60.3%)

FY 2020: £311.9 million

**Net Internal Area**

**3.9M sq ft** (▲ 50.0%)

FY 2020: 2.6 million sq ft

### Strong Geographic Diversification

In FY 2021, we continued to maintain a well-diversified portfolio of commercial properties in key regions across the UK and deepened our presence in these regions through the acquisition of 58 strategically located properties. Our portfolio is primarily freehold with 150 properties or 97% of our portfolio possessing freehold tenures, whilst the remaining 5 properties are on long leasehold tenures.

More than 99% of Elite Commercial REIT's leases are signed with the UK Government, with the majority of them signed with the

1. *Based on annualised gross rental income for the financial year ended December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

**Occupancy Rate**

**100%**

FY 2020: 100%

**WALE**

**6.0 years**

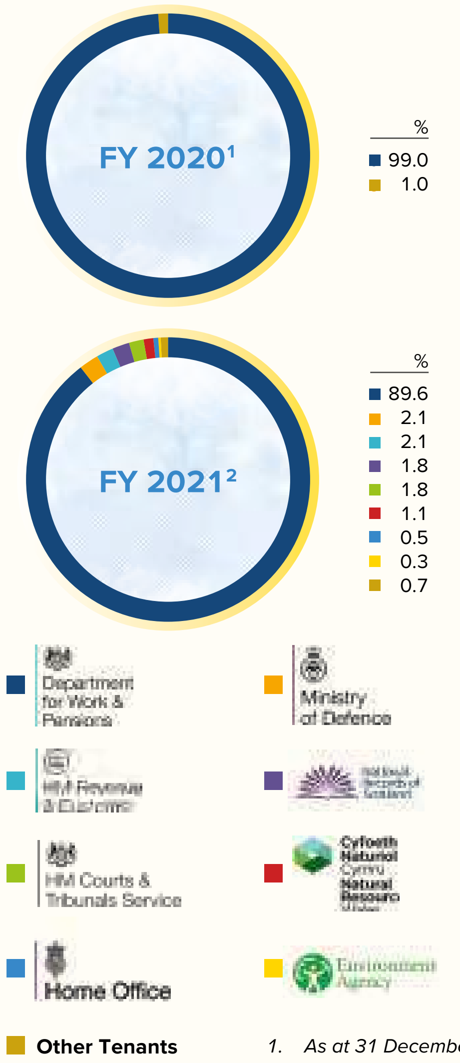
FY 2020: 7.3 years

**Lease Profile**

**83.1%**

of portfolio by GRI[1] with no lease break options following lease re-gearing

### Tenant Breakdown by Annualised Gross Rental Income




1. *As at 31 December 2020.*
2. *As at 31 December 2021.*

Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government), which is a Crown Body.

The leases signed with the UK government are on a full repairing and insuring[2] ("**FRI**") basis whereby the tenant is responsible for the full maintenance and repair of both the external and internal parts of the property. This mitigates the repair costs and insuring liability for Elite Commercial REIT during the term of the lease. Furthermore, a significant number of our leases have built-in upside from inflation-linked rental uplifts, allowing us to benefit from a rent review at the fifth year of the leases based on the UK Consumer Price Index ("**CPI**") and subject to an annual minimum increase of 1.0% and maximum of 5.0%. With a long WALE of 6.0 years, our leases provide visibility of long-term cash flow stability.

## Proactive Asset Management

### Regular and Active Tenant Engagement

During the year, we proactively engaged our tenants to negotiate on the removal of lease break clauses. Through our regular communications and strong relationships with our tenants, the lease break option for The Forum, Stevenage was not exercised and hence the lease is confirmed to run until 31 March 2028. We too have successfully negotiated the rent review for Units 1-2 Dallas Court in Salford, securing an approximately 7% in rental uplift. It was one of the few assets with a rent review based on open market rental value instead of a CPI-linked rent review.

2. *Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability.*

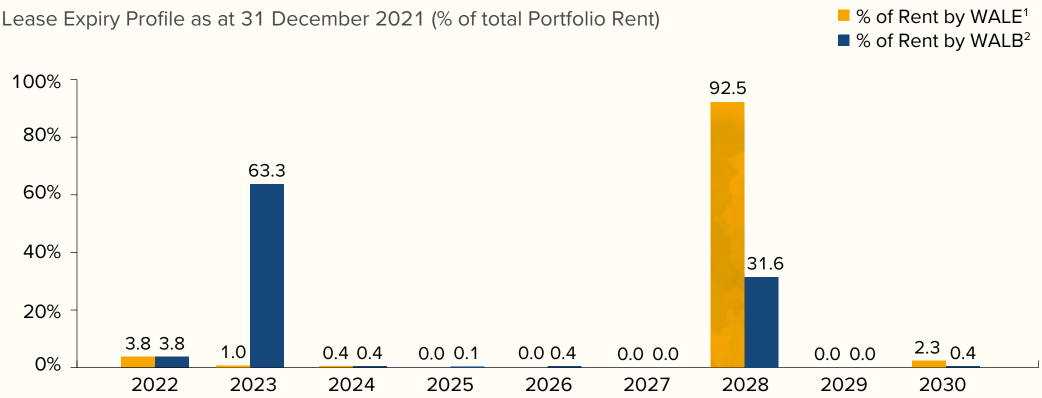
# Asset Management

## Portfolio Breakdown by Valuation

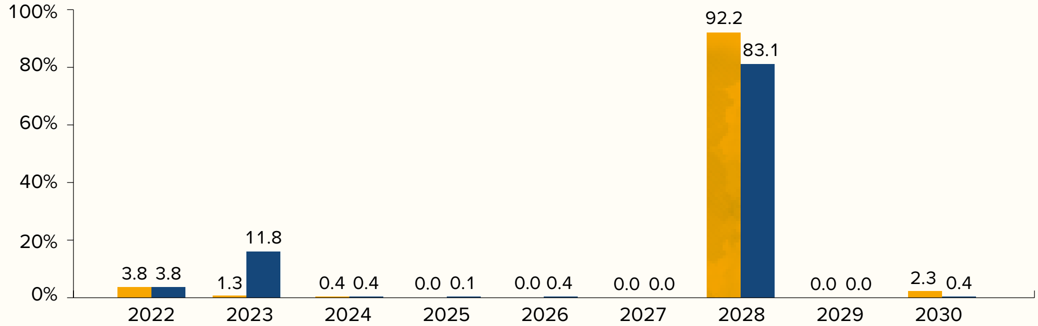

| | % |
|---|---|
| North West | 20.8 |
| Scotland | 19.6 |
| London | 16.3 |
| South East | 11.9 |
| South West | 7.2 |
| Midlands | 6.9 |
| Wales | 6.1 |
| East | 6.0 |
| North East | 2.6 |
| Yorkshire & Humber | 2.6 |

## Stable Lease Structure and Profile

Lease Expiry Profile as at 31 December 2021 (% of total Portfolio Rent)




Lease Expiry Profile (Post Lease Re-gearing) (% of total Portfolio Rent)




While the lease break option for East Street, Epsom was exercised, we secured a new five-year lease with DWP with approximately 11% in rental uplift to start in April 2023 and a break option at year three.

The lease break option of our John Street property in Sunderland has been exercised and the lease will end on 31 March 2022. We are executing on the options for this asset.

1. *Percentage rent by WALE (Weighted Average Lease to Expiry) - Based on the final termination date of the agreement (assuming the tenant does not terminate the lease on the permissible break dates).*
2. *Percentage of rent by WALB (Weighted Average Lease to Break) – Based on the next permissible break date at the tenant's election or the expiry of the lease, whichever is earlier.*

## Optimising Lease Profile and Enhancing Income Visibility

### Breakthrough Lease Re-gearing[3] Exercise

Throughout 2021, we had been positively engaged with all occupiers, and in particular the DWP on their future intentions. In February 2022, we were able to announce a breakthrough lease re-gearing exercise which improves income length and visibility of the portfolio. This transaction came as a direct result of the proactive steps taken by the management team with this key occupier. The positive lease re-gearing exercise saw the removal of a lease break clause set to occur in March 2023 from 108 of 117 DWP-occupied assets in our portfolio with the lease break option. With this milestone development, 83.1% of the leases by total portfolio gross rental income will continue to run free of lease break options to March 2028, enhancing income visibility and lease stability over the next six years. Except the removal of the lease break clause and the rent adjustment for 11 of the assets, the rest of the lease terms remain the same. The leases will continue to benefit from the current built-in inflation-linked rental escalation clause in these leases, presenting potential upside from April 2023. The rental uplift is based on the UK Consumer Price Index, 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.

## Proven Asset Management Expertise

### Acquisitions

We have in place a robust acquisition identification and evaluation process that ensures our acquisitions deliver value for Elite Commercial REIT over the long term. Our selection criteria seek to identify quality income-producing properties across the UK that possess strong real estate attributes that are fundamental to generating attractive cash flows and returns.

During the year, we completed our inaugural acquisition, increasing our portfolio's properties by 60% and net internal area by 1.3 million sq ft. The acquisition diversified our tenant base, deepened our presence in key regions across the UK and strengthened our ability to deliver defensive and resilient yields. We endeavour to apply the same long-term investment approach with future acquisitions to deliver enhanced returns to Unitholders and improve opportunities for future income and capital growth. Looking ahead, we seek to grow through third-party acquisitions and a right of first refusal over a portfolio of quality commercial properties across the UK from our Sponsors.

### Asset Enhancement Initiatives

Asset enhancement initiatives allow us to unlock organic growth and value from our existing assets. We believe that, following the DWP transaction, we are well-placed to work proactively with tenants to develop new opportunities within the existing estate. On this front, we will work closely with the Property Manager of our properties to identify suitable opportunities to enhance the value of our properties over the long term. Value accretive asset enhancement projects will improve the REIT's rental income generation ability and portfolio valuation.

As a forward-looking REIT Manager, we will continue to deliver on our strategy of growth and value creation through focused sustainability practices. We began this sustainability journey in 2021, establishing a Sustainability Framework to integrate sustainability considerations into our overall business strategy.

## Commitment to Sustainability

### First Sustainability Collaboration with DWP

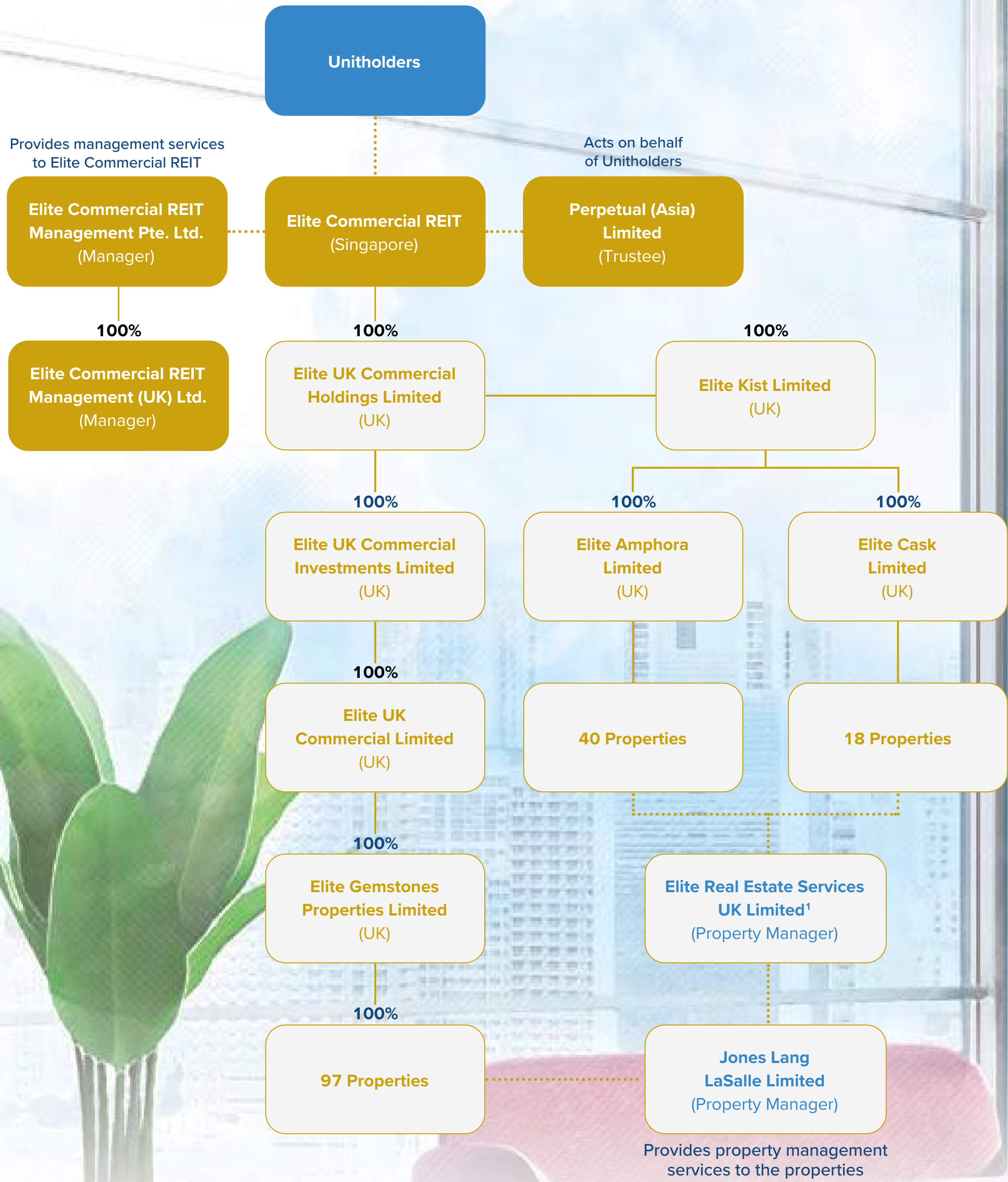
In February 2022, we embarked on our first sustainability collaboration with the UK Government's DWP to undertake asset enhancement works to improve sustainability and energy efficiency credentials of our DWP-occupied properties. Working collaboratively with the primary occupier, we have earmarked £14.67 million over three years to be deployed on asset management works; examples may include the repair, replacement or upgrade of the lighting systems, heating and cooling systems, insulation and solar panels, and other initiatives to improve Energy Performance Certificate ratings. Even though our leases are on full repairing and insuring terms, whereby the tenant has the obligation to repair the external and internal parts as well as the structure of the properties, our investment is a testament to 'greening' our portfolio, in line with the UK Government's national climate agenda of achieving net zero carbon emission by 2050[4].

This Sustainability Collaboration is part of the Manager's proactive strategy to ensure that the properties remain relevant and to enhance the long-term value of Elite Commercial REIT by integrating sustainability considerations into its overall business strategy.

Looking ahead, we will continue to proactively integrate sustainability considerations into our overall strategy and deploy sustainable initiatives in the enhancement of our properties across the UK over the next few years.

3. *Re-gearing a lease is the practice of renegotiating lease terms between the tenant and landlord during the course of the lease.*
4. *Gov.UK, HM Government, Net Zero Strategy: Build Back Greener, October 2021.*

# REIT Structure




1. *Elite Real Estate Services UK Limited has been appointed Property Manager to Elite Amphora Limited and Elite Cask Limited.*

# Investor Relations

## The REIT Manager firmly believes that good investor relations management is crucial in sustaining a high level of transparency and good governance.

### Timely, Transparent Disclosures

The REIT Manager is committed to keeping unitholders and the investment community well-informed of key events and performance of Elite Commercial REIT as well as industry developments in the UK where its assets are located. Material information are released into the public domain in a timely and transparent manner, via SGXNet and Elite Commercial REIT's corporate website **www.elitecreit.com**, and in the form of SGX announcements, news releases, presentation slides, circulars and annual reports. Elite Commercial REIT published its inaugural Sustainability Report 2021 together with this Annual Report 2021.

This provides investors and members of the public with ease of accessibility to Elite Commercial REIT's latest updates and information. The REIT's corporate website is refreshed regularly, and viewers can subscribe to email alerts to receive Elite Commercial REIT's announcements in a prompt fashion. Elite Commercial REIT also engages with unitholders via annual Annual General Meetings (AGM) and ad-hoc Extraordinary General Meetings (EGM).

### Proactive Communication with Investors

The REIT Manager values investors as fundamental stakeholders of the REIT, and views ongoing investor engagement as an essential avenue to strengthen ties and provide a greater understanding of the REIT's performance and future growth strategies. The COVID-19 pandemic had resulted in restrictions placed on in-person roadshows, meetings and site visits, but this had not deterred the REIT Manager from engaging existing and potential investors as well as research analysts through online platforms and over phone calls, providing reassurance by posting updates on the latest developments and addressing queries raised.

The REIT Manager had engaged in post-results and business updates briefings with research analysts, investors and financial bloggers, in group virtual conferences and one-on-one online meetings, engaging with around 100 analysts and institutional investors. Apart from this, in 2021, the REIT Manager had intensified its public outreach by participating in numerous webinars organised for trading representatives and retail investors, hosted by brokerages such as UOB Kay Hian, Phillip Securities, RHB Research, Maybank Kim Eng Securities and Lim & Tan Securities, some of which were attended by more than 180 investors in a single session.

The REIT Manager also presented in public investment forums such as Shareinvestor's REIT Symposium 2021 and The Edge Singapore's Investival 2021, which drew a healthy interest with more than 160 attendees listening live and more than 180 tuning in live to the panel discussion with the Manager as a panelist. Post-live views of the corporate presentation hit more than 2,100 views. The Manager also engaged retail investors through quizzes to gauge investors' understanding and awareness of Elite Commercial REIT. The REIT Manager has also increased awareness of Elite Commercial REIT through regular social media posts on the REIT's corporate Linkedin account with more than 400 followers, YouTube account and meetings with financial bloggers.

The REIT Manager has increased Elite Commercial REIT's research house coverage from three to five in FY 2021. Elite Commercial REIT is presently actively covered by brokerage firms namely UBS Global Research, CGS-CIMB Research, UOB Kay Hian and DBS Group Research. Meanwhile, Maybank Kim Eng Research issued an unrated research report on Elite Commercial REIT. The REIT Manager continues to engage other non-covering brokers to enhance their understanding of the REIT's investment proposition, portfolio performance and value. As a member of the REIT Association of Singapore (REITAS), the REIT Manager endeavours to build stronger relations and awareness amongst the investment community, through knowledge sharing.

### Awards and Accolades

The REIT Manager constantly strives for excellence in what it does, and its efforts have paid off in view of the recognitions bestowed upon Elite Commercial REIT. In just about two years into its listing, Elite Commercial REIT has been included into the SGX Fast Track Programme for listed issuers, joining the top 15% of SGX-listed companies that have been publicly recognised to have upheld high standards of corporate governance and maintained a good compliance track record. In another recognition of sound stewardship and corporate governance, Elite Commercial REIT was ranked joint 6$^{th}$ out of 45 real estate investment trusts and business trusts in its debut on the 5$^{th}$ Governance Index for Trusts 2021. The overall ranking was based on independent assessment of the

# Investor Relations

REIT's governance and business risk score.

The REIT Manager also has the interest of the Unitholders at heart, as it trailblazes in seeking out innovative ways to bring more value to Unitholders. A case in point was the successful technical listing of the REIT's UK entities on The International Stock Exchange, which results in tax-saving benefits and translates to better returns for Unitholders. In recognition for the thinking-out-of-the-box approach in prudent financial management, the REIT Manager was named the winner for Excellence in Tax Management and Optimisation under the Operational Excellence Award category at the FutureCFO Excellence Awards 2022. The inaugural annual award honours achievements made by finance leaders and acknowledges challenges and opportunities that finance professionals face to maintain resiliency throughout the pandemic in pursuit of sustainable growth moving ahead.

Timely and transparent disclosure is at the heart of the REIT's communications with Unitholders and its efforts are acknowledged through two international award wins by its inaugural Annual Report.

The REIT Manager won a Bronze in the global ARC Awards 2021 under the REIT: Commercial/Industrial/Office category for overall excellence in terms of writing and design, evaluated by a global panel of judges based on creativity, clarity and effectiveness. The REIT Manager was also accorded a Certificate for Excellence in Investor Relations at the IR Magazine Awards – South East Asia 2021 as Elite Commercial REIT's inaugural Annual Report was shortlisted as a finalist in the Best Annual Report (Small Cap) category, from amongst several other leading listed companies from the South East Asia region.

## Awards and Accolades

**Inclusion into SGX Fast Track Programme**

for listed issuers, joining the top 15% of SGX-listed companies

**IR Magazine Awards – South East Asia 2021**

Certificate for Excellence in Investor Relations as a finalist in the Best Annual Report (Small Cap) category

**FutureCFO Excellence Awards 2022**

Winner for Excellence in Tax Management and Optimisation under the Operational Excellence Award category

**Debut on Governance Index for Trusts 2021**

**Joint 6th**

out of 45 REITs and Business Trusts

**ARC Awards 2021**

Inaugural Annual Report won a Bronze under the REIT: Commercial/Industrial/Office category

## Research House Coverage

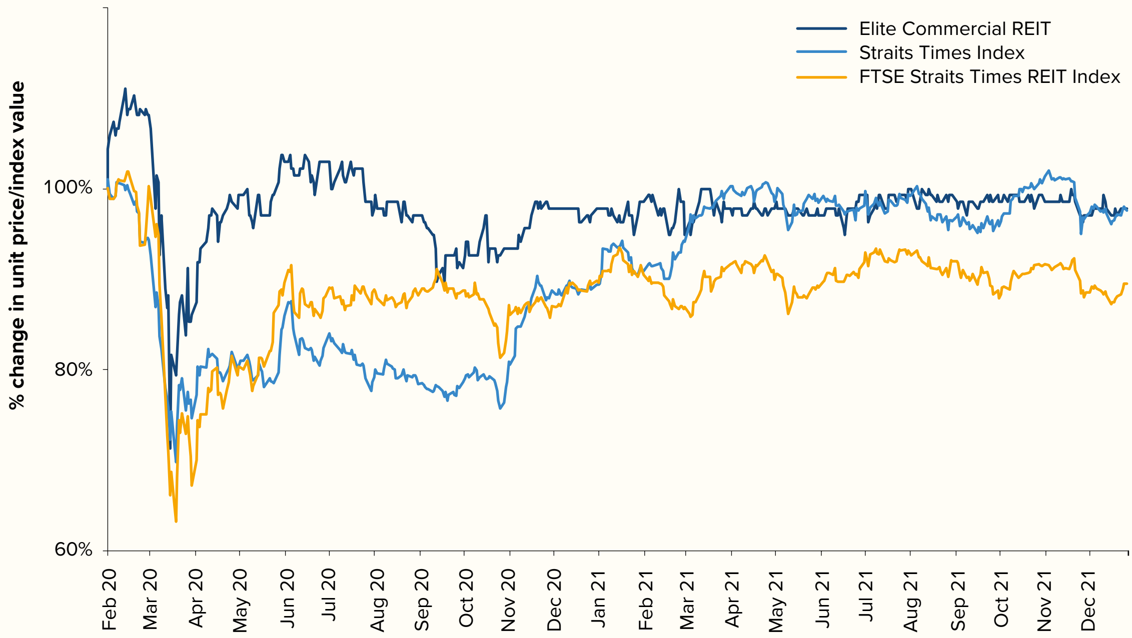
**Research House Coverage**

- ✓ UBS Global Research
- ✓ CGS-CIMB Research
- ✓ UOB Kay Hian Research
- ✓ DBS Group Research
- ✓ Maybank Kim Eng Research (unrated research report)

## Elite Commercial REIT Unit Price Performance

| | FY 2021 | FY 2020[1] |
|---|---|---|
| Opening Price | £0.660 | £0.680 |
| Closing Price | £0.665 | £0.660 |
| Highest Price | £0.680 | £0.755 |
| Lowest Price | £0.645 | £0.485 |
| Total Trading Volume (million units) | 87.68 | 110.89 |
| Average Daily Trading Volume (million units) | 0.35 | 0.49 |
| Market Capitalisation | £316.9 million | £221.0 million |
| Distribution yield for the period | 8.2% | 7.5%[2] |

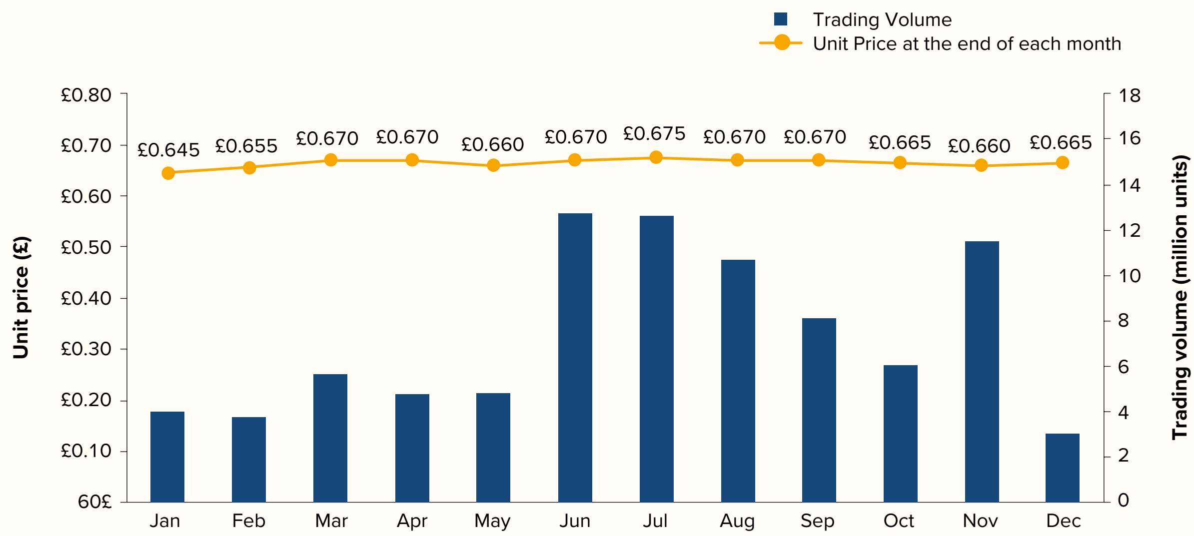
## Relative price performance since 6 February 2020 (Listing Date) to 31 December 2021 (%)




1. *FY 2020 refers to the financial period from 6 February 2020 (Listing Date) to 31 December 2020.*
2. *Annualised distribution yield.*

# Investor Relations

**Monthly Trading Performance for the period of 1 January 2021 to 31 December 2021**




**Elite Commercial REIT is a constituent of these key indices**

| | |
|---|---|
| MSCI | MSCI Singapore Micro Cap Index |
| | MSCI World Micro Cap Index |
| FTSE | FTSE Global Equity Index Series |
| GPR | GPR General (World) Index |
| | GPR General ex-US Index |
| | GPR General Far East Index |
| | GPR General Far East ex-Japan Index |
| | GPR General Singapore Index |
| | GPR General Quoted (World) Index |
| | GPR General Quoted ex-US Index |
| | GPR General Quoted Far East Index |
| | GPR General Quoted Far East ex-Japan Index |
| | GPR General Quoted Singapore Index |
| | GPR/APREA Composite Index |
| | GPR/APREA Composite Singapore Index |
| | GPR/APREA Composite REIT Index |
| | GPR/APREA Composite REIT Singapore Index |
| iEdge | iEdge S-REIT Index |

**Investor Enquiries**

Unitholders, analysts, fund managers, the media and members of the public may reach out to our investor relations team for more information on Elite Commercial REIT.

**Chai Hung Yin**
**Elite Commercial REIT Management Pte. Ltd.**
**T:** (65) 6955 9977
**E:** hungyin.chai@elitecreit.com

## FY 2021 Investor Relations Calendar

### KEY EVENTS / ENGAGEMENTS
**Financial Year Ended 31 December 2021**

| Quarter | Date | Event |
|---|---|---|
| Q1 | 11-20 January | Pre-EGM one-on-one meetings with investors on maiden acquisition |
| | 13 January | UBS Wealth Management briefing for client advisors on maiden acquisition |
| | 25 January | EGM 2021 to seek Unitholders' approval for maiden acquisition |
| | 1 February | FY 2020 results announcement |
| | 1 February | Post-results briefing for analysts, institutional investors, financial bloggers |
| | 3-10 February | Introductory meetings with investors on maiden acquisition |
| | 16 February | UOB Kay Hian retail investors webinar |
| | 11 March | CGS-CIMB briefing for trading representatives |
| | 30 March | Publication of SGX 10-in-10 Research Report |
| Q2 | 6 April | Publication of inaugural Annual Report |
| | 16 April | Briefing for Philips Securities analysts |
| | 22 April | 1st Annual General Meeting |
| | 23 April | 1Q 2021 business updates announcement |
| | | Business updates briefing for analysts, institutional investors, financial bloggers |
| | 28 April | CGS-CIMB Malaysia and Singapore joint retail investors webinar |
| | 5 May | RHB Small Cap Top 20 Jewels 2021 – Book Launch (media invited) and group meeting session with regional investors |
| | 15 May | REITs Symposium 2021 hosted jointly by ShareInvestor and REITAS – Live chat with investors and blogger interview |
| | 18 May | Webinar hosted by REITAS-SGX Academy |
| | 16 June | Call with DBS Group Research analysts |
| | 19 June | RHB Webinar: Building a nest egg with Singapore REITs |
| Q3 | 22 July | DBS Group Research initiates coverage on Elite Commercial REIT with a "BUY" call |
| | 2 August | 1H 2021 results announcement |
| | | Post-results briefing for analysts, institutional investors, financial bloggers |
| | 10 August | SmartKarma Corporate Webinar |
| | 25 August | Citi-REITAS-SGX C-Suite Singapore REITs & Sponsors Forum 2021 |
| | 13 September | Maybank Kim Eng trading representative and retail teach-in session |
| | 25-30 September | The Edge's Virtual Investment Conference – Investival 2021 Virtual Booth, Corporate Presentation and Panel Discussion (28 Sep), Quiz |
| Q4 | 1 October | Maybank Kim Eng initiated its inaugural unrated research note on Elite Commercial REIT |
| | 4 October | Elite Commercial REIT was featured in The Business Times Singapore's Topline column |
| | 29 October-7 November | Supported SGX Cares Bull Charge Virtual Charity Run 2021 |
| | 1 November | 3Q 2021 business updates announcement |
| | | Business updates briefing for analysts, institutional investors, media, financial bloggers |
| | 2 November | Phillip Securities trading representative teach-in session |
| | 29 November | Lim & Tan Securities trading representative teach-in session |
| | 7 December | Investor webinar by UOB Kay Hian |
| | 10 December | Care pack distribution to the elderly in collaboration with Lion Befrienders and our Sponsor |

SOVEREIGN TENANT

**99.3%**

of income backed by AA-rated UK Government

UNIQUE PORTFOLIO

Geographically

**Diversified**

across the UK regional cities

CENTRALLY LOCATED ASSETS

**Close Proximity**

to amenities and public transport

Leading with
# Partners Alike

"Achieving a positive impact goes beyond occupancy rates and revenues. To us, it is realised through an understanding of the intrinsic value of the REIT's assets for investors, tenants, end users and the environment. Having the right team, advisors and market data creates the infrastructure needed to continue to deliver successful outcomes."

**Jonathan Edmunds**
Chief Investment Officer

# Portfolio Overview

A quality portfolio of
**155**
**centrally located**
office assets across the UK

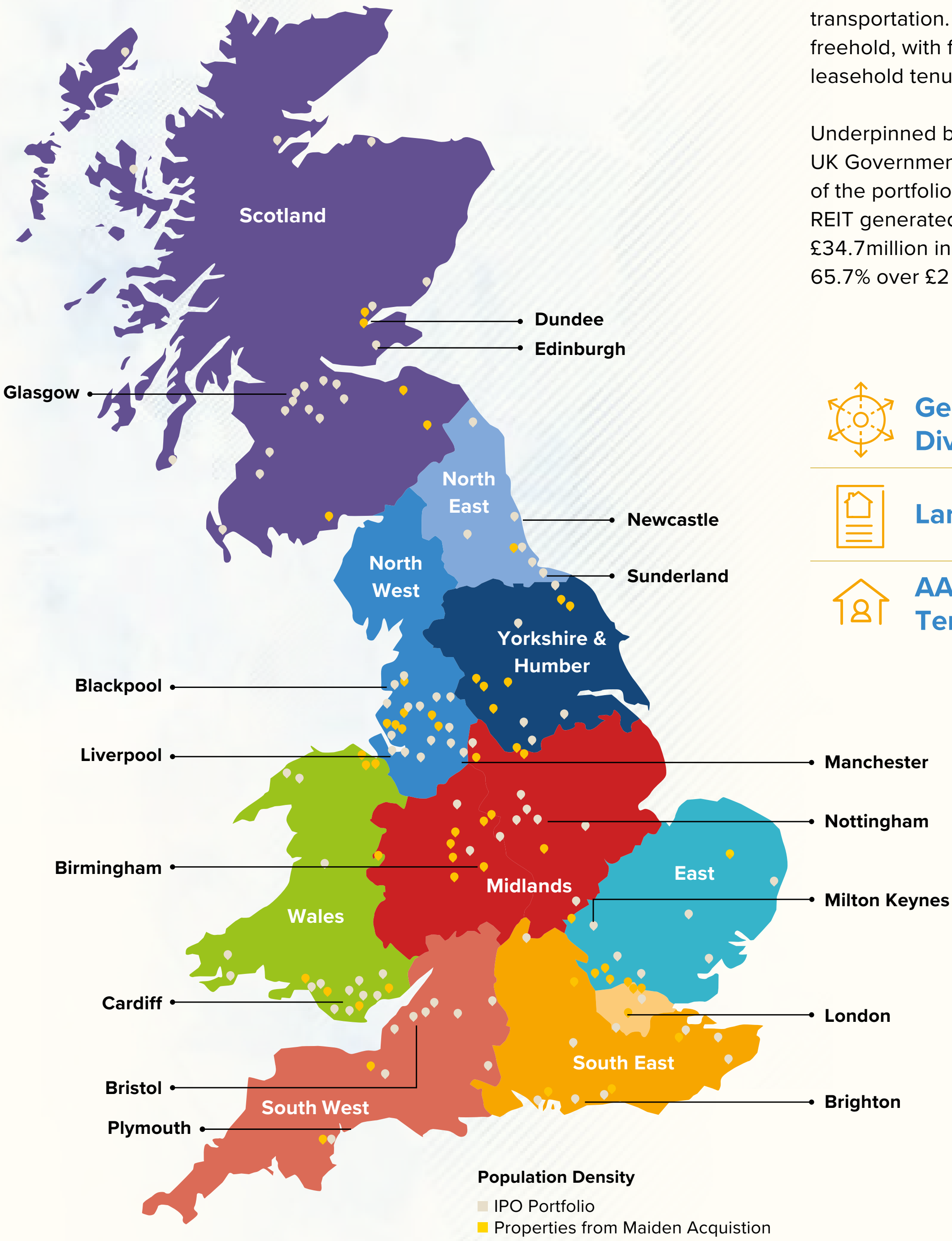
With the completion of Elite Commercial REIT's maiden acquisition, the REIT's quality portfolio comprises a network of 155 centrally located commercial assets with an appraised value of approximately £500.1 million as at 31 December 2021. The REIT's assets are geographically diversified across the UK with a majority of the properties in the portfolio centrally located in town centres, city centres and suburbs and easily accessible via public transportation. The assets are predominantly freehold, with five assets held on long leasehold tenures.

Underpinned by a AA-rated tenant – the UK Government – which leased over 99% of the portfolio by gross rental income, the REIT generated gross rental income of £34.7million in FY 2021, an increase of 65.7% over £21.0 million in FY 2020[1].

**Geographically Diversified**

**Largely Freehold**

**AA-rated Tenant Base**




**Population Density**
IPO Portfolio
Properties from Maiden Acquistion

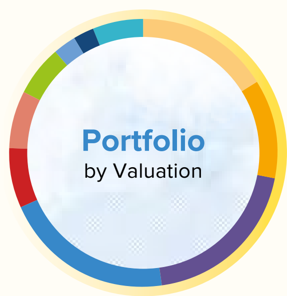
As part of its lease management strategies, the REIT Manager continues to diversify the tenant mix for greater resilience through varied exposure to UK sovereign credit. Approximately 89.6% of the portfolio's annualised gross rental income in FY 2021 was derived from office space occupied by DWP, compared with 99% in FY 2020[1]. Through its maiden acquisition, Elite Commercial REIT added new tenants such as the Ministry of Defence, HM Revenue & Customs, National Records of Scotland, HM Courts and Tribunals Service, Natural Resources Wales, Home Office and Environment Agency, amongst others.

With the DWP continuing to play a crucial role in supporting the UK's social fabric with the provision of JobCentre Plus services for the unemployed, Pension Services, Child Maintenance Services, and Disability Services, Elite Commercial REIT's properties continue to be part of the public infrastructure for the UK community. Approximately 85.6% of DWP-occupied assets in the REIT's portfolio post-maiden acquisition provide front of house services and primarily function as front-facing Jobcentre Plus offices. The remaining 14.4% provide back of house support services which includes call centres, claims processing, finance, accounts and investigation.

As reported in Knight Frank's independent market report, the annual total return for the UK All Office sector was 4.4% in November 2021, an increase of 176bps from the annual total recorded in October 2021. Capital value growth for the UK Office sector declined 0.6% year-on-year while market rents rose 1.0% year-on-year in November 2021.

Demand for office space was mixed across major UK centres as some cities saw signs of optimism whilst others remained subdued with occupier demand languishing below pre-pandemic levels. Knight Frank expects that it will take some time before demand stabilises across the UK. On the supply side, overall supply of Grade A space remains constrained underpinned by a restricted development pipeline.


| | | | % |
|---|---|---|---|
| London | 5.0 | Midlands | 9.2 |
| South East | 8.0 | Wales | 8.7 |
| Scotland | 21.7 | North East | 4.9 |
| North West | 25.3 | Yorkshire & Humber | 4.8 |
| South West | 6.6 | East | 5.8 |




| | | | % |
|---|---|---|---|
| London | 16.3 | Midlands | 6.9 |
| South East | 11.9 | Wales | 6.1 |
| Scotland | 19.6 | North East | 2.6 |
| North West | 20.8 | Yorkshire & Humber | 2.6 |
| South West | 7.2 | East | 6.0 |


| | | | % |
|---|---|---|---|
| London | 9.6 | Midlands | 7.6 |
| South East | 9.9 | Wales | 7.4 |
| Scotland | 22.9 | North East | 3.8 |
| North West | 21.2 | Yorkshire & Humber | 3.8 |
| South West | 7.8 | East | 6.0 |

| Region | Number of Properties | Net Internal Area (Sq ft) | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[3] |
|---|---|---|---|---|
| London | 10 | 193,532 | £81,535,000 | £3,599,544 |
| South East | 12 | 310,546 | £59,555,000 | £3,689,554 |
| Scotland | 27 | 839,470 | £97,810,000 | £8,554,845 |
| North West | 26 | 980,953 | £104,105,000 | £7,904,289 |
| South West | 12 | 256,739 | £36,220,000 | £2,898,289 |
| Midlands | 17 | 356,195 | £34,710,000 | £2,854,693 |
| Wales | 20 | 338,546 | £30,583,000 | £2,746,485 |
| North East | 12 | 189,415 | £12,815,000 | £1,408,570 |
| Yorkshire & Humber | 11 | 187,042 | £12,755,000 | £1,433,190 |
| East | 8 | 223,847 | £30,015,000 | £2,256,952 |
| | **155** | **3,876,285** | **£500,103,000** | **£37,346,411** |

| Property Usage | % of DWP-occupied assets |
|---|---|
| Front of House[2] (Primarily JobCentre Plus) | 85.6 |
| Back of House (Support functions including Call Centres) | 14.4 |

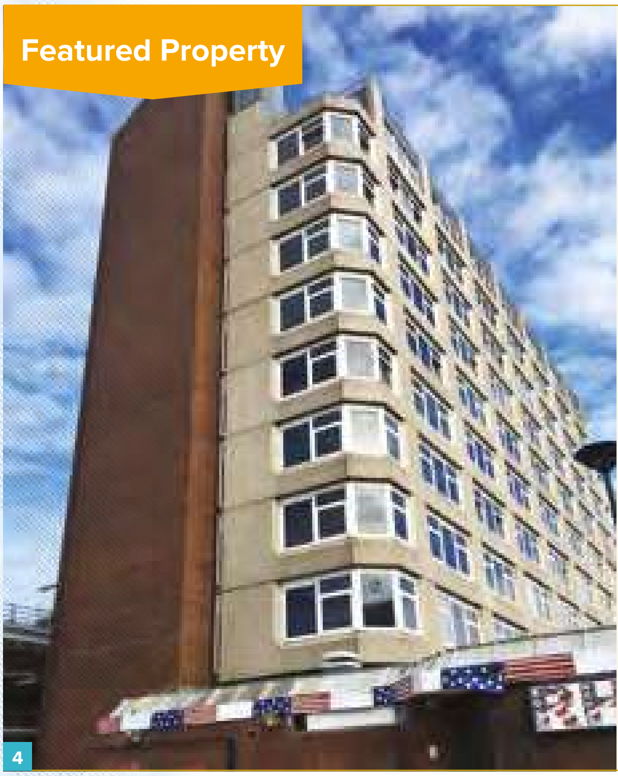
1. *FY 2020 refers to the financial period from 6 February 2020 (Listing Date) to 31 December 2020.*
2. *Including mixed use properties with a medical centre, back office or retail component in addition to the Jobcentre Plus.*
3. *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## East

8 properties


- DWP Jobcentre Plus
- DWP Back Office
- Others




### Great Oaks House, Basildon

Great Oaks House is a centrally located 11-storey commercial building located along Great Oaks in Basildon, Essex. The property is a 15-minute walk to Basildon train station and accessible via the A13 and A127 motorways.

Net Internal Area
**54,432 sq ft**

Lease Tenure
**999-year lease term from 17 June 2004**

Valuation
**£8.40M**

Usage
**Back Office**

# East


| | Name of Property[(a)] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[(b)] |
|---|---|---|---|---|---|---|
| 1 | Beaufort House, Harlow | Crown Gate, Harlow, CM20 1NA | 28,170 | £6,411,650 | £6,315,000 | £433,899 |
| 2 | Blackburn House, Norwich | Blackburn House, 1 Theatre Street, NR2 1RG | 9,302 | £1,520,000 | £1,250,000 | £164,000 |
| 3 | Crown Buildings, Colchester | 40 Chapel Street South, Colchester, C02 7AZ | 19,152 | £3,825,000 | £3,525,000 | £204,330 |
| 4 | Great Oaks House, Basildon | Great Oaks House, Great Oaks, Basildon, SS14 1JE | 54,432 | £9,005,000 | £8,400,000 | £550,000 |
| 5 | Rishton House, Lowestoft | Clapham Road South, Lowestoft, NR32 1RW | 41,656 | £2,710,616 | £1,465,000 | £214,530 |
| 6 | St Andrew's House, Bury St Edmunds | St Andrew's Street North, Bury St Edmunds, IP33 1TT | 28,863 | £3,272,432 | £2,300,000 | £229,930 |
| 7 | The Forum, Stevenage | Stevenage, SG1 1EZ | 18,473 | £4,818,873 | £4,390,000 | £272,522 |
| 8 | Wyvern House, Bedford | 53-57 Bromham Road, Bedford, MK40 2EH | 23,799 | £3,162,386 | £2,370,000 | £187,741 |

**Notes:**

(a) *All properties in the East are freehold properties except for Blackburn House, Norwich and Great Oaks House, Basildon, which are both on long leasehold tenures with a 99-year lease term from 10 August 1978 and a 999-year lease term from 17 June 2004 respectively. All properties are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## London

**10** properties


■ DWP Jobcentre Plus

### Featured Property


### High Road, Ilford

The High Road, Ilford property is a bespoke three-storey office building constructed in 2006 and is located in the London Borough of Redbridge, Ilford, a large town in East London. The Property is situated on the arterial High Road which lies on the eastern periphery of the town centre, 1.3 miles (2.09 km) from Ilford Station. Ilford Station has regular services into London Liverpool Street and will also be served by Crossrail.

Net Internal Area
**18,741** sq ft

Lease Tenure
**Freehold**

Valuation
£**6.44**M

Usage
**Jobcentre Plus**

# London


| | Name of Property[(a)] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[(b)] |
|---|---|---|---|---|---|---|
| 1 | Broadway House, Ealing | Broadway House, 86-92 Uxbridge Road, Ealing, London, W13 8RA | 17,303 | £10,890,000 | £10,560,000 | £443,362 |
| 2 | Collyer Court, Peckham | Collyer Court, Collyer Place, Peckham, SE15 5DL | 16,786 | £8,350,000 | £8,650,000 | £361,209 |
| 3 | Crown House, Romford | Crown House, 30 Main Road, Romford, RM1 3HH | 35,119 | £12,235,000 | £11,635,000 | £529,376 |
| 4 | Finchley Lane, Hendon | Crown Building, 10 Finchley Lane, Hendon, London, NW4 1DP | 15,987 | £5,550,000 | £5,875,000 | £254,200 |
| 5 | High Road, Ilford | 564-570 High Road, Ilford, IG3 8EJ | 18,741 | £5,791,915 | £6,440,000 | £356,394 |
| 6 | Kilner House, Canning Town | Kilner House, 197 Freemasons Road, London, E16 3PD | 13,276 | £6,255,000 | £5,775,000 | £270,570 |
| 7 | Medina Road, Finsbury Park | 53-53 Medina Road, Finsbury Park, London, N7 7JX | 15,710 | £6,400,000 | £6,400,000 | £276,963 |
| 8 | Oates House, Stratford | Oates House, 1 Tramway Avenue, London, E15 4PN | 14,424 | £8,640,000 | £8,425,000 | £351,825 |
| 9 | Peckham High Street | 24-26 Peckham High Street, SE15 5DS | 17,470 | £9,625,000 | £9,975,000 | £416,388 |
| 10 | Raydean House, Barnet | Raydean House, 15 Western Parade, Barnet, EN5 1AH | 28,716 | £8,330,000 | £7,800,000 | £339,257 |

**Notes:**

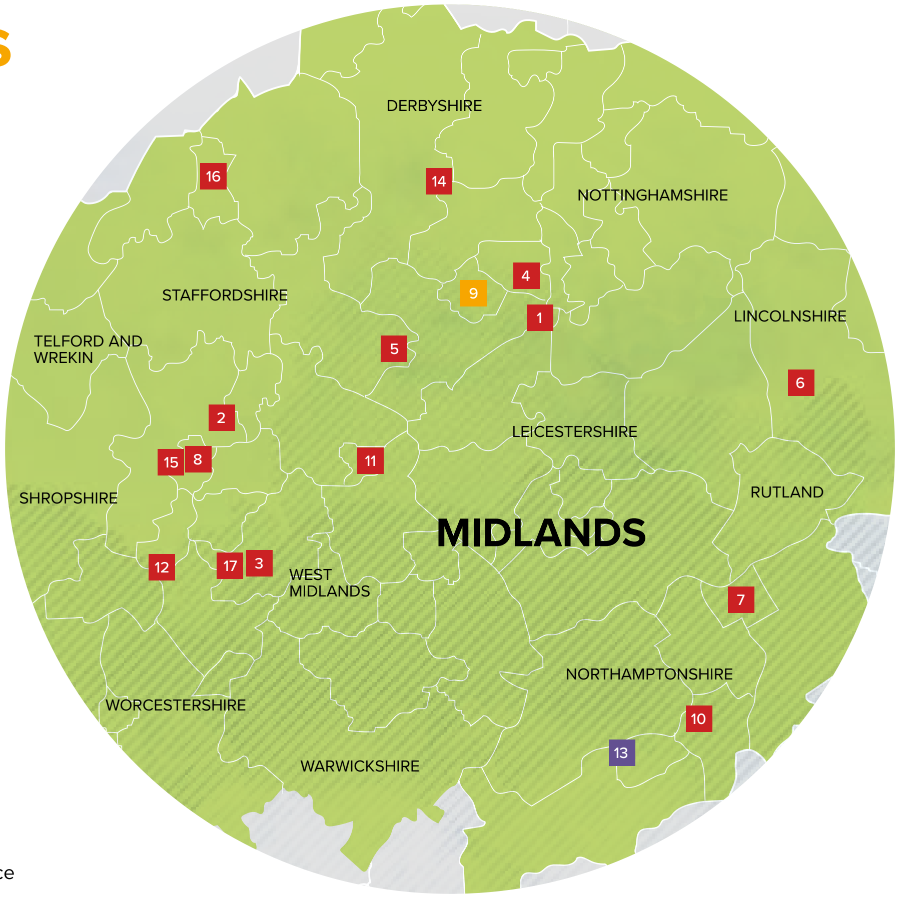
(a) *All properties in London are freehold properties and are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles


## Midlands

17 properties




- DWP Jobcentre Plus
- DWP Call Centre
- HM Courts and Tribunals Service

### Featured Property


### Holborn House, Derby

Holborn House is a three-storey L-shaped office building located within Wyvern Business Park, in the city of Derby. Wyvern Business Park is accessible directly off the A52 and Derby Midland Station is located 1.7 miles (3km) to the west, with the station offering links to Nottingham, Lincoln, Stoke-on-Trent and London with local buses offering regular services to the station.

Net Internal Area
**35,120 sq ft**

Lease Tenure
**Freehold**

Valuation
**£6.34M**

Usage
**DWP Call Centre**


| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 1 | Acacia Walk, Nottingham | 3 Acacia Walk, Beeston, Nottingham, NG9 2LW | 4,306 | £776,117 | £785,000 | £57,656 |
| 2 | Beecroft Road, Cannock | Beecroft Road, Cannock, WS11 1JR | 31,517 | £1,778,118 | £1,250,000 | £137,015 |
| 3 | Bristol Road South, Birmingham | 1300 Bristol Road South, Northfield, Birmingham, B31 2TQ | 18,996 | £4,306,940 | £3,725,000 | £286,296 |
| 4 | Crown Buildings, Ilkeston | 58 South Street, Ilkeston, DE7 8TU | 18,352 | £1,419,019 | £1,160,000 | £112,904 |
| 5 | Crown House, Burton On Trent | New Street, Burton On Trent, DE14 3SL | 45,897 | £1,766,534 | £1,490,000 | £128,185 |
| 6 | Crown House, Grantham | 49A Castlegate, Grantham, NG31 6SY | 24,962 | £2,650,000 | £1,950,000 | £141,407 |
| 7 | George Street, Corby | Thoroughsale House, George Street, Corby, NN17 1PH | 8,847 | £1,341,707 | £1,225,000 | £100,235 |
| 8 | High Street, Bilston | Jobcentre Plus, 14 High Street, Bilston, WV14 0DB | 10,779 | £1,684,792 | £1,310,000 | £119,039 |
| 9 | Holborn House, Derby | Wyvern Business Park, Stanier Way, Derby, DE21 6BF | 35,120 | £6,440,609 | £6,340,000 | £452,639 |
| 10 | Lothersdale House, Wellingborough | West Villa Road, Wellingborough, NN8 4TA | 32,313 | £4,019,589 | £2,400,000 | £265,055 |
| 11 | Saxon Mill Lane, Tamworth | Jobcentre Plus, 90 Saxon Mill Lane, Tamworth, B79 7JJ | 10,698 | £1,366,213 | £1,425,000 | £96,418 |
| 12 | Scotland House, Stourbridge | Scotland House, 169 Lower High Street, Stourbridge, DY8 1ES | 12,452 | £1,813,449 | £1,445,000 | £128,252 |
| 13 | St Katherine's House, Northampton | St Katherine's House, 21-27 St Katherine's Street, Northampton, NN1 1RS | 27,745 | £2,100,000 | £2,610,000 | £209,430 |
| 14 | Tannery House, Alfreton | King Street, Alfreton, DE55 7AF | 10,226 | £1,164,175 | £1,050,000 | £86,499 |
| 15 | Temple House, Wolverhampton | Temple House, Wolverhampton, WV2 4AU | 27,523 | £2,983,613 | £3,350,000 | £247,000 |
| 16 | Upper Huntbach Street, Stoke-On-Trent | 91 Upper Huntbach Street, Hanley, Stoke on Trent, ST1 2BX | 21,540 | £2,739,576 | £2,510,000 | £209,815 |
| 17 | Washwood Heath Road, Birmingham | Jobcentre Plus, 295 Washwood Heath Road, Birmingham, B8 2XX | 14,922 | £1,029,255 | £685,000 | £76,848 |

**Notes:**

(a) *All properties in Midlands are freehold properties and are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## North East

12 properties


■ DWP Jobcentre Plus

### Featured Property


### St Andrew's House, Hexham

St Andrew's House is an inverted "L" shaped, modern detached two-storey office building, located in Hexham, a popular and affluent market town situated in the county of Northumberland. The property is readily accessible via the A69 dual carriageway and the Hexham rail station on the Tyne Valley Line.

Net Internal Area
**21,451** sq ft

Lease Tenure
**Freehold**

Valuation
£**2.34**M

Usage
**Jobcentre Plus**

# North East


| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 1 | Broadway House, Houghton Le Spring | Frederick Place, Houghton Le Spring, DH4 4AH | 20,075 | £1,592,777 | £1,480,000 | £144,085 |
| 2 | Crown Buildings, Chester Le Street | Crown Buildings, Station Road, Chester Le Street, DH3 3AB | 10,490 | £869,965 | £585,000 | £65,296 |
| 3 | Hadrian House, Eston | 81 High Street, Eston, Middlesbrough, TS6 9EH | 24,219 | £1,546,441 | £1,535,000 | £149,672 |
| 4 | Hatfield House, Peterlee | St Cuthberts Road, Peterlee, SR8 1PB | 19,889 | £1,106,256 | £1,030,000 | £107,062 |
| 5 | John Street, Sunderland | 60-66 John Street, Sunderland, SR1 1QT | 17,894 | £1,405,000 | £580,000 | £143,151 |
| 6 | Norham House, Berwick Upon Tweed | 15 Walkergate, Berwick Upon Tweed, TD15 1DS | 7,766 | £434,394 | £350,000 | £43,432 |
| 7 | Portland House, Redcar | Portland House, West Dyke Road, Redcar, TS10 1DH | 9,559 | £900,598 | £700,000 | £75,000 |
| 8 | Reiverdale House, Ashington | Reiverdale Road, Ashington, NE63 9YU | 23,702 | £1,181,551 | £950,000 | £113,944 |
| 9 | St Andrew's House, Hexham | Haugh Lane, Hexham, NE46 3RB | 21,451 | £3,058,131 | £2,335,000 | £241,936 |
| 10 | St John's Square, Seaham | St John's Square, Seaham, SR7 7JE | 6,658 | £654,486 | £515,000 | £61,442 |
| 11 | Theatre Buildings, Billingham | Theatre Buildings, Billingham, TS23 2NA | 7,261 | £686,170 | £510,000 | £57,000 |
| 12 | Ward Jackson House, Hartlepool | Wesley Square, Hartlepool, TS24 8EZ | 20,451 | £2,328,350 | £2,245,000 | £206,550 |

**Notes:**

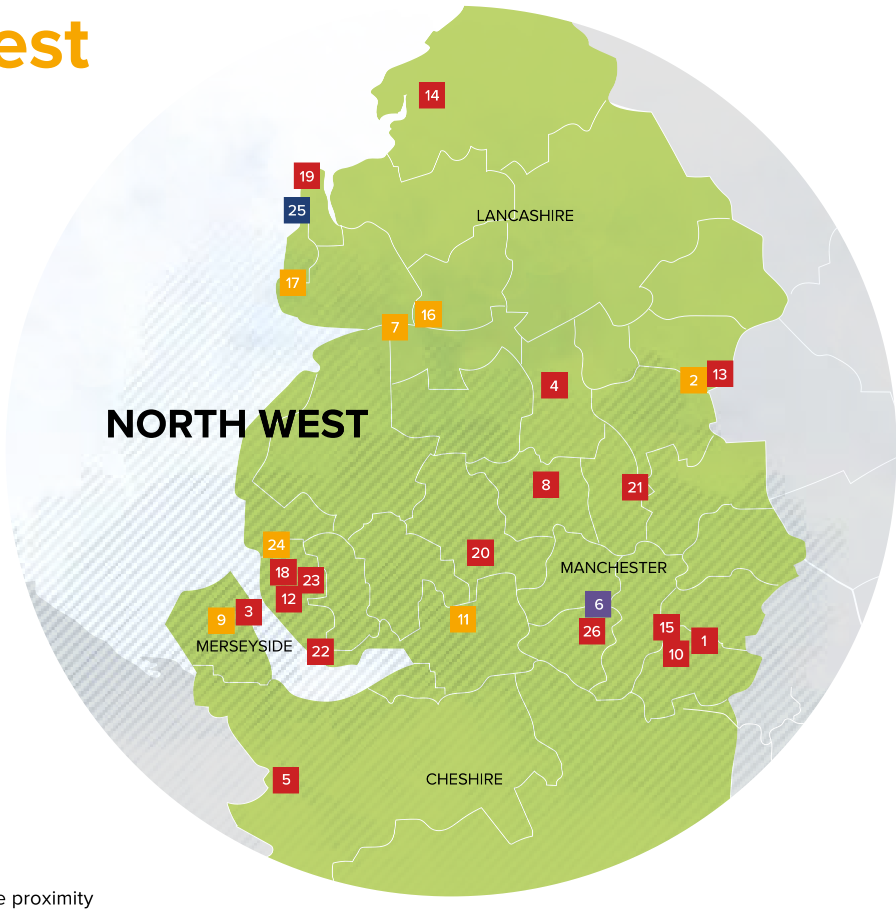
(a) *All properties in North East are freehold properties and are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## North West

26
properties




- ■ DWP Jobcentre Plus
- ■ DWP Back Office
- ■ Home Office
- ■ Ministry of Defence

• Properties 7 and 16 are in close proximity and share the same post code.

### Featured Property


### Peel Park, Blackpool

Peel Park comprises two Grade A offices connected via a covered glass walkway. The property is located in Blackpool, a large town and seaside resort on the Lancashire coast in England. Situated 3 miles to the south east of Blackpool town centre, Peel Park is accessible via the M55 and M6 motorways, and the nearby Blackpool South train station.

Net Internal Area
**156,542** sq ft

Lease Tenure
**Freehold**

Valuation
**£27.70**M

Usage
**Back Office**

# North West

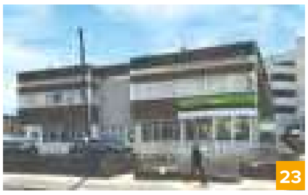

| | Name of Property[(a)] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[(b)] |
|---|---|---|---|---|---|---|
| 1 | Beech House, Hyde | Clarendon Street, Hyde, SK14 2LP | 39,550 | £2,519,483 | £2,640,000 | £223,037 |
| 2 | Blackburn Road, Burnley | Blackburn Road, Burnley, BB12 7NQ | 47,591 | £5,971,464 | £6,150,000 | £472,113 |
| 3 | Brunswick House, Birkenhead | Brunswick House, 17-21 Price Street, Birkenhead, CH41 6JN | 27,956 | £2,083,015 | £1,575,000 | £155,705 |
| 4 | Cardwell Place, Blackburn | 33 Cardwell Place, Blackburn, Lancashire, BB2 1LG | 15,386 | £985,000 | £550,000 | £125,568 |
| 5 | Chantry House, Chester | Chantry House, 55-59 City Road and Crew Street, Chester, CH1 3AQ | 34,847 | £5,348,448 | £5,040,000 | £400,000 |
| 6 | Units 1-2 Dallas Court, Salford | Units 1-2, Dallas Court, Salford, M50 2GF | 16,044 | £1,455,000 | £1,340,000 | £165,000 |
| 7 | Duchy House, Preston | 96 Lancaster Road, Preston, PR1 1NS | 43,217 | £4,185,000 | £3,650,000 | £244,825 |
| 8 | Great Moor Street, Bolton | Jobcentre Plus, Great Moor Street, Bolton, BL3 6DT | 13,842 | £1,341,707 | £1,275,000 | £100,455 |
| 9 | Great Western House, Birkenhead | Great Western House, Woodside, Birkenhead, CH41 6DA | 80,141 | £9,120,000 | £8,625,000 | £650,000 |
| 10 | Heron House, Stockport | Wellington Street, Stockport, SK1 3BE | 43,271 | £3,967,462 | £3,930,000 | £322,490 |
| 11 | Hilden House, Warrington | Winmarleigh Street, Warrington, WA1 1LA | 50,841 | £7,083,512 | £5,885,000 | £560,215 |
| 12 | Hougoumont House, Liverpool | 29 Hougoumont Avenue, Waterloo, Liverpool, L22 0PB | 17,082 | £1,251,054 | £1,425,000 | £105,091 |

**Notes:**

(a) *All properties in North West are freehold properties except for Units 1-2 Dallas Court, Salford, which is on long leasehold tenure with a 99-year lease term from 24 June 1987. All properties are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# North West




| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 13 | Lee-Moran House, Burnley | Victoria Street, Burnley, BB11 1DD | 17,886 | £2,154,592 | £1,980,000 | £170,407 |
| 14 | Mitre House, Lancaster | Church Street, Lancaster, LA1 1EQ | 64,597 | £4,662,491 | £6,575,000 | £409,806 |
| 15 | Openshaw Job Centre, Manchester | Jobcentre Plus, Cornwall Street, Manchester, M11 2WR | 12,925 | £808,700 | £650,000 | £60,273 |
| 16 | Palatine House, Preston | Lancaster Road, Preston, PR1 1NS | 36,522 | £3,540,000 | £3,135,000 | £207,079 |
| 17 | Peel Park, Blackpool | Brunel Way, Blackpool, FY4 5ES | 156,542 | £28,210,000 | £27,700,000 | £1,695,000 |
| 18 | Premier House, Liverpool | Premier House, 95 Breckfield Road North, Liverpool, L5 4QY | 9,475 | £814,827 | £590,000 | £60,775 |
| 19 | Roskell House, Fleetwood | 11-27 Kemp Street, Fleetwood, FY7 6JX | 5,863 | £527,064 | £435,000 | £46,800 |
| 20 | Roydale House, Leigh | 2-10 Windermere Road, Leigh, WN7 1UT | 21,022 | £1,268,429 | £1,450,000 | £118,550 |
| 21 | Silver Street, Bury | Silver Street, Bury, BL9 0DP | 9,352 | £1,002,001 | £1,075,000 | £79,106 |
| 22 | Speke Road, Liverpool | Jobcentre Plus, Speke Road, Garston, Liverpool, L19 2JZ | 8,317 | £741,308 | £715,000 | £55,250 |
| 23 | Springfield House, Liverpool | 416 Eaton Road, Liverpool, L12 3HT | 10,534 | £1,135,215 | £1,035,000 | £104,253 |
| 24 | St Martin's House, Bootle | Stanley Road, Bootle, L69 9BN | 86,418 | £4,008,005 | £4,680,000 | £387,592 |
| 25 | Tomlinson House, Blackpool Norcross Lane | Tomlinson House, Norcross, Thornton Cleveleys, Blackpool, FY5 3WP | 89,179 | £10,543,733 | £9,240,000 | £788,342 |
| 26 | Wilmslow Road, Manchester | 96 Wilmslow Road, Manchester, M14 5BJ | 22,553 | £2,484,731 | £2,760,000 | £196,557 |

**Notes:**

(a) *All properties in North West are freehold properties except for Units 1-2 Dallas Court, Salford, which is on long leasehold tenure with a 99-year lease term from 24 June 1987. All properties are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## Scotland

27 properties


- DWP Jobcentre Plus
- DWP Back Office
- National Records of Scotland
- HM Revenue & Customs

### Featured Property


### Glasgow Benefits Centre, Glasgow

Glasgow Benefits Centre is a large, three-storey office complex housing the only Passport Office in Scotland. The property is located along Milton Street in Glasgow, the largest city in Scotland and the third largest in the UK. Glasgow Benefits Centre has good access to transportation with the Cowcaddens Subway Station, Buchanan Bus Station, and Glasgow Central and Queen Street railway stations within walking distance.

Net Internal Area
**137,287** sq ft

Lease Tenure
**Freehold**

Valuation
**£33.99M**

Usage
**Back Office**

# Scotland


| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 1 | Atlas Road, Glasgow | 200 Atlas Road, Glasgow, G21 4DL | 49,788 | £4,488,734 | £2,475,000 | £397,111 |
| 2 | Bayfield Road, Portree | Bayfield Road, Portree, Isle of Skye, IV51 9EN | 1,943 | £312,763 | £255,000 | £24,901 |
| 3 | Bowling Green Street, Bellshill | 417 Main Street, Bellshill, ML4 1HT | 21,679 | £2,843,830 | £3,560,000 | £277,847 |
| 4 | Castlestead House, Montrose | 4 Castle Place, Montrose, DD10 8AL | 4,246 | £428,602 | £420,000 | £41,363 |
| 5 | Claverhouse Industrial Park, Dundee | 6 Jack Martin Way, Dundee, DD4 9FF | 45,740 | £3,376,686 | £3,145,000 | £281,392 |
| 6 | Coustonholm Road, Glasgow | 8 Coustonholm Road, Glasgow, G43 1SS | 36,124 | £3,625,739 | £3,700,000 | £303,446 |
| 7 | Crown Building, Kilmarnock | 12 and 14 Woodstock Street, Kilmarnock, KA1 2BN | 39,181 | £3,434,606 | £3,120,000 | £301,762 |
| 8 | Discovery House, Stornoway | 2 Castle Street, Stornoway, HS1 2BA | 7,276 | £1,117,840 | £960,000 | £93,259 |
| 9 | Flemington House, Motherwell | 600 Windmillhill Street, Motherwell, ML1 2HN | 29,268 | £2,820,663 | £2,625,000 | £263,779 |
| 10 | Glasgow Benefits Centre, Glasgow | Northgate, 96 Milton Street, Glasgow, G4 0DX | 137,287 | £31,765,000 | £33,985,000 | £1,940,350 |
| 11 | Hall Street, Campbeltown | 40 Hall Street, Campbeltown, PA28 6BZ | 8,288 | £567,608 | £560,000 | £59,758 |
| 12 | Heron House, Falkirk | Wellside Place, Falkirk, FK1 5SE | 25,454 | £2,635,321 | £3,090,000 | £262,181 |
| 13 | High Street, Dingwall | 3 High Street, Dingwall, IV15 9HL | 3,438 | £330,139 | £300,000 | £30,808 |
| 14 | Irish Street, Dumfries | 67-75 Irish Street, Dumfries, DG1 2NU | 12,303 | £1,427,478 | £1,090,000 | £118,536 |

**Notes:**

(a) *All properties in Scotland are freehold properties and are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Scotland


| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 15 | Ladywell House, Edinburgh | Ladywell House, Edinburgh EH12 7TF | 54,622 | £7,388,577 | £9,210,000 | £675,000 |
| 16 | Lindsay House, Dundee | Lindsay House, 18-30 Ward Road, Dundee, DD1 1NE | 38,803 | £4,692,911 | £1,990,000 | £390,000 |
| 17 | New Reiver House, Galashiels | New Reiver House, Roxburgh Street, Galashiels, TD1 1PD | 21,216 | £2,830,450 | £2,455,000 | £235,000 |
| 18 | Parklands, Falkirk | Callendar Boulevard, Falkirk, FK1 1XT | 81,350 | £7,413,651 | £9,225,000 | £683,789 |
| 19 | Pollokshaws Road, Glasgow | 159-181 Pollokshaws Road, Glasgow, G41 1PU | 15,812 | £1,957,667 | £1,560,000 | £154,722 |
| 20 | Sidlaw House, Dundee | Sidlaw House, Dundee, DD2 1DX | 61,250 | £5,955,000 | £5,560,000 | £788,273 |
| 21 | South Muirhead Road, Glasgow | 3 South Muirhead Road, Cumbernauld, Glasgow, G67 1AX | 9,097 | £882,218 | £725,000 | £73,081 |
| 22 | St John Street, Stranraer | 12 St John Street, Stranraer, DG9 7EL | 6,402 | £712,406 | £600,000 | £65,646 |
| 23 | Trinity Road, Elgin | 13-21 Trinity Road, Elgin, IV30 1RJ | 17,427 | £1,476,938 | £1,695,000 | £142,946 |
| 24 | Victoria Road, Kirkcaldy | 26 Victoria Road, Kirkcaldy, Fife, KY1 1EA | 45,884 | £4,478,483 | £930,000 | £372,184 |
| 25 | Waggon Road, Leven | 9 Waggon Road, Leven, KY8 4PT | 4,901 | £306,971 | £285,000 | £27,637 |
| 26 | Wallacetoun House, Ayr | John Street, Ayr, KA8 0BX | 29,207 | £3,046,547 | £2,715,000 | £283,747 |
| 27 | Whitburn Road, Bathgate | 31-33 Whitburn Road, Bathgate, EH48 1HG | 31,484 | £2,756,951 | £1,575,000 | £266,327 |

**Notes:**

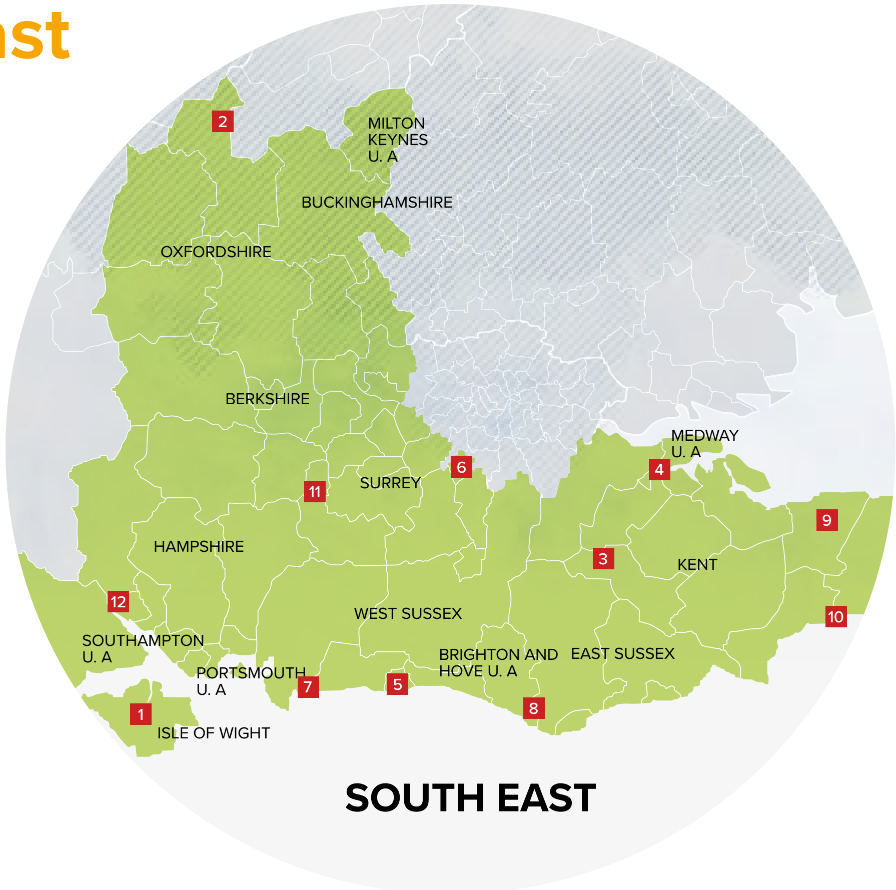
(a) *All properties in Scotland are freehold properties and are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## South East

12 properties




■ DWP Jobcentre Plus

### Featured Property


### Nutwood House, Canterbury

Nutwood House is a modern, detached two-storey office building, located in Canterbury, a local government district in the county of Kent. The property is 1 mile east of Canterbury town centre and enjoys good connectivity to the M20 motorway and Canterbury West train station.

Net Internal Area
**27,172** sq ft

Lease Tenure
**Freehold**

Valuation
**£8.83**M

Usage
**Jobcentre Plus**

# South East


| | Name of Property[(a)] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[(b)] |
|---|---|---|---|---|---|---|
| 1 | Broadlands House, Newport | Staplers Road, Newport, Isle of Wight, PO30 2HX | 31,930 | £8,360,000 | £7,860,000 | £468,311 |
| 2 | Crown Building, Banbury | Southam Road, Banbury, OX16 2EX | 25,051 | £4,112,260 | £3,260,000 | £253,085 |
| 3 | Crown Buildings, Tonbridge | Crown Buildings, Bradford Street, Tonbridge, TN9 1DU | 11,480 | £3,035,000 | £3,260,000 | £146,679 |
| 4 | Crown House, Chatham | The Brook, Chatham, ME4 4LQ | 30,088 | £6,654,910 | £6,050,000 | £432,326 |
| 5 | Crown House, Worthing | High Street, Worthing, BN11 1NG | 31,503 | £6,100,000 | £5,485,000 | £326,711 |
| 6 | East Street, Epsom | 50 East Street, Epsom, KT17 1HQ | 8,687 | £2,554,234 | £2,340,000 | £143,158 |
| 7 | Gloucester House, Bognor Regis | High Street, Bognor Regis, PO21 1HH | 21,318 | £3,029,171 | £3,385,000 | £214,083 |
| 8 | Medwyn House, Lewes | Medwyn House, Mountfield Road, Lewes, BN7 2XR | 24,440 | £5,995,000 | £6,900,000 | £305,187 |
| 9 | Nutwood House, Canterbury | Chaucer Road, Canterbury, CT1 1ZZ | 27,172 | £9,600,000 | £8,825,000 | £512,000 |
| 10 | Palting House, Folkestone | Trinity Road, Folkestone, CT20 2RH | 35,968 | £4,800,000 | £4,165,000 | £268,840 |
| 11 | South Western House, Aldershot | Station Road, Aldershot, GU11 1HP | 19,924 | £2,241,471 | £2,425,000 | £164,174 |
| 12 | St Cross House, Southampton | St Cross House, 18 Bernard Street, Southampton, SO14 3PJ | 42,985 | £5,483,231 | £5,600,000 | £455,000 |

**Notes:**

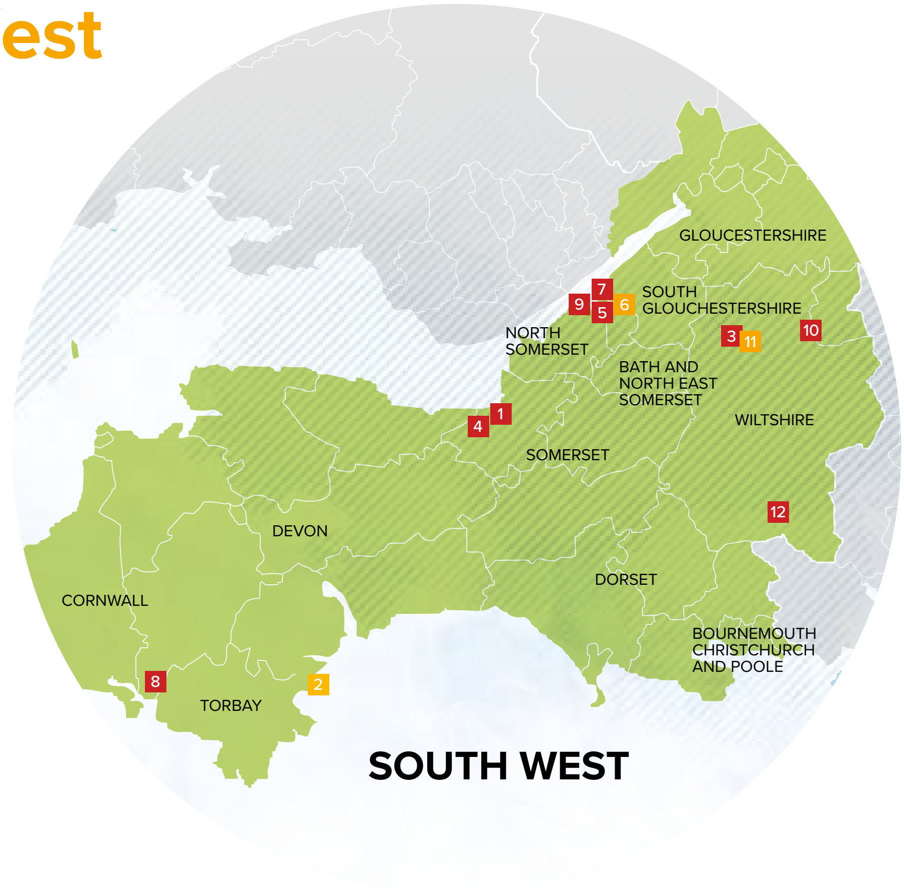
(a) *All properties in South East are freehold properties and are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## South West

**12** properties




- DWP Jobcentre Plus
- DWP Back Office
- DWP Others

### Featured Property


### Spring Gardens House, Swindon

Spring Gardens House is a nine-storey office building located along Princes Street in Swindon, a large town in Wiltshire, South West England. The property is a 10-minute walk from the Swindon train station and enjoys good access to other public facilities and amenities in the town centre.

Net Internal Area
**47,918** sq ft

Lease Tenure
**Freehold**

Valuation
**£8.33**M

Usage
**Jobcentre Plus**

# South West


| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 1 | Brendon House, Taunton | Upper High Street, Taunton, TA1 3RL | 41,750 | £5,560,238 | £5,150,000 | £381,723 |
| 2 | Cotswold House, Torquay | Warren Road, Torquay, TQ2 5UX | 22,260 | £3,250,000 | £2,925,000 | £206,540 |
| 3 | Cyppa Court, Chippenham | Cyppa Court, Chippenham, SN15 3LH | 12,299 | £2,138,154 | £1,845,000 | £160,000 |
| 4 | Hanover House, Bridgwater | Hanover House, Northgate, Bridgwater, TA6 3HG | 21,598 | £2,144,280 | £1,900,000 | £178,182 |
| 5 | Kent Street, Bristol | 17-19 Kent Street, Bedminster, Bristol, BS3 3NW | 6,339 | £1,040,000 | £1,085,000 | £95,083 |
| 6 | Lodge House, Bristol | Fishponds Road, Bristol, BS16 3HZ | 25,979 | £4,000,000 | £5,760,000 | £366,588 |
| 7 | Monks Park Avenue, Bristol | 1 Monks Park Avenue, Horfield, Bristol, BS7 0UD | 10,183 | £2,160,000 | £1,745,000 | £115,477 |
| 8 | Queens House, Plymouth | Queens House, St Levan Road, Plymouth, PL2 3BD | 14,094 | £1,421,352 | £1,220,000 | £106,482 |
| 9 | Regent House, Weston Super Mare | High Street, Weston Super Mare, BS23 1JH | 21,704 | £2,722,200 | £2,780,000 | £212,637 |
| 10 | Spring Gardens House, Swindon | Princes Street, Swindon, SN1 2HY | 47,918 | £7,807,501 | £8,325,000 | £617,373 |
| 11 | St Paul's House, Chippenham | Marshfield Road, Chippenham, SN15 1LA | 15,479 | £3,695,242 | £1,265,000 | £272,877 |
| 12 | Summerlock House, Salisbury | Summerlock Approach, Salisbury, SP2 7RW | 17,136 | £2,722,200 | £2,220,000 | £185,327 |

**Notes:**
(a) *All properties in South West are freehold properties and are 100% occupied as of 31 December 2021.*
(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

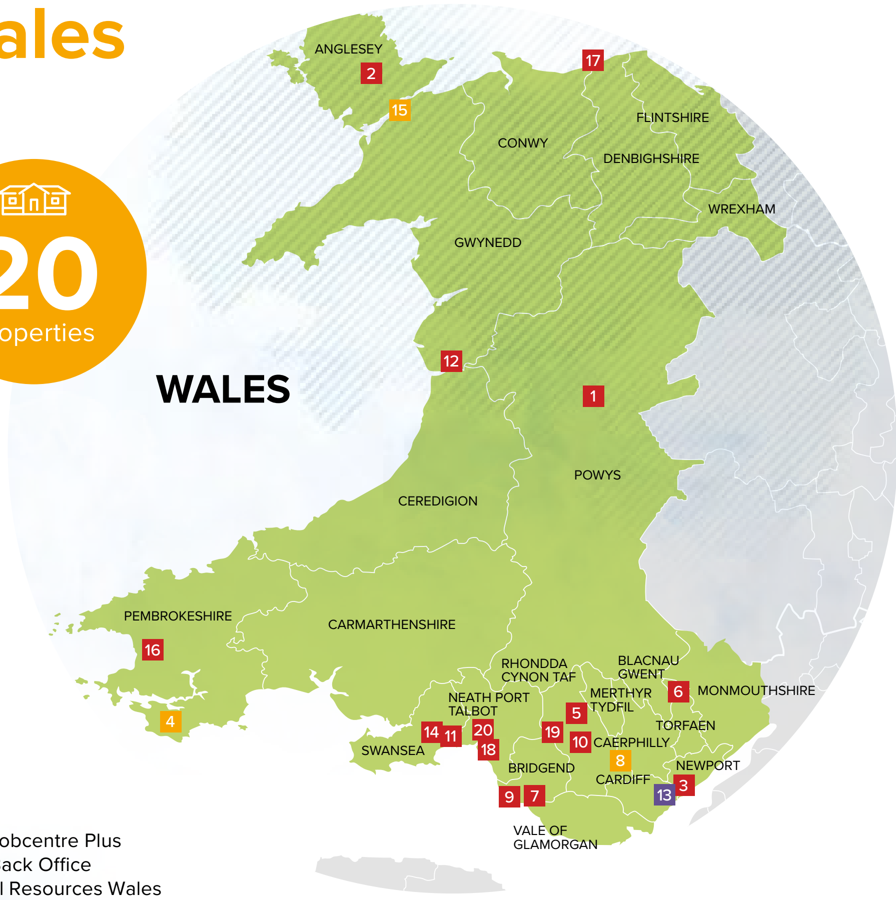
# Portfolio Profiles





## Wales

**20** properties




- DWP Jobcentre Plus
- DWP Back Office
- Natural Resources Wales

### Featured Property


### Parc Menai, Bangor

Parc Menai is a detached two-storey building with a L-shape floorplate configuration. The Property is located within Parc Menai which is approximately 3 miles south west of the centre of Bangor, North Wales. Parc Menai can be accessed via the A487 trunk road at junction 9 of the North Wales Expressway.

Net Internal Area
**32,583** sq ft

Lease Tenure
**250-year lease term from 20 May 2005**

Valuation
**£4.98**M

Usage
**Back Office**

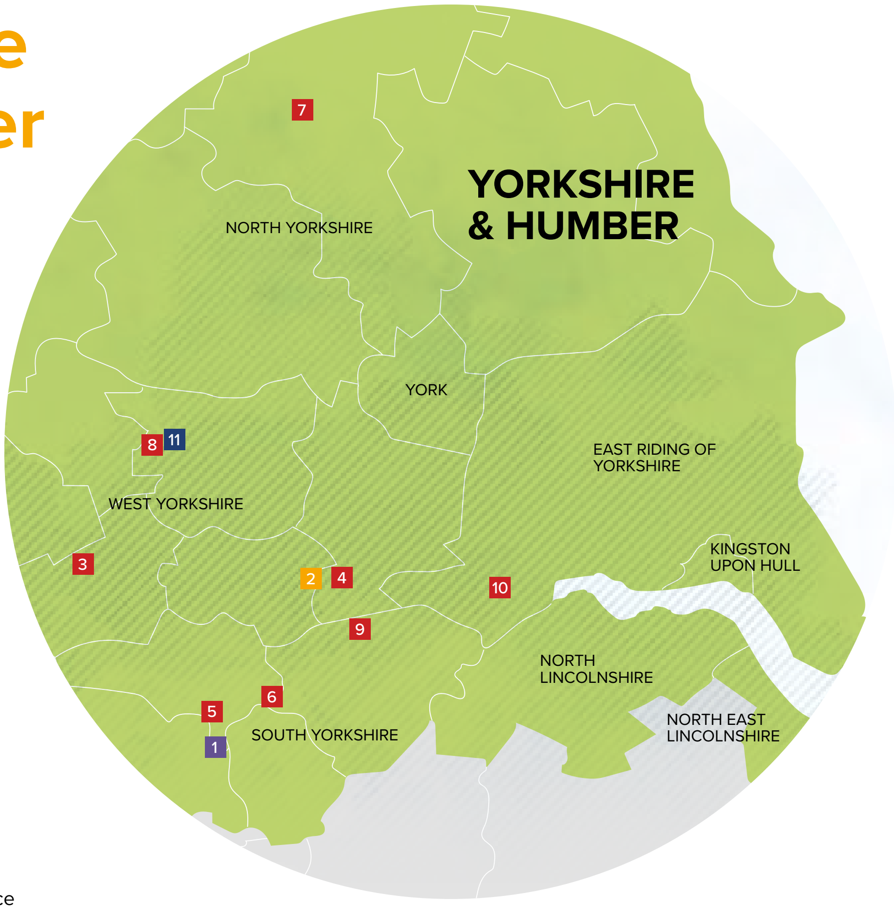

| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 1 | Afon House, Newtown | Afron House, The Park, Newtown, SY16 2PZ | 19,160 | £1,697,045 | £1,500,000 | £134,000 |
| 2 | Bridge Street, Llangefni | Bridge Street, Llangefni, LL77 7YJ | 9,601 | £764,533 | £680,000 | £63,990 |
| 3 | Charles Street, Newport | 2-6 Charles Street, Newport, NP20 1JR | 18,334 | £2,217,799 | £1,840,000 | £165,750 |
| 4 | Cleddau Bridge Business Park, Pembroke Dock | Pembroke Dock, SA72 6UP | 19,418 | £1,430,603 | £1,375,000 | £119,460 |
| 5 | Crown Buildings, Aberdare | Greenbach Street, Aberdare, CF44 7HU | 24,290 | £1,262,637 | £860,000 | £102,662 |
| 6 | Crown Buildings, Abertillery | Portland Street, Abertillery, NP13 1YF | 9,159 | £411,226 | £420,000 | £37,117 |
| 7 | Crown Buildings, Bridgend | Angel Street, Bridgend, CF31 4AA | 46,058 | £4,286,017 | £4,410,000 | £376,304 |
| 8 | Crown Buildings, Caerphilly | Claude Road, Caerphilly, CF83 1WT | 21,000 | £1,540,649 | £690,000 | £124,374 |
| 9 | Dock Street, Porthcawl | Dock Street, Porthcawl, CF36 3BL | 3,023 | £318,555 | £335,000 | £25,699 |
| 10 | Hannah Street, Porth | 35 Hannah Street, Porth, CF39 9RB | 7,018 | £660,278 | £675,000 | £64,763 |
| 11 | High Street, Swansea | 37-38 High Street, Swansea, SA1 1LS | 19,609 | £2,160,384 | £1,970,000 | £188,006 |
| 12 | Maengwyn Street, Machynlleth | 43-45 Maengwyn, Machynlleth, SY20 8EB | 3,655 | £173,757 | £158,000 | £12,421 |
| 13 | Newport Road, Cardiff | Ty Cambria, 29 Newport Road, Cardiff, CF24 0TP | 33,749 | £4,876,706 | £5,200,000 | £405,000 |
| 14 | Oldway House, Swansea | Clase Road, Morriston, Swansea, SA6 8BT | 14,575 | £1,251,054 | £1,050,000 | £104,611 |
| 15 | Parc Menai, Bangor | Parc Menai, Bangor, LL57 4FD | 32,583 | £3,973,254 | £4,975,000 | £384,196 |
| 16 | Quay Street, Haverfordwest | 16-20 Quay Street, Haverfordwest, SA61 1BH | 8,603 | £839,828 | £835,000 | £75,000 |
| 17 | High Street, Rhyl | Jobcentre Plus, 80 High Street, Rhyl, LL18 1UB | 9,452 | £894,472 | £720,000 | £70,815 |
| 18 | Station Road, Port Talbot | 64-66 Station Road, Port Talbot, SA13 1LX | 8,793 | £814,827 | £670,000 | £61,134 |
| 19 | Thistle House, Tonypandy | Llwynypia Road, Tonypandy, CF40 2EP | 14,650 | £1,198,926 | £995,000 | £112,044 |
| 20 | Windsor Road, Neath | 1 Windsor Road, Neath, SA11 1LY | 15,816 | £1,507,123 | £1,225,000 | £119,139 |

**Notes**:
(a) *All properties in Wales are freehold properties except for Parc Menai, Bangor which is on long leasehold tenure with a 250-year lease term from 20 May 2005. All properties are 100% occupied as of 31 December 2021.*
(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Portfolio Profiles

## Yorkshire & Humber

11 properties




- DWP Jobcentre Plus
- DWP Others
- Environment Agency
- HM Courts and Tribunals Service

### Featured Property

3

### Castle House, Huddersfield

Castle House is a four-storey, purpose-built, office building located along Market Street in Huddersfield, large market town in the Metropolitan Borough of Kirklees, West Yorkshire. The property is a six-minute walk from Huddersfield Station and accessible via the A62 major road.

Net Internal Area
**20,389** sq ft

Lease Tenure
**150-year lease term from 17 March 1995**

Valuation
£**2.10**M

Usage
**Jobcentre Plus**

# Yorkshire & Humber


| | Name of Property[a] | Location | Net Internal Area (sq ft) | Purchase Price | Valuation as at 31 Dec 2021 | Annualised Gross Rental Income[b] |
|---|---|---|---|---|---|---|
| 1 | Bradmarsh Business Park, Rotherham | Bradmarsh Business Park, Bow Bridge, Rotherham, S60 1BX | 12,054 | £1,180,000 | £1,135,000 | £120,000 |
| 2 | Bridge House, Castleford | Bridge House, 28 Wheldon Road, Castleford, WF10 2JD | 12,949 | £1,004,749 | £750,000 | £75,000 |
| 3 | Castle House, Huddersfield | Jobcentre Plus, 8 Market Street, Huddersfield, HD1 2NE | 20,389 | £2,695,667 | £2,100,000 | £201,606 |
| 4 | Centurion House, Castleford | Centurion House, Bank Street, Castleford, WF10 1HY | 11,238 | £1,047,634 | £720,000 | £78,129 |
| 5 | Chantry House, Rotherham | Chantry House, Douglas Street, Rotherham, S60 2DL | 20,618 | £1,635,780 | £1,225,000 | £122,112 |
| 6 | Crown Buildings, Mexborough | Adwick Road, Mexborough, S64 0BD | 14,994 | £660,278 | £620,000 | £61,774 |
| 7 | Elder House, Northallerton | East Road, Northallerton, DL6 1NU | 14,517 | £978,834 | £790,000 | £94,349 |
| 8 | Leeds Road, Bradford | 373 Leeds Road, Bradford, BD3 9LT | 22,224 | £1,531,629 | £735,000 | £114,455 |
| 9 | Low Hall, Pontefract | Market Street, Hemsworth, Pontefract, WF9 4HP | 14,208 | £874,579 | £715,000 | £76,832 |
| 10 | Mulberry House, Goole | North Street, Goole, DN14 5RA | 6,202 | £417,018 | £425,000 | £36,732 |
| 11 | Phoenix House, Bradford | Phoenix House, Rushton Avenue, Leeds Old Road, Bradford, BD3 7BH | 37,649 | £4,440,000 | £3,540,000 | £452,201 |

**Notes:**

(a) *All properties in Yorkshire & Humber are freehold properties except for Castle House, Huddersfield which is on long leasehold tenure with a 150-year lease term from 17 March 1995. All properties are 100% occupied as of 31 December 2021.*

(b) *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# About the Primary Occupier


**Department for Work & Pensions**

**85.6%**

of properties occupied by DWP is designated as Front of House - primarily Jobcentre Plus offices and other ancillary services

Department for Work & Pensions

## DWP contributed approximately 89.6% of the REIT's annualised gross rental income for the financial year ended 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.

### Delivering Essential Services

**Largest** public service department of the UK Government

Supported over **23 million** Claimants in the year to February 2021

Dispensed **£212.4B** in benefits and pensions in FY 2020/21

DWP workforce **81,415** employees

### Supporting the Community

People seeking employment

People with a disability or health condition

People planning for or in retirement

Children and families

Department for Work & Pensions

For more information about our primary occupier:

**Visit**
https://www.gov.uk/government/organisations/department-for-work-pensions

The resilience of a REIT is attributed to several factors, including the quality of its tenant base. Elite Commercial REIT derives more than 99% of its gross rental income by leasing its network of centrally located assets to the AA-rated UK Government[1]. These leases are signed with a diversified number of UK Government departments and agencies on a full repairing and insuring[2] ("**FRI**") basis.

### Our Primary Occupier

The REIT's primary occupier is the DWP, which is the largest public service department responsible for administering the country's state pension, welfare and child maintenance policy.

DWP contributed approximately 89.6% of the REIT's annualised gross rental income for the financial year ended 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.

DWP is integral in supporting the UK's social fabric as it delivers essential public services to the community. DWP served over 23 million[3] claimants, dispensing more than £212.4 billion[4] in benefits.

Amidst a challenging business environment and the emergence of the Omicron COVID-19 variant in late 2021, UK's unemployment rate hit 4.1%[5] for the three months ended 31 December 2021. Whilst there remains a degree of uncertainty, DWP continues to be in the front line of UK's Emergency Economic Response through Plan for Jobs[6] which is helping the national recovery. The UK Government also launched a new Way to Work Campaign[7] – a partnership between the government and employers to get 500,000 jobseekers into work by the end of June 2022 to fill a record number of vacancies, supporting job-ready people into the labour market and helping them progress into a career.

In 2021, the UK Government recruited 13,500[8] work coaches to increase support for jobseekers and ensured that DWP's Jobcentre Plus offices remained open during the country's lockdowns. This serves as a testament to the uniquely resilient nature of DWP's operations.

With 85.6% of DWP-leased properties designated as JobCentre Plus offices, our properties continue to remain part of a crucial public infrastructure serving the UK and its citizens.

1. *A majority of the leases are signed by the Secretary of State for Levelling Up, Housing and Communities (formerly known as the Secretary of State for Housing, Communities and Local Government), which is a Crown Body.*
2. *Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability.*
3. *Gov.UK, National statistics, DWP benefits statistics: February 2022, 25 February 2022.*
4. *Department for Work & Pensions, Annual Report & Accounts 2020-21, 15 July 2021.*
5. *Office for National Statistics, Labour market overview, UK: February 2022, 15 February 2022.*
6. *Gov.UK, Plan for Jobs*
7. *UK Government, jobhelp, Way to Work: Helping 500,000 people into work*
8. *Gov.UK, Government delivers 13,500 Work Coaches to boost Britain's Jobs Army, 29 March 2021.*

# Other Key Tenants and Occupiers

**Elite Commercial REIT has a diversified and resilient tenant mix supported by multiple government agencies across the region. This bolsters our portfolio and risk profile with varied exposure to UK sovereign credit.**

### Ministry of Defence

*The Ministry of Defence is a vital organisation of the UK Government responsible for protecting UK citizens, territories, values and interests at home and overseas.*

Contribution to 2021 GRI: 2.1%

**For more information:**

https://www.gov.uk/government/organisations/ministry-of-defence/about

### HM Revenue & Customs

*Her Majesty's ("**HM**") Revenue & Customs is the UK's tax, payments and customs authority, which collects funds to support UK's public services.*

Contribution to 2021 GRI: 2.1%

**For more information:**

https://www.gov.uk/government/organisations/hm-revenue-customs/about

### National Records of Scotland

*National Records of Scotland is a Non-Ministerial Department of the Scottish Government with the purpose of collecting, preserving and producing information about Scotland's people and history.*

Contribution to 2021 GRI: 1.8%

**For more information:**

https://www.nrscotland.gov.uk/about-us

### HM Courts and Tribunals Service

*HM Courts & Tribunals Service is responsible for the administration of criminal, civil and family courts and tribunals in England and Wales.*

Contribution to 2021 GRI: 1.8%

**For more information:**

https://www.gov.uk/government/organisations/hm-courts-and-tribunals-service/about

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### Natural Resources Wales (Cyfoeth Naturiol Cymru)

*Natural Resources Wales is the largest Welsh Government body and the principal environment regulator in Wales, with a purpose to ensure that the environment and natural resources of Wales are sustainably maintained, enhanced and used, now and in the future.*

Contribution to 2021 GRI: 1.1%

**For more information:**

https://naturalresources.wales/about-us/what-we-do/our-roles-and-responsibilities/?lang=en

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### Home Office

*The Home Office is the UK's lead government department for immigration and passports, drugs policy, crime, fire, counter-terrorism and police.*

Contribution to 2021 GRI: 0.5%

**For more information:**

https://www.gov.uk/government/organisations/home-office/about

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### Environment Agency

*The Environment Agency seeks to create better places for people and wildlife, and support sustainable development.*

Contribution to 2021 GRI: 0.3%

**For more information:**

https://www.gov.uk/government/organisations/environment-agency

# United Kingdom:
# Economy & Government

**With a GDP of more than US$2.7 trillion (£2.1 trillion), the United Kingdom is the world's sixth largest economy and the second largest in Europe.**

In the IMD's World Competitiveness Ranking 2021[1], the UK was ranked 18th in a field of 64 mature economies, an improvement from its 19th placing in the year-ago assessment.

The UK economy staged a recovery in the last nine months of 2021 following a contraction of 9.4% in 2020 and 1.3% in 1Q 2021. While the Office of National Statistics reported growth of 7.5% in 2021[2], the Omicron COVID-19 variant outbreak is likely to weigh on the economy in the near term. The national vaccination programme continues to gain traction with 85.3% and 66.6% of the country's 67 million population having received the full regiment of two doses and a booster or third dose respectively[3]. The OECD expects the UK economy to grow by 4.7% in 2022 and 2.1% in 2023[4].

### Statistics[5]

| | |
|---|---|
| Land Area (square km '000) | 244.0 |
| Population (million) | 67.1 |
| GDP (£ billion) | 2,195 |
| Real GDP Growth (%) | 7.5 |
| Unemployment Rate (%) | 4.1 |
| Labour force (million) | 33.8 |

### Strong Sovereign Credit Rating[6]

| | |
|---|---|
| S&P Global Credit Rating | AA/A-1+ |
| Moody's Credit Rating | Aa3 |
| Fitch Ratings Credit Rating | AA- with a Stable Outlook |

1. *The IMD World Competitiveness Center, Switzerland, www.imd.org/wcc*
2. *Office for National Statistics, GDP first quarterly estimate, UK: October to December 2021, 11 February 2022.*
3. *https://coronavirus.data.gov.uk/, as at 4 March 2022.*
4. *OECD.org, United Kingdom Economic Snapshot, Economic Forecast Summary (December 2021).*
5. *Office for National Statistics, 15 February 2022.*
6. *Bloomberg LLP, June 2021.*

### The UK Government

The UK government is divided up into departments which are responsible for administering government policies. As at the time of writing, there are currently 23 ministerial departments, 20 non-ministerial departments and 411 agencies and other public bodies, demonstrating the depth and strength of support available to the community[7].

**UK Government Budget 2021 £65 billion[8]** to provide support for jobs and businesses

**23 Ministerial Departments**
Department for Work and Pensions* | Home Office* | Ministry of Defence* | Ministry of Justice | HM Treasury

**20 Non-Ministerial Departments**
HM Revenue & Customs* | Forestry Commission | Food Standards Agency | The National Archives | UK Statistics Authority

**107 High Profile Groups**
Cabinet Office Board | Civil Service Board | Central Digital and Data Office | Innovate UK | Life Sciences Organisation

**3 Devolved Administrations**
Northern Ireland Executive | The Scottish Government (e.g National Records of Scotland)* | Welsh Government (e.g National Resources Wales)*

**13 Public Corporations**
BBC | Civil Aviation Authority | Historic Royal Palaces | Pension Protection Fund | London and Continental Railways Limited

**411 Agencies and Other Public Bodies**
HM Courts & Tribunals Service* | Environment Agency* | NHS England | Bank of England | British Council

** Elite Commercial REIT's tenants and occupiers.*

7. *https://www.gov.uk/government/organisations*
8. *Gov.UK, News story, Budget 2021 sets path for recovery, 3 March 2021.*

# Independent Market Review

by Knight Frank

Glasgow, Scotland

**Overseas investment has been more prevalent amongst the larger lot sizes across regional cities. Both UK institutions and overseas investors are targeting long term income.**

Prime, high quality assets in major centres are still targeted by investors, such as Birmingham, Manchester and Edinburgh.

## 1. UK Economic Overview

UK GDP is estimated to have increased by 1.1% in Q3 2021, revised down from the first estimate of a 1.3% increase and lower than 5.5% in Q2. The largest contributors were hospitality, and arts, entertainment and recreation following the further easing of restrictions and reopening of the economy during this period. Monthly estimates show that GDP grew by 0.1% in October but remains -0.5% below pre-pandemic levels (February 2020).

Flash Composite PMI dropped to 53.2 in December from 57.6 in the previous month (above 50 indicates rising activity). This reading was the weakest pace of expansion in the private sector since February, due to tighter restrictions and renewed business uncertainty related to the Omicron variant. Services activity has subsequently fallen sharply (from 58.5 to 53.2), while Manufacturing activity reduced slightly (from 58.1 to 57.6) over the same period.

Retail sales volumes (exc. fuel) increased by 2.7% y-y in November 2021 and in the 3-months to November, volumes declined by -0.7% when compared with the previous three months.

CPI inflation increased to 5.1% in November from 4.2% in the previous month and above market expectations of 4.7%. This was the highest level since September 2011, due to rising energy prices, supply chain disruptions and a low base effect from last year.

## Economic Overview Growth

| | Date | Quarterly Change (%) | Annual Change (%) |
|---|---|---|---|
| GDP | Q3 2021 | 1.1 | 6.8 |
| Services Sector Output | Q3 2021 | 1.4 | 7.4 |
| Manufacturing Output | Q3 2021 | -0.7 | 4.3 |
| Retail Sales Volumes | Nov 21 | -0.7 | -0.7 |

## Economic Overview – Levels / Rates

| | Date | Current Rate (%) | Last Month (%) | Last Year (%) |
|---|---|---|---|---|
| Inflation | Nov 21 | 5.1 | 4.2 | 0.3 |
| Unemployment Rate | Sep 21 | 4.2 | 4.3 | 5.0 |
| 10 Year Gilt Yields | Dec 21 | 1.02 | 0.82 | 0.19 |
| EUR: GBP | Nov 21 | 1.18 | 1.18 | 1.12 |
| USD: GBP | Nov 21 | 1.33 | 1.37 | 1.33 |

*Source: Macrobond/ONS/Bank of England*

Calton Hill, Edinburgh

# Independent Market Review

by Knight Frank

High Road, Ilford

### Table 2: Office Market Overview

| | Monthly (%) | 3 month (%) | Year to date (%) | 12 months to Oct 21 (%) | 12 months to Nov 21 (%) |
|---|---|---|---|---|---|
| Income Return | 0.4 | 1.2 | 4.6 | 5.0 | 5.0 |
| Capital Growth | 1.2 | 1.3 | -0.1 | -2.3 | -0.6 |
| Rental Growth | 0.2 | 0.7 | 0.9 | 0.7 | 1.0 |
| Equivalent Yield | 6.3 | - | - | - | - |
| Total Return | 1.6 | 2.5 | 4.4 | 2.6 | 4.4 |

*Source: IPD UK Monthly Digest November 2021 (MSCI Real Estate).*

## 2. Office Market Overview

The monthly total return for the All Office sector was 1.6%, an increase of 130bps m-m. Mid Town & West End (4.7%) and Outer South East (1.7%) were the best performing regions in November. Rest of England (0.0%) and Inner South East (0.2%) were the worst performing regions in the same month. On an annual basis, total return for the UK All Office sector was 4.4% in November, an increase of 176bps from the annual total recorded in October.

The monthly capital value growth for the All Office sector was 1.3%, an increase of 131bps m-m. Mid Town & West End (4.4%) and Outer South East (1.2%) were the best performing regions in November. Rest of England (-0.5%) and Scotland (-0.3%) were the worst performing regions in the same month. On an annual basis, capital value growth for the UK Office sector declined -0.6% y-y in November.

The monthly income return for the All Office sector remained unchanged at 0.4% in November, which equates to 5.0% over the year.

Market rental growth remained stable at 0.2% m-m in November. Outer South East (0.9%) and Rest of London (0.7%) were the best performing subsectors, while Inner South East (-0.1%) and City (0.0%) were the worst performing subsectors. On an annual basis, market rents rose 1.0% y-y in November 2021.

All Office equivalent yield decreased by 4bps to 6.3% in November.

According to Property Data, Office investment volumes for the 12 months to Q3 2021 totalled £16.7bn, a 17.0% annual increase.

The majority of investment during Q3 2021 has come from Overseas Investors (60%), followed by Quoted Prop Co (16%) and Private Prop Co (16%).


Holborn House, Derby

Leeds and Sheffield
**1.23**M sq ft
in development

Birmingham,
103 Colmore Row
**230**K sq ft
of Grade A space

Manchester
**1.2**M sq ft
of space under construction

## 3. National Office Market Overview

### Demand

The National Offices outlook has been mixed across the major UK centres. Some cities have seen signs of optimism but other remain subdued with occupier demand still below pre-pandemic levels and it is evident that it will be some time before demand stabilises. Edinburgh has continued its strong performance from the first half of the year with take-up 62.8% up from Q1 2021. Birmingham and Cardiff continue to see subdued levels of take-up and Bristol continues to be the most resilient of all regional markets with Q4 take-up expected to reach 200,000 sq ft. Manchester and Glasgow have had a stronger Q3 and Leeds has seen take-up levels vastly improved with City Centre take-up increasing by 90.81% and Out of Town take-up rising by 12.82% from Q2 levels.

Many centres continue to report active requirements. This is despite the governments announcement of Plan B measures in response to the increasing number of Covid cases due to the Omicron Variant. Many work places are beginning to encourage staff to return on a gradual basis and it is anticipated that Q4/Q1 22 may see higher levels of activity.

### Supply

Overall supply of Grade A space remains constrained in Edinburgh with a lack of new space and preletting of developments taking space out of the market before completion. In Glasgow and Bristol Grade A space remains critically low. Glasgow has an overall vacancy of only at 5.5% and 0.5% Grade A space whilst Bristol is only expecting an additional 67,00 sq ft of new stock in 2022. Manchester has new and current Grade A stock of 880,000 sq ft with a further 660,000 sq ft to be delivered over the next 24 months.

Leeds and Sheffield have a number of developments under construction and will deliver just under 1.23 million sq ft in total with the majority of the space in Sheffield being speculatively developed. While Birmingham has seen the completion of 103 Colmore Row, delivering 230,000 sq ft of Grade A space.

Development pipeline continues to be restricted. In Manchester there is 1.2 million sq ft of space under construction. Availability only represents just over 12 months' worth of demand for Grade A space and with only a further 300,000 sq ft of space guaranteed to be delivered in 2021 we expect to see supply start to come under pressure triggering further speculative development.

# Independent Market Review

by Knight Frank

Big Ben in Westminster

### Key Occupational Activity

Take-up is still below long term averages for many centres with a limited number of deals. Runway East has taken 15,089 sq ft at 101 Victoria Street Bristol and in Edinburgh Optical Express have taken 7,833 sq ft within Haymarket Terrace. In Cardiff the largest deal in the City was the letting of 6,248 sq ft to the Welsh Local Government Association of 1 Canal Parade. Whilst in Birmingham 68,479 sq ft was let to Arup at One Centenary Way and x+why have also taken two significant lettings at 103 Colmore Row (34,500 sq ft) and 6 Brindleyplace (40,616 sq ft) albeit these are management agreements and not traditional leases.

### Rental Tone

Headline estimated rental value ("**ERV**") levels continue to remain stable for prime property in Q3 2021 throughout the major regional cities. Continued restricted Grade A supply in the short term could push rents in 2022. Prime rents in Bristol are currently standing at £38.00 psf with pressures to reach £40.00 in the next six months. In Cardiff incentives are under pressure whilst in Edinburgh rents are £37.50 psf. In Manchester prime Grade A rents are currently £38.50 and it is expected pre-lets and deals on remaining available space will drive rents further, albeit not as significantly as anticipated 12 months ago.

The rental tone remains mixed across the main centres and is particularly sensitive to the micro demand and supply tensions. Whilst outlook is generally positive for office occupation some markets remain subdued and will impact the rental levels.

**Transactional Volumes**

The total investment volumes bounced back significantly after a very slow start in Q1. Transactions on Q3 are slightly down at £433.22 million compared with £435.88 million in the previous quarter.

Prime, high quality assets in major centres are still targeted by investors, such as Birmingham, Manchester and Edinburgh. Oxford and Cambridge has seen continued demand from investors and life sciences in both locations has seen significant interest. This interest has not been satisfied and locations outside of these centres with life science space are seeing interest in what was a previously shunned subsector. Value add propositions with short term refurbishment and redevelopment opportunities are particularly sought after where the fundamentals are strong. The polarisation between prime and secondary locations continues with investors having particular reservations with regard to vacancy.

**Investor Origins**

Overseas investment has been more prevalent amongst the larger lot sizes across regional cities. Both UK institutions and overseas investors are targeting long term income.

European investors, notably German funds, are expressing interest in the UK regional office market, where they are seeing value for money when compared to other office stock in similar locations on the continent. Far East, Private Equity and Property Companies are showing interest in acquiring in Birmingham.

UK Funds remain net sellers with a number putting elements of their office stock on the market, particularly in the South East of England. More secondary assets in less central locations have been struggling.


King's Cross station, England

***UK market commentary***
*It should be appreciated that this Market Overview is published for general information only and while rigorous research has been used in preparing this analysis, the views and projections provided in the report should not form the basis of any formal decision. Being a general report, the material does not necessarily represent the view of Knight Frank LLP in relation to specific properties or projects and no responsibility can be accepted by Knight Frank LLP resulting from the contents of the document.*

***Source of information***
*Our market analysis has been undertaken using market knowledge within Knight Frank LLP, enquiries of other agents, searches of property databases, as appropriate and any information provided to us.*

# Sustainability Report

## SUSTAINABILITY REPORT CONTENTS



### Contact Us

We welcome feedback and suggestions from our stakeholders. For any questions about this report, please contact:


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## HIGHLIGHTS

Alignment with UK Government's goal of **achieving net zero carbon emission by 2050**

**First sustainability collaboration with UK Government's DWP**
Committed £14.67 million in Sustainability Contribution towards asset enhancement works to improve energy efficiency credentials of DWP-occupied assets

**Zero incidents** of non-compliance/ corruption

**32 average hours** of training per employee in FY 2021

**Management gender diversity**

**Setting up of Sustainability Committee** headed by the Board Chairman

## ABOUT THIS REPORT

This is Elite Commercial REIT's (the "**REIT**" or "**We**") inaugural sustainability report. The report provides a detailed overview of Elite Commercial REIT's environmental, social and governance ("**ESG**") performance for the financial year ending on 31 December 2021. The report is presented by Elite Commercial REIT Management Pte. Ltd., (the "**Manager**") of the REIT.

### Standards and Frameworks

The report has been prepared in accordance with the Global Reporting Initiative's ("**GRI**") Standards – Core option. The Manager has elected to use the GRI Standards because of its international recognition and focus on managing the material impacts on the economy, environment and society. In addition, the report is prepared with reference to the Sustainability Accounting Standards Board's ("**SASB**") Real Estate Standards. The SASB Standards have been used due to their emphasis on the financial materiality of ESG issues which is of interest to investors.

The report has adopted the Task Force on Climate-related Financial Disclosures ("**TCFD**") framework for reporting on the REIT's climate-related risks and opportunities, aligned with Guidelines on Environmental Risk Management ("**ERM**") for Asset Managers, issued by the Monetary Authority of Singapore ("**MAS**").

This report has also been prepared in accordance with Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Rules (711A and 711B) – Sustainability Reporting.

The report is aligned with the United Nations Sustainable Development Goals ("**UN SDGs**") to highlight the REIT's contribution to sustainable development.

### Scope

The report covers Elite Commercial REIT's operations as a Real Estate Investment Trust, including the entire portfolio of properties for the full financial year ending 31 December 2021. As at 31 December 2021, the REIT's portfolio consisted of 155 properties in the United Kingdom ("**UK**"), majority leased to the UK Government on a full repairing and insuring[1] ("**FRI**") basis. Therefore, we do not have operational control over these properties in terms of day-to-day management or utilities'consumption. However, we actively engage with our primary occupier, the Department for Work and Pensions ("**DWP**"), on sustainability issues and seek the environmental performance data for reporting. Over 93% of our portfolio by gross rental income[2] has clauses to the effect of a green lease, which facilitates the sharing of environmental data by the tenant. We remain engaged with our tenants to add green lease clauses to the remaining leases when the opportunity arises.

### Restatements

There are no restatements in the report as this is Elite Commercial REIT's first sustainability report.

### External Assurance

The Manager has relied on internal checks to ensure the accuracy of the data presented in this report. However, seeking external assurance for future reports remains under consideration.

### Feedback

Stakeholders are welcome to send any feedback on this report to the Manager at: **enquiry@elitecreit.com**

**STANDARDS AND FRAMEWORKS USED**

- GRI
- SASB
- TCFD
- MAS ERM
- SGX-ST Listing Rules (711A and 711B) – Sustainability Reporting
- UN SDGs

1. *Under a full repairing and insuring lease, commonly known as triple net lease, the responsibility for the repair of the external and internal parts as well as the structure of the property is placed with the tenant. Elite Commercial REIT, as the landlord, has no repairing or insuring liability.*
2. *Based on annualised gross rental income as at 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*

# Sustainability Report

## GOVERNANCE AND STEWARDSHIP

At Elite Commercial REIT, ESG, including environmental risk management, has Board-level oversight as an integral part of the overall corporate governance.

The Board provides strategic direction for identifying, managing, and implementing material ESG factors, including environmental issues concerning climate-related risks and opportunities. The Board also reviews and approves sustainability reporting.

The Board is assisted by the Sustainability Committee ("**SC**"). The SC is chaired by the Independent Board Chairman. Other members of the SC include an Independent Director, a Non-Independent Director, Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, and Assistant Vice President of Investor Relations.

SC is responsible for developing, managing, implementing and monitoring ESG strategy under the Board's supervision to address material sustainability risks and opportunities to create lasting value for all stakeholders.

The SC is supported by a Sustainability Working Team ("**SWT**") presided by the Chief Executive Officer ("**CEO**") and comprising representatives from Investor Relations, Asset Management, Finance and Compliance functions. The SWT is responsible for implementing sustainability strategies and collecting ESG performance data from various internal stakeholders for reporting.

### Board Statement

The Board is pleased to present Elite Commercial REIT's

1st sustainability report.

The Board accepts its stewardship duties over Elite Commercial REIT and remains steadfast in building a sustainable and resilient REIT with the aim of creating value for our unitholders and stakeholders.

The Board is committed to promoting a robust corporate governance, risk management, diversity, ethical business conduct, responsible business practices and environmental stewardship.

The Board assesses and considers ESG issues, including climate-related risks and opportunities, in the REIT's sustainability and business strategy. It determines the material ESG issues and oversees the management and monitoring of sustainability factors through periodic updates.

The Board has reviewed and approved this sustainability report.

**- Board of Directors**

### Sustainability Governance Structure


* *Members include representatives from across the business functions: Investor Relations, Asset Management, Finance and Compliance.*

## Directors Training

The Board recognises that ESG issues are complex and evolving rapidly. Directors and the management need to keep pace with emerging regulations, standards and frameworks and stakeholder expectations. The Board is committed to constantly build the necessary knowledge and skills to provide effective governance to transition the REIT to a lower carbon economy successfully.

In 2021, the Board attended a sustainability workshop customised for the Manager, which was conducted by an external sustainability expert. Among other topics, the workshop covered climate-related risks and opportunities specifically for the real estate sector.

## Board Diversity

The Board has established a Board Diversity Policy that seeks to have an appropriate level of diversity in its composition, including the dimensions of skills, knowledge and industry experiences, gender, age and tenure.

The Board's Nominating and Remuneration Committee ("**NRC**") is charged with the responsibility of considering aspects such as professional qualifications, industry and geographic knowledge, skills, length of service, age, gender, and the needs of the REIT when reviewing and assessing the composition of the Board and making recommendations to the Board on the appointment of new directors.

A majority of Independent Directors on the current Board were appointed on the same day before the listing of Elite Commercial REIT in 2020, with an Independent Director appointed in July 2021 post-listing. While the Board is rich in diversity of professional qualifications, knowledge and skills, it does not have a woman member. However, the women representation in management is 50%.

The Board acknowledges the importance of gender diversity and remains committed to progressive female representation when the Board is renewed or expanded. The Board has adopted a target to have at least 30% women directors by 2029. Please refer to pages 116 to 117 for more information about our Board Diversity Policy.

## Regulatory Compliance

Regulatory violations can cause reputational harm, fines and penalties and disrupt business activities. We are committed to complying with applicable laws where we operate, including but not limited to business and commercial laws, environmental regulations and labour laws. We have implemented internal controls as part of the enterprise risk management framework to manage regulatory compliance risks. There were no incidents of non-compliance with environmental and socioeconomic laws and regulations in the reported period.

## Ethical Conduct

Our Group-wide Code of Conduct and Ethics Policy, approved by the Board, provides detailed guidelines for all directors, managers and employees to perform their duties with high ethical standards. The policy covers a range of issues, including but not limited to regulatory compliance, confidentiality, personal data protection, insider trading, anti-money laundering and combating the financing of terrorism, corruption and bribery, human rights, social and environmental responsibility and whistleblowing.

Failure to comply with the policy can result in disciplinary action.

## Anti-Corruption

The Manager remains committed to upholding the highest governance and ethical conduct standards. We maintain zero tolerance towards corrupt practices such as bribery, fraud and money laundering. Elite Commercial REIT adopts a Group-wide Code of Conduct and Ethics, which provides detailed guidelines and measures with regard to the giving and receiving of gifts (monetary or otherwise), kickbacks, concessionary offers, entertainment, and business dealings that may place the employee under any real or apparent obligation or indebtedness to any party. The policy applies to all employees, directors and business partners and strictly prohibits accepting or offering a bribe, gratification or other inducements.

Our Whistleblowing Policy provides a channel for employees, directors of REIT Manager and other stakeholders to raise concerns about potential improprieties, including but not limited to suspected fraud, corruption, and unlawful or dishonest conduct.

There were no confirmed incidents of corruption in the reported period.

Read more about our Whistleblowing Policy on page 134 and our website **https://www.elitecreit.com/whistleblowing-statement.html**. Find out more about our ***Corruption and Bribery Prevention Policy*** on page 139.

# Sustainability Report

### Anti-Money Laundering

We are committed to complying with applicable laws concerning anti-money laundering and countering terrorism financing. Our Anti-Money Laundering and Combating Financing of Terrorism policy requires all employees to adopt a risk-based approach towards Know Your Customer ("**KYC**") due diligence procedures and to take steps to prevent and detect unacceptable and suspicious forms of payments.

### Political Contributions

Our policy prohibits making any contributions to political campaigns.

### Human Rights and Modern Slavery

We are committed to respecting human rights and diversity. Our human rights policy strives to provide a supportive work environment free from infringement on human rights and based on mutual trust where employees treat each other with dignity. The policy also prohibits employees from engaging in discrimination or harassment of any kind, including based on race, ancestry, familial status, age, disability, religion, gender or marital status.

Modern slavery and human trafficking are a violation of fundamental human rights. We are committed to implementing necessary measures to safeguard against modern slavery and human trafficking within our operations and supply chain.

### Data Protection and Cyber Security

We are committed to protecting the personal data of our employees and customers and any other personal data we might collect in the course of business. We have implemented necessary measures to safeguard the privacy and comply with applicable data protection laws where we operate. In Singapore, we comply with Personal Data Protection Act ("**PDPA**") requirements.

Information technology ("**IT**") risk and cyber security are vital areas in our enterprise risk management. We have put in place a framework and process to implement prevailing control measures to protect our IT systems from cyber-attacks and data loss.

There were no substantiated complaints or incidents of personal data breaches in the reported period.

### Supply Chain

The REIT's supply chain comprises providers of various services such as legal counsel, corporate secretary, unit registrar, tax agent, insurance brokers, auditors, valuers and surveyors. The Manager's supply chain includes property managers, human resource consultant, IT provider, marketing and events provider.

We adopt the Group-wide Third-Party Agent and Outsourcing Policy, which subjects service providers to stringent evaluation criteria to *inter-alia* address corruption risks and outsourcing risks. Service providers that are assessed to have higher risks are required to certify their compliance with all applicable laws and anti-corruption laws on an annual basis. Rigorous due diligence checks are performed prior to engaging in any business activities with critical suppliers to ensure that their business practices are in line with the ethical standards required by the Group.

| ESG Topic | Ongoing Target | 2021 |
|---|---|---|
| Anti-Corruption | • Zero incidents of corruption and bribery<br>• Annual training on anti-corruption and anti-money laundering policies | • No incidents<br>• 100% of eligible staff completed the annual training |
| Regulatory Compliance | • Zero incidents of significant non-compliance with environmental and socioeconomic regulations | • No incidents |

## STAKEHOLDERS

Stakeholder trust is vital for the REIT's performance. We build stakeholder trust through constructive engagement, transparency and communication. We believe that creating value for stakeholders is essential to maintaining trusted relationships. We prioritise engagement with stakeholders who are important for our value creation and also engage with stakeholders interested in our operations or who may be affected by our decisions. While engagement with some stakeholders is periodic, for example, annual general meetings, interaction with other stakeholders is ongoing and need-based. The Manager proactively engages stakeholders to drive the business effectively and efficiently.

An overview of our stakeholders and how we engage with them is illustrated in the table below.

| Stakeholders | Engagement Method | Purpose of Engagement | Stakeholders' Expectations | Our Response | Engagement Examples in 2021 |
|---|---|---|---|---|---|
| **Investors (Retail unitholders and institutional investors)** | • One-on-one and group investor meetings and conference calls<br>• Local and overseas non-deal roadshows<br>• Public outreach events like participation in virtual investment conferences, webinars, panel discussions and industry forums<br>• Corporate website with a dedicated investor relations contact details<br>• Social media via our corporate LinkedIn page<br>• Annual General Meetings<br>• Regular announcements and updates | • To keep all unitholders, investors and stakeholders informed on the financial and portfolio performance of the REIT and material information that could affect the price or value of the units | • Stable and growing returns from their investments<br>• Sustainable financial and portfolio performance<br>• Timely and accurate information for their investment decisions<br>• Good corporate governance<br>• Prudent risk management<br>• Unitholder interests are aligned with the management and the Board | • Timely and accurate disclosures of material information<br>• Majority independent Board with competent Board members providing quality corporate governance<br>• Experienced management with ground presence in the UK<br>• Engage competent consultants on remuneration matters, controls and governance<br>• Necessary disclosures under corporate governance in the Annual Report | • EGM for maiden acquisition<br>• AGM<br>• Annual Report<br>• Briefings for family offices<br>• Participation in virtual investment conferences, webinars, panel discussions and industry forums held with professional bodies, the media, investor platforms and brokerages<br>• Non-deal roadshows<br>• Briefings for institutional investors and private bankers held with banks and research houses<br>• Trading representative and retail investor teach-in sessions held with brokerages<br>• Corporate LinkedIn page and YouTube account<br><br>(You may refer to pages 39 for the full events listing) |

Scotland House, Stourbridge

# Sustainability Report

| Stakeholders | Engagement Method | Purpose of Engagement | Stakeholders' Expectations | Our Response | Engagement Examples in 2021 |
| --- | --- | --- | --- | --- | --- |
| **Investment community (Analysts, the media and financial bloggers)** | • Regular analysts and media briefings<br>• Face-to-face and virtual meetings<br>• Conference calls, emails and phone calls<br>• Media interviews | • To keep the market informed on the financial and portfolio performance of the REIT and material information that could affect the price or value of the units | • Good corporate governance<br>• Prudent risk management<br>• Unitholder interests are aligned with the management and the Board<br>• Access to senior management | • Timely, transparent and accurate disclosures of material information<br>• Necessary disclosures under corporate governance in the Annual Report | • Research reports by our covering analysts – UBS, CGS-CIMB, UOB Kay Hian and DBS<br>• Unrated research report by Maybank Kim Eng<br>• Publication of SGX 10-in-10 Research Report<br>• Inclusion into RHB Small Cap Top 20 Jewels 2021<br>• REITs Symposium 2021 hosted jointly by Shareinvestor and REITAS (Live chat with investors & blogger interview)<br>• SmartKarma Corporate Webinar |
| **Primary Occupier and Tenants** | • Periodical engagement to ensure they are satisfied with our buildings<br>• Collection of energy consumption data | • To engage on energy efficiency measures<br>• Get buildings improved for lease longevity<br>• To ensure regulatory compliance for energy performance certifications | • Higher energy performance rating for buildings<br>• Ensuring access to buildings for people with disability | • Ongoing engagement on sustainability issues such as energy, emissions and water<br>• Negotiations and discussions for co-investments to improve buildings' energy efficiency<br>• Incorporation of green lease clauses into lease agreements | • Discussions with primary occupier and agents on a regular basis<br>• Embark on the first Sustainability Collaboration with the REIT's primary occupier, the DWP, to undertake asset enhancement works across DWP-occupied assets to improve sustainability and energy efficiency credentials of these properties<br>• Engagements to obtain energy performance data |
| **Trustee** | • Meetings, emails, calls | • To keep the trustee updated on the financial, operational and portfolio performance of the REIT | • Transparent, honest and accurate information | • Regular, timely and accurate updates on business and sustainability plans<br>• Regular dialogues | • Regular meetings and engagements |
| **Banks** | • Meetings, emails and calls<br>• Ongoing compliance<br>• By joining webinars on sustainability issues | • For funding and advisory needs | • Transparent, honest and accurate information<br>• Asset package, compliance, business plan<br>• Manage sustainability risk, timely interest and maturity payments | • Timely interest and maturity payments<br>• Continuous engagements as added confidence for loan disbursements<br>• Regular updates on business and sustainability plans<br>• Regular dialogues<br>• Asset package | • Weekly calls before loan drawdown<br>• Underwriting due diligence<br>• Yearly credit update call<br>• Year-end bank calls<br>• Attend webinars organised by banks (e.g Llyods Bank) |
| **Property Managers** | • Meetings, emails, calls | • To keep updated on the operational aspects of our assets | • Communication of business plans and strategy | • Regular and open communication and engagements | • Regular engagements and dialogues to keep an ear to the ground |

| Stakeholders | Engagement Method | Purpose of Engagement | Stakeholders' Expectations | Our Response | Engagement Examples in 2021 |
|---|---|---|---|---|---|
| **Regulators** | • Ad hoc survey submissions<br>• Regulatory applications and clarifications as appropriate<br>• Timely regulatory filings<br>• SGX announcements<br>• Circulars<br>• Website, AGM/EGM, Annual Report, Sustainability Report | • To comply with the regulatory requirements in all countries of operations | • Timely and transparent information<br>• Adequate resources devoted to compliance<br>• Setting compliance culture across all staff<br>• Good corporate governance<br>• Compliance with policies, rules and regulations | • Stay updated on all regulatory requirements<br>• Establish comprehensive policies, procedures and controls<br>• Independent review by external consultants and internal auditors<br>• Accountability of senior management and the Board<br>• Active membership in industry associations<br>• Maintenance of zero tolerance approach towards fraud, corruption, bribery and unethical practices across the business<br>• Regular communication with regulators and governing bodies | • Attend sustainability trainings by SGX<br>• Attend industry engagement sessions by MAS<br>• Attendance at MAS-IBF "Growing Timber" webinar series<br>• Attendance at ABS-MAS Tech & Cyber Risk Seminar<br>• Survey on the Comprehensive Risk Assessment Framework & Techniques ("**CRAFT**") |
| **Directors** | • Meetings and calls<br>• Quarterly Board Meetings<br>• Engagement with committees delegated by the Board<br>• Ad hoc Board Meetings (when required) | • To comply with regulatory requirements<br>• Best practices for good corporate governance<br>• For the interest of unitholders<br>• For strategic guidance | • Regular and timely updates on the REIT's and the Manager's operations and performance | • Terms of Reference for each Board committee are laid out and executed<br>• Clear agenda setting for all Board Meetings<br>• All matters arising are addressed in a timely manner<br>• Promote productive engagements between senior management and the Board members<br>• Providing regular, timely and accurate updates on the REIT's operations and performance | • Regular Board Meetings held in 2021<br>• Directors attended training on a range of topics including climate change, corporate governance and compliance amounting to an average of 10.6 hours training per director |
| **Employees** | • Face-to-face meetings<br>• Regular conference calls<br>• Emails | • To build a cohesive team with high productivity<br>• To ensure the well-being of employees<br>• To provide an inclusive environment that is conducive for working<br>• To attract future and potential employees with a sustainability mindset | • Competitive remuneration and benefits for talent retention<br>• Good personal growth and development opportunities<br>• Career progression<br>• Attentive and supportive managers<br>• Fair treatment<br>• A respectful and conducive working environment<br>• Work-life balance | • People-friendly HR policies and practices<br>• Regular open communications<br>• Training and development opportunities<br>• Regular employee engagement and performance reviews<br>• Whistleblowing channels for malpractice and compliance concerns | • Team lunch gatherings<br>• SGX Cares Bull Charge 2021<br>• Cycling outing from East Coast Park to Changi Village<br>• Open communications<br>• Team-building activities<br>• Group jog across geographies via virtual means |

# Sustainability Report

| Stakeholders | Engagement Method | Purpose of Engagement | Stakeholders' Expectations | Our Response | Engagement Examples in 2021 |
|---|---|---|---|---|---|
| **Auditors** | • Planning of audit schedule and scope<br>• Participating in audit exercises (internal and external) | • To comply with regulatory requirements in all countries of operations | • Timely and transparent information<br>• Compliance with policies, rules and regulations | • Stay updated on all regulatory requirements<br>• Establish comprehensive policies, procedures and controls<br>• Unfettered access to information | • Annual internal and external audit exercises |
| **Industry associations (e.g REITAS)** | • Emails, calls | • To keep abreast of industry developments | • Active participation in activities and surveys<br>• Provide feedback when appropriate | • Active participation in activities and surveys<br>• Provide feedback when appropriate<br>• Attend training and courses provided by the associations<br>• Attend industry events organised by the associations | • Employee participation in the Rules and Ethics Course by REITAS as part of the requirement to fulfil continuing professional development ("**CPD**") hours<br>• Participation in a working group for a new training course relating to REIT Manager |
| **Local Community** | • Corporate social responsibility ("**CSR**") activities<br>• Philanthropic programmes and activities | • To contribute back to the society<br>• Aligns with the REIT's theme of being a social infrastructure play | • Ongoing monetary and in-kind donations<br>• Ongoing volunteer work<br>• Ongoing support for their efforts | • Ongoing CSR activities for continual support | • Volunteering with charity Willing Hearts<br>• Sponsor of SGX Cares Bull Charge 2021<br>• Distribution of necessities to the elderly in collaboration with the Sponsor and Lion Befrienders |


St Andrew's House, Hexham

## MATERIALITY

In 2021, we conducted a comprehensive materiality assessment to determine the most significant ESG topics for prioritisation and reporting. The Manager participated in a materiality workshop facilitated by a sustainability advisory firm to assess our business activities' most significant economic, environmental, and social impacts and stakeholder expectations.

Working with external sustainability experts, we carefully examined the potential and actual ESG issues in our operations, tenant relationships, global sustainability challenges relating to the real estate sector, reporting requirements mandated by SGX and MAS, regulatory developments in Singapore and the UK, ESG reporting by peers, and stakeholder concerns.

As part of the materiality process, we considered relevant standards, frameworks, and guidelines, including the SASB Real Estate Standards, TCFD Recommendations, and the UN SDGs, to identify the topics for reporting.

Our materiality process is illustrated below.

**01 IDENTIFY**

- Identify ESG impacts of business activities including from properties
- Map out key stakeholders and their expectations
- Consider sustainability challenges relevant to the real estate sector
- Refer to SASB Real Estate Sector Standards and metrics
- Refer to GRI Standards, UN SDGs, and TCFD Recommendations
- Study reporting by peers

**02 PRIORITISE**

- Assess the significance of ESG impacts
- Assess stakeholder interest
- Consider regulatory requirements for reporting
- Consider Elite Commercial REIT's business strategy and goals
- Assess sustainability risks and opportunities for the portfolio
- Prepare a shortlist of material topics

**03 VALIDATE**

- External review of material topics by a sustainability expert
- Internal review of material topics by the Sustainability Committee
- Consideration for stakeholder expectations

**04 APPROVE**

- Review and approval of material topics by the management
- Review and approval of material topics by the Board

We have prioritised the following ESG topics for reporting based on the materiality evaluation:

**Material ESG Topics**

**ENVIRONMENT**

- Climate Change
- Energy and Greenhouse Gas ("**GHG**") Emissions
- Water
- Tenant Engagement

**SOCIAL**

- Attracting and Retaining Talent
- Employee Development
- Diversity
- Local Communities

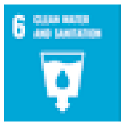
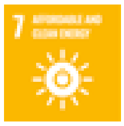
**GOVERNANCE**

- Regulatory Compliance
- Anti-corruption

# Sustainability Report

## Supporting the UN SDGs

The UN SDGs, the 17 Global Goals for sustainable development are key reference points in our materiality assessment. Our approach to proactively manage the most significant ESG impacts supports the UN SDGs. We have mapped the SDGs to our material topics to show where our sustainability efforts contribute to the SDGs.

| Contributing to the UN Sustainable Development Goals ("SDGs") | | |
|---|---|---|
| **Material ESG Topics** | **SDG Targets Supported** | **Relevant SDGs** |
| **ENVIRONMENT** | | |
| • Climate Change<br>• Energy and GHG Emissions<br>• Water<br>• Tenant Engagement | SDG Target 6.4. By 2030, substantially increase water-use efficiency across all sectors and ensure sustainable withdrawals and supply of freshwater to address water scarcity and substantially reduce the number of people suffering from water scarcity<br><br>SDG Target 7.2. By 2030, increase substantially the share of renewable energy in the global energy mix<br><br>SDG Target 7.3. By 2030, double the global rate of improvement in energy efficiency<br><br>SDG Target 9.4. By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with their respective capabilities<br><br>SDG Target 13.1. Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters<br><br>SDG Target 13.3. Improve education, awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning |     |
| **SOCIAL** | | |
| • Attracting and Retaining Talent<br>• Employee Development<br>• Diversity<br>• Local Communities | SDG Target 5.5. Ensure women's full and effective participation and equal opportunities for leadership at all levels of decision-making in political, economic and public life<br><br>SDG Target 8.5. By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value |   |
| **GOVERNANCE** | | |
| • Regulatory Compliance<br>• Anti-corruption | SDG Target 16.5. Substantially reduce corruption and bribery in all their forms |  |

# ENVIRONMENT

Our environmental management approach is to constantly evaluate and ensure climate-resilience of our existing portfolio and factor climate-related risks and opportunities in new acquisitions.

Our assets are primarily occupied by DWP, the UK's largest public service department responsible for welfare, pensions and child maintenance for over 23 million claimants. It is noteworthy that the UK Government has set a national target of achieving net zero greenhouse gas ("**GHG**") emissions by 2050 in line with the Paris Agreement. Our environmental strategy is aligned with the UK's national climate agenda. We are also supportive of the Singapore Green Plan 2030, a national plan to advance Singapore's national agenda on sustainable development.

We believe a low carbon and climate-ready portfolio is central to maintaining the REIT's competitive edge in the marketplace as the demand for green commercial spaces grows to meet the Paris Agreement's goal of limiting global warming to well below 2 degree Celsius ("**°C**") and preferably 1.5°C by 2030 and reach net zero carbon emissions by 2050. We also believe that climate resilience will play an increasingly critical role in asset valuation and the costs of capital and insurance. Our aspiration is to have a net zero carbon emission portfolio by 2050.

Our entire portfolio is let out on a FRI basis, meaning we do not have operational or management control of our buildings in terms of day-to-day management or utilities'consumption. Therefore, our environmental strategy is three-pronged: mitigate climate-related physical risks and transition risks to our portfolio, upgrade assets to leverage on the growing demand for low carbon commercial space, and engage with our primary occupier to monitor the environmental performance of our buildings.

Our climate-related governance, strategy, risk management as well as metrics and targets are based on the TCFD Recommendations.

## Tenant Engagement

We regularly engage with our primary occupier and tenants on environmental performance issues such as the energy efficiency credentials of the properties. We also take a proactive approach in engaging with our primary occupier and tenants by holding regular dialogues, having boots-on-the-ground approach with our newly set up base in the UK as well as harnessing the strengths of technology and big data to analyse occupier utilisation and to help us understand our primary occupier's needs better. Over 93% of our portfolio by gross rental income[1] have clauses to the effect of a green lease, which facilitates the sharing of environmental data by the primary occupier. This report includes utilities' consumption data provided by our primary occupier.

ZERO EMISSION $CO_2$

Net zero portfolio by

**2050**

EPC B

EPC[2] rating of B or higher for all properties by

**2030**

| ESG Topic | 2021 Target | 2021 Performance | 2022 Target |
|---|---|---|---|
| **Climate Change** | • Assess climate-related risks and opportunities using the TCFD framework | • Completed an initial assessment of climate-related physical risks and transition risks and opportunities. See more on Pages 90 to 93. | • Establish an environment risk management framework and policy |
| **Energy and GHG Emissions** | • Collect and analyse properties' EPCs and environmental performance to identify improvement areas<br>• Establish a process to collect energy performance data from primary occupier | • Gathered Energy Performance Data from EPC reports. Incorporated findings in analysis tool<br>• Embarked on the first sustainability collaboration with the REIT's primary occupier, DWP, to undertake asset enhancement works across DWP-occupied assets to improve sustainability and energy efficiency credentials of these properties | • Engage with primary occupier to improve energy and water efficiency of buildings<br>• Engage with the primary occupier in terms of regular progress reports following the commitment by the REIT to invest £14.67 million over three years towards agreed upon asset enhancement works and initiatives that are likely to improve the properties' energy efficiency to a more sustainable standard |
| **Water** | • Establish a process to collect water performance data from primary occupier | • Gathered water use data from primary occupier | |
| **Tenant Engagement** | • Engage with primary occupier to collect energy and water consumption data | • Initiated engagement with primary occupier to collect utility data | • Continue to engage and collaborate with the main occupier on periodic and regular sharing of environmental data for performance tracking |

1. *Based on annualised gross rental income for the period of 1 January 2021 to 31 December 2021, taking into account the portfolio maiden acquisition completed on 9 March 2021.*
2. *Refer to page 91 for more information.*

# Sustainability Report

## TCFD REPORT

### Climate and Environmental Risk Management

We have adopted the TCFD Recommendations to provide useful information to our stakeholders on climate-related risks and opportunities relevant to Elite Commercial REIT.

The TCFD Framework, issued by the Financial Stability Board in 2017, is structured around four thematic areas — governance, strategy, risk management, and metrics and targets and corresponding recommendations for disclosures. This report details our progress so far in implementing the TCFD Recommendations.

### Governance

**Board Responsibility**: The Board has overall responsibility to ensure the environmental risks, including the climate-related risks and opportunities, are effectively managed at the REIT. The Board considers climate-related risks and opportunities in its risk review process. The senior management updates the Board on material climate risks and other ESG risks.

The Board has established a Sustainability Committee ("**SC**"), presided by the independent Board Chairman. Other members of the SC include an Independent Director, a Non-Independent Director, Chief Executive Officer, Chief Investment Officer, Chief Financial Officer, and Assistant Vice President of Investor Relations. The SC's responsibilities include overseeing the assessment and management of climate-related risks and opportunities as part of the governance of material ESG issues important to the REIT's portfolio. The SC meets four times a year to review overall progress on ESG issues that also include climate-related measures and initiatives.

The Board is supported by a cross-functional Sustainability Working Team ("**SWT**"), presided by the CEO.

The Board reviews and approves sustainability reporting and the TCFD disclosures.

**Management Responsibility:** The CEO is a member of the SC and chairs the SWT which is tasked with responsibilities relating to implementing ESG strategies that include addressing the climate-related risks and opportunities.

The SWT, which comprises management representatives from Investor Relations, Asset Management, Finance, and Compliance functions, supports the SC in identifying climate-related risks and opportunities, assessing their financial impact and developing mitigation and adaptation strategies. The SWT is responsible for implementing climate strategies and collecting performance data against metrics and targets.

The Manager is also responsible for ongoing engagement with the primary occupier and tenants to explore opportunities to improve building energy efficiency and lower carbon emissions. In addition, the Manager maintains a dashboard of energy, water and emissions data received from the primary occupier for ongoing monitoring of our portfolio's environmental performance.

In FY 2022, the Manager is committed to developing an environmental risk management framework and relevant climate-related policies for the Board's approval.

### Strategy

Climate change is a strategic business issue for the real estate sector because the buildings and construction sector contributes nearly 37% of energy-related $CO_2$ emissions. Therefore, building energy efficiency is key to decarbonising the industry and achieving the Paris Agreement's goal of limiting global warming to well below 2°C, preferably 1.5°C, compared to pre-industrial levels by 2030 and reach net zero carbon emissions by 2050.

The most recent Intergovernmental Panel on Climate Change ("**IPCC**") Assessment Report ("**AR6**") "Climate Change 2021: the Physical Science Basis" has reaffirmed that strong, rapid and sustained greenhouse gas reductions would be required to ensure limiting global temperature rise to 1.5°C remains within reach.

In the UK, where all of Elite Commercial REIT's current assets are located, the government has adopted a legally binding target to reach net zero emissions by 2050. The UK Government is setting out policies and strategies for decarbonising all sectors of the UK economy to meet the target.

Clearly, there will be increasingly more demand for energy-efficient, low carbon buildings. Therefore, our strategy is to constantly assess the climate-related risks and opportunities to the REIT's portfolio to develop mitigation and adaptation measures to transition to a low carbon economy.

At Elite Commercial REIT, we are developing a strategic approach to manage climate-related financial impacts on the portfolio over short-, mid- and long-term horizons. For planning purposes, we consider 0-5 years to be short-term, 6-10 years as mid-term and more than 10 years to be a long-term horizon.

**Short-Term:** Our strategy focuses on our current assets' energy efficiency in the near term and mitigates the physical risks from extreme weather events such as rising sea levels and floods in the mid- and long-term. We have already started our initial scenario analysis to assess climate change's physical and transition risks.

Since we do not have operational or management control over a majority of our assets, it is vital for us to engage with our full repairing and insuring tenants to monitor the environmental performance of the buildings. All of our leases with the primary occupier have clauses to the effect of a green lease clause, which facilitates the sharing of environmental data and thus drive our assets' environmental performance. We are committed to work with other tenants to progressively include the scope of green lease provisions as part of our mid- to long-term strategy for managing climate-related risks.

We are developing a framework to assess climate-related risks and opportunities in new acquisitions by considering a range of indicators such as potential physical risks from extreme weather events and the asset's environmental performance, including energy efficiency, carbon emissions, and water efficiency.

For example, we are developing a roadmap to upgrade the rating of the Energy Performance Certificate ("**EPC**") of each asset in the portfolio with an aim to have an EPC rating of B or higher by 2030. We are also engaged with our primary occupier to seek their energy, emissions and water performance data and explore partnership opportunities to make improvements.

**Mid-Term:** Our approach is to continue to engage with our primary occupier and tenants and invest in our portfolio of properties to meet the Minimum Energy Efficiency Standards set out by the UK Government. In line with the government's plans, we have adopted a target to secure an EPC rating of B or higher for all properties by 2030.

**Long-Term:** Our goal is to ensure that the properties in our portfolio remain tenantable in various climate scenarios. We will continue to invest in building up the resilience of our existing properties by considering a range of mitigation or adaptation measures based on the climate scenario analysis.

As part of our ongoing strategy, we will incorporate climate-related risks and opportunities in our due diligence as we seek to invest in new assets. This would involve assessing potential physical risks of climate change and a carbon appraisal to determine the cost of transition to a net zero carbon pathway.

Our primary occupier DWP has developed a Carbon and Water Management Plan in support of the UK's Net Zero Carbon by 2050 commitment. We look forward to working with DWP to identify collaboration opportunities for increasing energy and water efficiencies across our properties and support their sustainability ambitions.

## Risk Management

The Sustainability Committee assists the Board in managing climate risks as part of the overall risk management. In line with the REIT's overarching risk management framework, we have used the TCFD Recommendations and the MAS' Guidelines on Environmental Risk Management for identifying and assessing climate-related risks and opportunities.

The Audit and Risk Committee ("**ARC**") assists the Board in examining the adequacy and effectiveness of internal controls policies and procedures to ensure that a robust risk management framework and internal control system is maintained while the Board reviews the adequacy and effectiveness of the risk management and internal control system. For more details on the roles and responsibilities of the ARC, please see pages 131 to 132, Principle 10 of the Corporate Governance Report.

We have conducted a climate scenario analysis to understand our portfolio's resilience to climate change and the measures we can take to be climate-ready. Our analysis is based on the global temperature rise of 2°C and 4°C scenarios - referring to the Representative Concentration Pathways ("**RCPs**") published by the Intergovernmental Panel on Climate Change ("**IPCC**"). The RCPs are established pathways representing possible future emissions and greenhouse gas concentrations to 2100.

Our 2°C scenario is aligned with IPCC's RCP2.6 to assess transition risks and opportunities, and physical risks. We aligned our 4°C scenario analysis with IPCC's RCP8.5 to assess the physical risks.

A summary is provided in the following pages.

## Assessment of Climate-related Risks

### Physical Risk

Physical risks are associated with the physical impacts of climate change resulting from extreme weather events due to changes in climate patterns. Physical risks are of two types – acute risk and chronic risk. Acute physical risks refer to event-driven risks, including increased severity of extreme weather events, such as floods, cyclones or hurricanes. Chronic physical risks refer to longer-term shifts in climate patterns, such as persistent higher temperatures that may cause sea level rise or chronic heat waves. Both types of physical risks can affect our properties and disrupt our tenants' operations.

In 2021, we commenced an assessment of potential physical risks on our entire portfolio of 155 properties located across the UK, Wales and Scotland. In the latest UK Climate Projections 2018 ("**UKCP18**"), the UK Met Office has projected an increased chance of warmer, wetter winters and hotter, drier summers for the 21st century. By 2070, in the high emission scenario, the increase in average seasonal temperature can range from 0.9°C to 5.4°C in summer, and 0.7°C to 4.2°C in winter; the change in seasonal average rainfall can range from -47% to 2% in summer, and -1% to 35% in winter. The frequency and intensity of extreme weather are projected to increase as well. The intensity of heavy summer rainfall events is projected to increase in the future despite the overall summer drying trends. Hot spells, confined mainly to the South East of UK in the present day, is projected to occur more frequently in the future. Sea level around the UK, which has risen by about 17 centimetres since the start of the 20th century, is projected to continue to rise to year 2100. In London, for example, sea level rise for a high emission scenario would range from 0.53 metres to 1.15 metres by the end of the century (when compared to 1981 – 2000).

The increase in precipitation coupled with high-intensity showers would likely expose our assets to more frequent surface water flooding and river flooding. The impacts of surface water flooding, also commonly known as flash floods, would be more severe for those assets located in urban areas and low-lying land. For assets located along the coastline, the risk of coastal flooding increases with the projected sea level rise. Our preliminary analysis indicates that about 22.1% of our portfolio (by floor area) are presently located in areas identified to have a high risk of the river, coastal and surface water flooding[1]. While a like-for-like comparison between present flood risk and future flood risk could not be made due to the absence of official data, we anticipate that more of our assets would be exposed to surface water flood risks in the long term. The actual flood risk nonetheless would depend upon a few other factors such as the building features, local drainage conditions and surrounding landscape. Therefore, we would continue to monitor our flood risks and incorporate the risks into our broader asset management strategies.

We also studied water-related impacts on our portfolio, given the UK's impending risk of water shortages. According to the UK Climate Change Risk Assessment 2017 Report, research commissioned by the Committee on Climate Change estimated that the demand for water in England would exceed supply by between 1.1 billion and 3.1 billion litres per day by the 2050s, depending on the extent of climate change and population growth. Using the WRI Aqueduct Water Risk Atlas tool, we identified that about 9.5% of our portfolio (by floor area) are presently located in areas with high and extremely high baseline water stress risk. This increases to about 33% in 2030 under the SSP2-45 scenario, referring to the middle-of-the-road development, the intermediate scenario provided in the latest IPCC assessment report AR6 in which $CO_2$ emissions remain around current levels until the middle of the century.

Recognising climate science will continue to advance, we would continue to review our water stress risks and explore ways to analyse the risks using more localised projections.

1. *Analysis was conducted based on available data from the UK Environment Agency, Scottish Environment Protection Agency and Natural Resources Wales. Elite Commercial REIT defines high risk to be those properties with High (>3.3% chance a year) and Medium (1.0% - 3.3% chance a year) risk of river, sea and surface water flooding in Wales, High (10% chance each year) and Medium risk (0.5% chance each year) of river, coastal and surface water flooding in Scotland, and High Probability (1.0% or greater chance each year) of river and coastal flooding in England.*

**Transition Risk**

Transition risks are associated with the shift to lower carbon or net zero carbon economy. Transition risks may arise from significant policy, legal, technology, and market changes to address mitigation and adaptation requirements triggered by climate change.

Climate-related opportunities may result from mitigation and adaptation measures such as resource efficiency and cost savings, the adoption of low carbon energy sources, low carbon products and services, access to new markets, and making the supply chain more resilient.

## Assessment of Climate-related Risks

| Risk Category | Risk Type | Risk Description | Potential Financial Impacts | Mitigation or Adaptation Measures |
|---|---|---|---|---|
| Physical Risk | • Increased severity of extreme weather events such as floods and flash floods | • Properties located in high flood risk areas | • Asset valuation<br>• Inability to rent or sell the asset<br>• Increase in insurance costs<br>• Physical damage or impairment of assets<br>• Cost of pre-emptive mitigation measures | • Undertake further study to assess local town councils' preparedness and plans in areas where there is high risk of the river, coastal and surface water flooding<br>• Engage with the local councils and the tenant |
| | • Rising mean temperatures | • Properties located in high water-stressed or heat-stressed areas | • Asset valuation<br>• Inability to rent or sell the asset<br>• Higher energy costs for tenants due to increased cooling demand | • Prioritise water efficiency measures in collaboration with tenants and occupiers in properties identified to be in high water-stress risk areas |
| Transition Risk | • Policy and Legal | • Stricter building energy efficiency and water efficiency regulations (e.g. proposed changes to Minimum Energy Efficiency Standards ("**MEES**") regulation)<br>• Pricing on carbon emissions | • Cost of asset enhancements to meet high energy efficiency regulations<br>• Cost of asset enhancements to improve water efficiency<br>• Loss of revenue from the inability to lease non-compliance buildings<br>• Higher compliance cost | • Adopted a target to achieve EPC rating of B or higher for all properties by 2030<br>• Committed to net zero portfolio by 2050 |
| | • Market | • Reduced demand for carbon inefficient buildings due to changing customer preferences<br>• Increasing demand for climate-related and ESG disclosures | • Repricing of assets<br>• Lower rental yield<br>• Inability to rent or sell the assets<br>• Lower ESG ratings could affect asset valuation | • Adopted a target to achieve EPC rating of B or higher for all properties by 2030<br>• Committed to net zero portfolio by 2050 |

## Assessment of Climate-related Opportunities

| Category | Opportunity | Description | Potential Financial Impacts | Management Approach |
|---|---|---|---|---|
| Resource Efficiency | • Higher demand for energy-efficient buildings | • Improve energy efficiency of buildings | • Rental premium<br>• Asset valuation<br>• Energy savings for tenants | • Adopted a target to achieve EPC rating of B or higher for all properties by 2030<br>• Committed to net zero portfolio by 2050 |
| Energy Source | • Installation of solar photovoltaic ("**PV**") on our assets | • Installation of solar PV on our assets | • Revenue from on-site solar PV installations<br>• Asset valuation<br>• Rental premium | • Explore opportunities to collaborate with tenants and occupiers to improve properties' sustainability performance including feasibility of on-site PV solar panel installations |
| Products and Services | • Higher demand for energy-efficient and green-certified buildings<br>• Green finance | • Improve energy efficiency of buildings<br>• Obtain green building certification<br>• Green finance for asset enhancements | • Rental premium<br>• Asset valuation<br>• Energy savings for tenants<br>• Lower interest cost on green loans | • Adopted a target to achieve EPC rating of B or higher for all properties by 2030<br>• Committed to net zero portfolio by 2050 |
| Resilience | • Higher demand for energy-efficient and green-certified buildings | • Increased adoption of energy efficiency measures and renewable energy across the portfolio | • Increased market valuation due to climate-resilience | • Adopted a target to achieve EPC rating of B or higher for all properties by 2030<br>• Committed to net zero portfolio by 2050 |

# Sustainability Report

## TCFD Metrics and Targets

| Climate-related Risks | | | |
|---|---|---|---|
| **Risks** | **Metric** | **2020** | **2021** |
| Policy and legal | Percentage of portfolio with EPC rating of F or G (by floor area) | 5.4% | 3.5% |
| | Percentage of portfolio with EPC rating of C, D or E (by floor area) | 94.6% | 96.2% |
| Extreme weather | Percentage of portfolio exposed to high risk of inland, coastal and flash flooding (by floor area) | 24.3% | 22.1% |
| | Percentage of portfolio exposed to high risk of inland, coastal and flash flooding (by value) | 22.3% | 20.1% |
| Resource supply | Percentage of portfolio located at high and extremely high baseline water stress area (by floor area) | 6.5% | 9.5% |
| | Percentage of portfolio located at high and extremely high baseline water stress area (by value) | 11.3% | 21.7% |
| **Climate-related Opportunities** | | | |
| **Products and services** | Percentage of portfolio with EPC rating of A or B (floor area) | 0.0% | 0.3% |
| | Percentage of gross rental income from EPC A and B rated assets | 0.0% | 0.4% |
| **Primary Occupier's Performance[1]** | | | |
| Energy | Total energy consumption (MWh) | 58,132 | 81,392 |
| | Total electricity consumption (MWh) | 22,128 | 27,951 |
| | Total fuel consumption (e.g. gas) (MWh) | 36,004 | 53,441 |
| | Total energy intensity by floor area (kWh/m$^2$) | 247.0 | 253.0 |
| GHG emissions | Total GHG emissions intensity by floor area (kg$CO_2$e/m$^2$) | 51.2 | 52.4 |
| Water | Total water consumption (m$^3$) | 92,637 | 147,387 |
| | Total water intensity by floor area (m$^3$/m$^2$) | 0.39 | 0.46 |

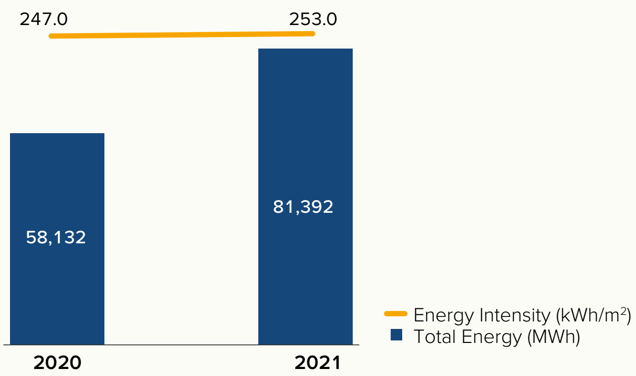
1. *Elite Commercial REIT does not have operational or management control of its assets in the portfolio in terms of day-to-day management or utilities' consumption as all current leases are on a full repairing and insuring lease terms basis, commonly known as a triple net lease. Performance data presented here pertains only to DWP-occupied assets and has been provided by our primary occupier who also publishes their own sustainability reports. Data for 2020 is based on the initial portfolio of 97 assets as at 31 December 2020, while data for 2021 is based on assets occupied by DWP as at 31 December 2021, including assets from maiden acquisition.*

Bristol Road South, Birmingham

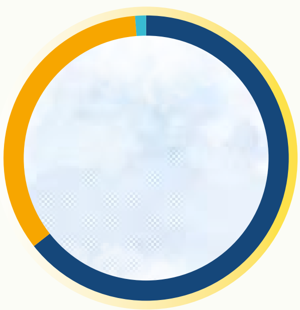
Data presented below pertains only to assets occupied by DWP. Data for 2020 is based on the initial portfolio of 97 assets as at 31 December 2020, while data for 2021 is based on assets occupied by DWP as at 31 December 2021, including assets from maiden acquisition.

## Energy Consumption

### Energy Consumption - Absolute and Intensity

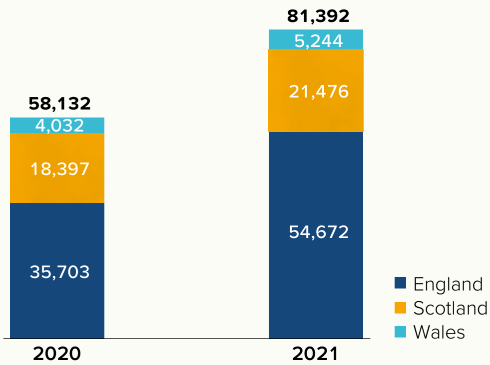



### 2021 Energy Consumption, by Energy Type (MWh, %)



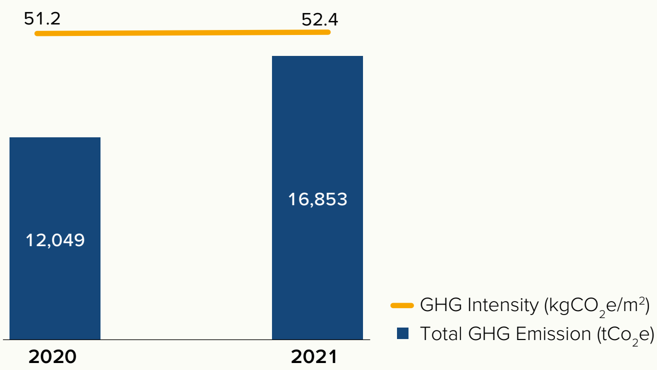
| | MWh | % |
|---|---|---|
| Gas | 52,429 | 65 |
| Electricity | 27,951 | 34 |
| Oil | 1,012 | 1 |

### Energy Consumption by Region (MWh)

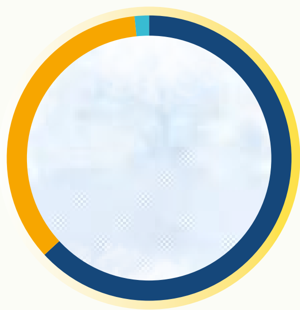



## GHG Emissions

### GHG Emissions - Absolute and Intensity

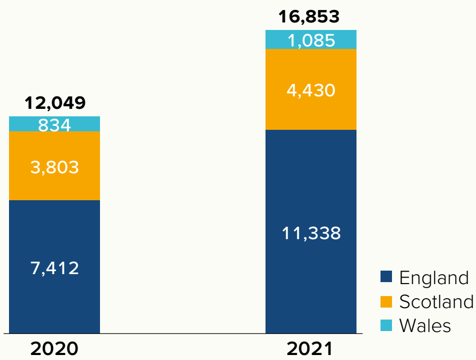



### 2021 GHG Emissions, by Energy Type ($tCO_2e$, %)



| | $tCO_2e$ | % |
|---|---|---|
| Gas | 10,641 | 63 |
| Electricity | 5,935 | 35 |
| Oil | 277 | 2 |

### GHG Emissions by Region ($tCO_2e$)

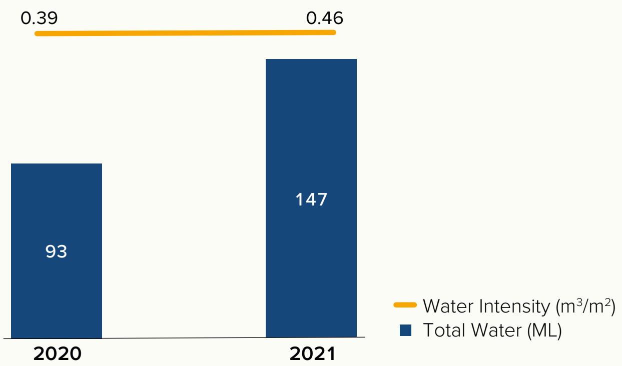


# Sustainability Report

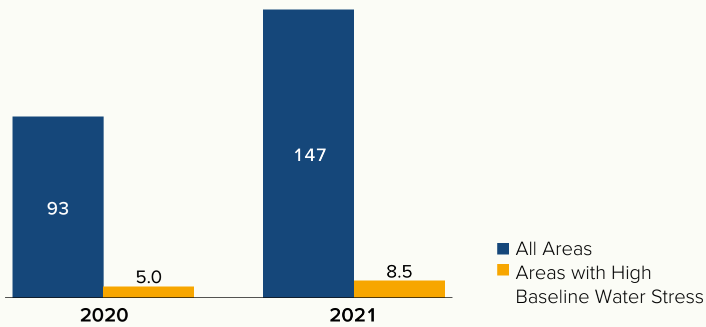
Data presented below pertains only to assets occupied by DWP. Data for 2020 is based on the initial portfolio of 97 assets as at 31 December 2020, while data for 2021 is based on assets occupied by DWP as at 31 December 2021, including assets from maiden acquisition.

## Water Consumption

### Water Consumption - Total and Intensity




### Water Consumption in Areas with High Baseline Water Stress (ML)





Peckham High Street

## PEOPLE

The Manager is committed to attracting, developing and retaining talented professionals to create value for the REIT and its stakeholders. It is vital for us to nurture an inclusive and supportive workplace where our people can perform to their best. Our workplace policies promote active engagement, open communication, mutual trust, teamwork as well as personal and professional development.

### Employee Profile

As at 31 December 2021, we employed six people, all of them as full-time employees with permanent contracts.

### Diversity

We are committed to promoting an inclusive workplace with respect for diversity. We promote equality and mutual respect in the workplace to make all employees feel valued and empowered.

Women account for 50% of our employees, including at the management level.

### Employee Engagement

The Manager recognises it is essential to have an engaged and energised team to deliver on the business goals. As a small team, we maintain open communication, regular meetings, cross-functional workgroups and ongoing interactions to keep the team engaged and motivated. More formal channels for engagement include performance discussions and setting development goals.

### COVID-19 and Employee Well-being

As COVID-19 continues to disrupt workplaces, the Manager remains committed to ensuring the health and well-being of our people. Our COVID-19 measures have included abiding by the health advisories issued by the relevant regulatory agencies, practising enhanced cleanliness and hygiene in offices, and empowering our employees to work from home productively. In FY 2021, the Manager enacted its Business Continuity Plan (“**BCP**”) and transitioned its workforce to remote work arrangements according to the work-from-home posture by the Singapore Government. These actions, coupled with Elite Commercial REIT and the Manager’s continuous investment in systems, processes and people, has ensured that there has been no material interruption to the operations of Elite Commercial REIT and the Manager’s business due to COVID-19. Employees are given paid time off for COVID-19 vaccination, including any mandatory observation period after vaccination if the vaccinations are done during working hours. Employees are granted additional time off to rest if they experience side effects from their COVID-19 vaccination. All Antigen Rapid Test (“**ART**”) kits are funded by the Manager during the time employees are working on-site. The Manager has also implemented flexible workplace hours to spread out employees across time and place, and reduce possible congregation of employees at common spaces at or near the workplace, such as entrances, exits, lobbies, and pantries. Senior management schedules regular check-ins with employees to assess their state of mental well-being and review / prioritise their workloads where necessary.

### Employee Development

We are committed to developing our people through regular training opportunities. Our employees’ personal as well as professional development is important to us to deliver on our business goals. It is vital for us that our teams stay updated on emerging issues such as climate-related risks and opportunities, regulatory developments related to climate change, energy, emissions, water, ESG screening of assets, green building certifications, and sustainability reporting.

The Board remains committed to ongoing learning of directors to maintain the necessary skills and knowledge including the ESG topics. In 2021, directors completed a total of 106 hours of training which amounted to an average of 10.6 hours per director.

# Sustainability Report

## Hiring and Turnover

Our approach is to hire and retain the most qualified talent. Our ability to attract the right and diverse talent and talent retention are crucial to providing our primary occupier and tenants with high-quality services. Therefore, we track our hiring and turnover performance for management review.

## Non-Discrimination

We are committed to treating all employees fairly. Our employment policy prohibits discrimination or harassment of any kind, including on the basis of race, ancestry, familial status, age, disability, religion, gender or marital status.

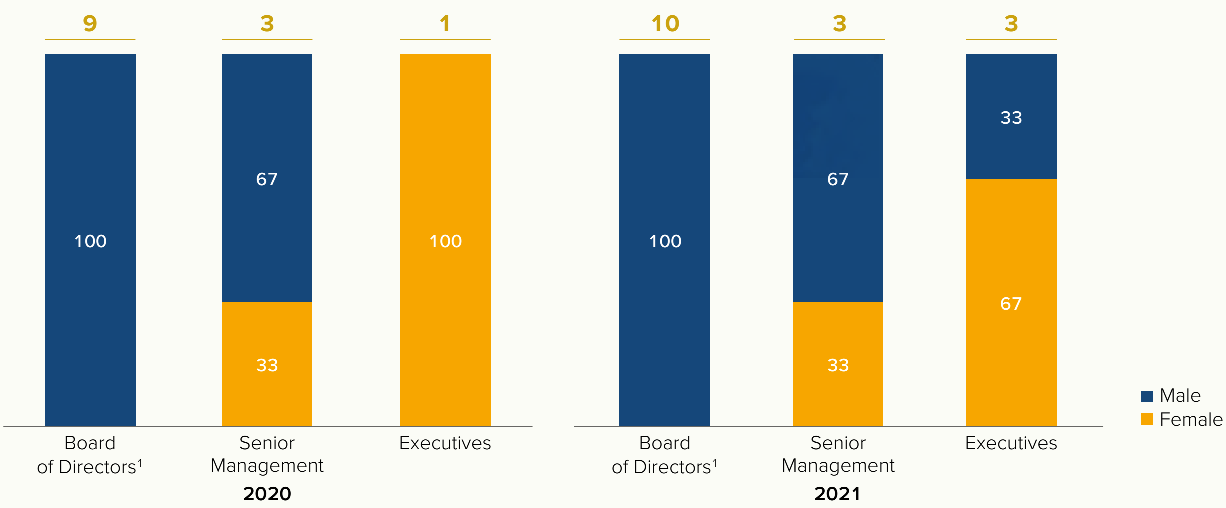
## Performance Management

We believe in having a fair, objective and equitable performance management system for talent retention and in aligning employee's development needs and career aspirations with the company's business needs. Our robust assessment system ensures that all employees receive regular reviews of their performance and career development. Our annual performance evaluation exercise involves self-assessment, open discussions on the employees' performance, training and development needs as well as growth areas and setting key performance indicators as motivation to drive employee performance. Employees participate in the setting of team and individual goals to clearly define performance and compensation expectations.

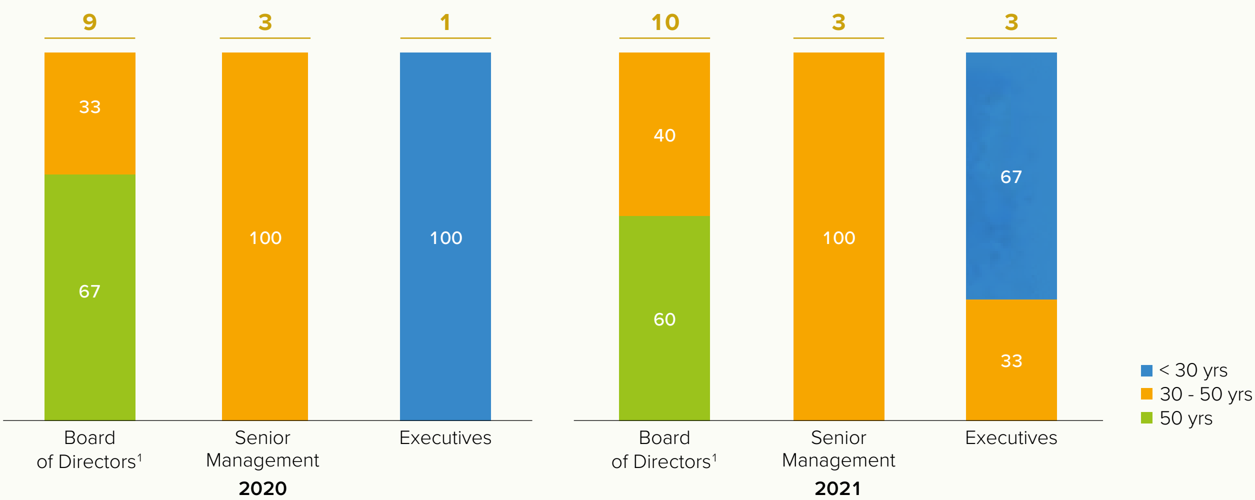
| Employee Data | | |
|---|---|---|
| **Particulars** | **2020** | **2021** |
| Total number of permanent employees | 4 | 6 |
| Total number of temporary employees | 0 | 0 |
| Total number of fixed-term contract employees | 0 | 0 |
| **Total Number of employees** | **4** | **6** |
| Total number of full-time employees | 4 | 6 |
| Total number of part-time employees | 0 | 0 |
| Proportion of female employees | 50% | 50% |
| Proportion of female Heads of Department | 50% | 50% |
| **Employees by age group** | | |
| Under 30 years | 0 | 2 |
| 30-50 years | 4 | 4 |
| Over 50 years | 0 | 0 |
| **Employees by category** | | |
| Senior Management | 3 | 3 |
| Executives | 1 | 3 |
| Non-executives | 0 | 0 |
| **New Hiring rate by gender (%)** | | |
| Male | 0% | 33% |
| Female | 50% | 67% |
| **New Hiring rate by age group (%)** | | |
| Under 30 years | 0% | 100% |
| 30-50 years | 25% | 25% |
| Over 50 years | 0% | 0% |
| **Employee turnover rate by gender (%)** | | |
| Male | 0% | 0% |
| Female | 50% | 33% |
| Overall | 25% | 17% |
| **Employee turnover rate by age (%)** | | |
| Under 30 years | 0% | 0% |
| 30-50 years | 25% | 25% |
| Over 50 years | 0% | 0% |
| **Employee training by gender** | | |
| Average hours of training per employee (male) | 7.5 | 28.0 |
| Average hours of training per employee (female) | 13.4 | 36.1 |
| Average hours of training per employee | 10.4 | 32.0 |
| **Average hours of training by category** | | |
| Senior Management | 10.2 | 32.8 |
| Executives | 11.3 | 31.3 |
| Non-executives | N.A. | N.A. |

| ESG Topic | 2021 Target | 2021 Performance | 2022 Target |
|---|---|---|---|
| Attracting and retaining talent | • Establish a data collection system to report on hiring and turnover performance | • Established a data collection system to report on hiring and turnover performance | • Establish a benchmark to measure employee retention |
| Employee Development | • Average 16 hours of training per employee<br>• At least one hour of compulsory ESG training for all employees | • Achieved an average of 32 hours of training per employee, including at least an hour of compulsory ESG training for all employees | • Average 20 hours of training per employee<br>• At least one hour of ESG training for all employees |
| Diversity | • Disclose percentage of women in the organisation and also in senior management | • 50% of management positions are held by women | • Maintain 50% of management positions being held by women |

## Board of Directors and Employees by Gender (%)




## Board of Directors and Employees by Age Group (%)

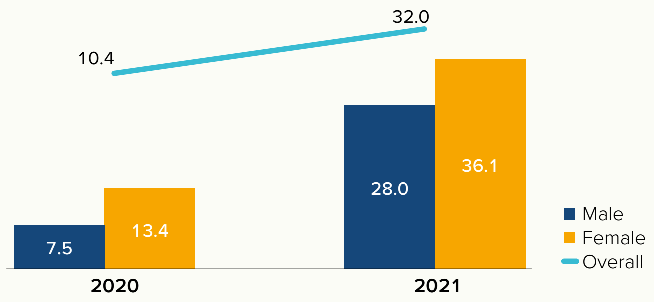



1. *Includes Dr Tan Kok Heng as Alternate Director to Mr Evan Cheah Yean Shin.*

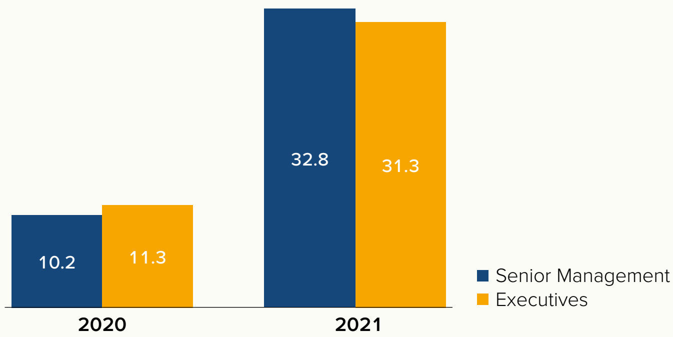
# Sustainability Report

## Average Training Hours

### Average Hours of Training Per Employee, by Gender

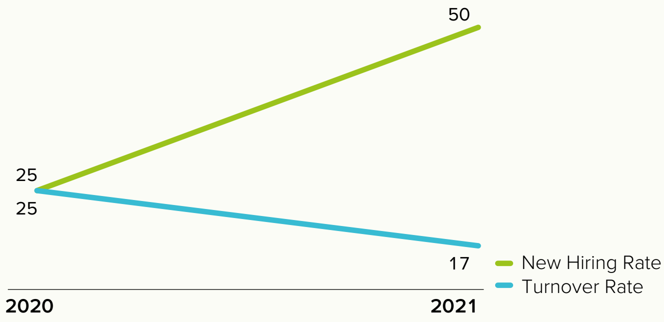



### Average Hours of Training per Employee, by Category




## Hiring & Turnover

### New Hiring and Turnover Rate (%)




### New Employee Hires and Employee Turnover (number, rate)

| | 2020 | | | 2021 | | |
|---|---|---|---|---|---|---|
| by Gender | Male | Female | Total | Male | Female | Total |
| No. of new hires | 0 | 1 | 1 | 1 | 2 | 3 |
| Rate of new hires | 0% | 50% | 25% | 33% | 67% | 50% |
| No. of turnover | 0 | 1 | 1 | 0 | 1 | 1 |
| Rate of turnover | 0% | 50% | 25% | 0% | 33% | 17% |

| | 2020 | | | | 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| by Age Group | < 30 yrs | 30-50 yrs | >50 yrs | Total | < 30 yrs | 30-50 yrs | >50 yrs | Total |
| No. of new hires | 0 | 1 | 0 | 1 | 2 | 1 | 0 | 3 |
| Rate of new hires | 0% | 25% | 0% | 25% | 100% | 25% | 0% | 50% |
| No. of turnover | 0 | 1 | 0 | 1 | 0 | 1 | 0 | 1 |
| Rate of turnover | 0% | 25% | 0% | 25% | 0% | 25% | 0 | 17% |

### Anti-corruption Training for Board of Directors and Employees (number, %)

| | 2020 | | 2021 | |
|---|---|---|---|---|
| | Male | Female | Male | Female |
| Number of Employees | 2 | 2 | 3 | 3 |
| % Employees | 100% | 100% | 100% | 100% |
| Number of Board of Directors | 9 | 0 | 10 | 0 |
| % Board of Directors | 100% | 0% | 100% | 0% |

## COMMUNITY

### Elite Commercial REIT CSR Activities

We, together with the Manager, engage with local communities to make a positive contribution. Our key community engagement programmes are summarised below.

### Distributing essential items to the elderly

10 Dec 2021

We contributed care packs for distribution to 70 needy elderly, in a joint effort with our Sponsor in a collaboration with the Lion Befrienders. The event tied in nicely with the season of giving in December as the festive season rolled around. It also nurtured team bonding and built camaraderie among colleagues through interaction in a different setting, especially when many have been working from home for a large part of the year.

### SGX Cares Bull Charge Charity Run 2021

29 Oct 2021 – 7 Nov 2021

This was our inaugural sponsorship of SGX Cares Bull Charge Charity Run 2021, which was held virtually over 10 days. Into its 18th edition this year, the corporate charity initiative brought together Singapore's financial community and SGX-listed companies to support the needs of underprivileged children and families, persons with disabilities, as well as the elderly. The charity has raised more than S$44 million for various causes since 2004 with support from corporate sponsors and partners from the international financial community.

Last year, the charity run again partnered with Community Chest to channel all proceeds to its adopted beneficiaries: AWWA Ltd., Autism Association (Singapore), Fei Yue Community Services, HCSA Community Services and Shared Services for Charities.

With excellent sportsmanship displayed by the participants, the Manager of Elite Commercial REIT emerged among the top 20 (we were ranked 19th) of participating companies in terms of distance clocked. In total, 889km were clocked by 26 active participants from across the globe – Singapore, United Kingdom, Taiwan and Malaysia – who put their sports shoes to great use over the 10-day period.

# Sustainability Report

## COMMUNITY *(continued)*
### Elite Commercial REIT CSR Activities

### Fundraising for Artemis
Jul 2021

Chief Investment Officer Jonathan Edmunds rode with the Rawhides, a group of cycling enthusiasts, as part of their #fundraising4artemis quest to raise awareness and funds for The Royal Marsden Cancer Charity and The Institute of Cancer Research.

The goal was to ride 800 miles in 8 days from the Scottish Highlands to Wiltshire as a tribute to Artemis Alice Wood, the youngest daughter of Jody W. and Juliana Wood, who passed away from Juvenile Myelomonocytic Leukaemia ("**JMML**"), a rare form of blood cancer.

A total of £236,554.06 was collectively raised, exceeding the initial target of £150,000, as support and contribution towards the advancement of cancer research.

All funds raised have been split equally between The Royal Marsden and The Institute of Cancer Research and will be used to support Professor Sir Mel Greaves' research in childhood leukaemia, including JMML.


### Serving with Willing Hearts
4 Mar 2021

On 4 March 2021, employees of the Manager volunteered their personal time at Willing Hearts, a secular, non-affiliated charity which provides 9,500 meals daily to the needy. Our volunteers were in the Willing Hearts' Soup Kitchen by 12pm.

Eager to serve, our volunteers assisted with the preparation of meals which were distributed to more than 40 locations across Singapore. The event allowed our volunteers to interact with each other in a different setting and connect with some of Willing Hearts' beneficiaries which include the elderly, the disabled, low-income families, children from single parent families or otherwise poverty-stricken families, and migrant workers in Singapore.

# GRI Content Index

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# GRI Content Index *(continued)*

**GRI Content Index**
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# TCFD Disclosures

This report is aligned with the Task Force on Climate-related Financial Disclosures ("**TCFD**") recommendations. The following table indicates our TCFD disclosures.

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| **TCFD 2(a)** | Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term. | 90-93 |
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| **METRICS AND TARGETS** | | |
| **TCFD 4(a)** | Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process. | 94 |
| **TCFD 4(b)** | Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions and the related risks. | 94 |
| **TCFD 4(c)** | Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets. | 93, 94 |

# SASB Standards

Real Estate Sustainability Accounting Standard[1,2]

| Topic | SASB Code | Accounting Metric | Property Subsector | 2020 | 2021 |
|---|---|---|---|---|---|
| **Energy Management** | IF-RE-130a.1 | Energy consumption data coverage as a percentage of total floor area, by property subsector | Office (N742) | 100%<br>see Note #1 | 100%<br>see Note #1 |
| | IF-RE-130a.2 | (1) Total energy consumed by portfolio area with data coverage, (2) percentage grid electricity, and (3) percentage renewable, by property subsector | Office (N742) | (1) 209,276GJ (58,132MWh)<br>(2) 100%<br>(3) 0% | (1) 293,010GJ (81,392MWh)<br>(2) 100%<br>(3) 0% |
| | IF-RE-130a.3 | Like-for-like percentage change in energy consumption for the portfolio area with data coverage, by property subsector | Office (N742) | – | 40.0% |
| | IF-RE-130a.4 | Percentage of eligible portfolio that (1) has an energy rating and (2) is certified to ENERGY STAR, by property subsector | Office (N742) | (1) 100%<br>(2) Not applicable to UK | (1) 100%<br>(2) Not applicable to UK |
| | IF-RE-130a.5 | Description of how building energy management considerations are integrated into property investment analysis and operational strategy | Office (N742) | pg 91-93 | pg 91-93 |
| **Water Management** | IF-RE-140a.1 | Water withdrawal data coverage as a percentage of (1) total floor area and (2) floor area in regions with High or Extremely High Baseline Water Stress, by property subsector | Office (N742) | (1) 100%<br>(2) 6.5%<br>see Note #1 | (1) 100%<br>(2) 9.5%<br>see Note #1 |
| | IF-RE-#140a.2 | (1) Total water withdrawn by portfolio area with data coverage and (2) percentage in regions with High or Extremely High Baseline Water Stress, by property subsector | Office (N742) | (1) 92,637$m^3$<br>(2) 5.4% | (1) 147,387$m^3$<br>(2) 5.8% |
| | IF-RE-140a.3 | Like-for-like percentage change in water withdrawn for portfolio area with data coverage, by property subsector | Office (N742) | – | 69.5% |
| | IF-RE-140a.4 | Description of water management risks and discussion of strategies and practices to mitigate those risks | Office (N742) | pg 89, 93 | pg 89, 93 |
| **Management of Tenant Sustainability Impacts** | IF-RE-410a.1 | (1) Percentage of new leases that contain a cost recovery clause for resource efficiency-related capital improvements and (2) associated leased floor area, by property subsector | Office (N742) | (1) 0%<br>(2) 0 | (1) 0%<br>(2) 0 |
| | IF-RE-410a.2 | Percentage of tenants that are separately metered or sub-metered for (1) grid electricity consumption and (2) water withdrawals, by property subsector | Office (N742) | Not applicable | Not applicable |
| | IF-RE-410a.3 | Discussion of approach to measuring, incentivising, and improving sustainability impacts of tenants | Office (N742) | pg 89, 93 | pg 89, 93 |
| **Climate Change Adaptation** | IF-RE-450a.1 | Area of properties located in 100-year flood zones, by property subsector | Office (N742) | 616,183sq ft (57,245$m^2$)<br>See Note #2 | 857,466sq ft (79,661$m^2$)<br>see Note #2 |
| | IF-RE-450a.2 | Description of climate change risk exposure analysis, degree of systematic portfolio exposure, and strategies for mitigating risks | Office (N742) | pg 90-93 | pg 90-93 |

| Activity Metric | Property Subsector | SASB Code | 2020 | 2021 |
|---|---|---|---|---|
| Number of assets, by property subsector | Office (N742) | IF-RE-000.A | 97 | 155 |
| Leasable floor area, by property subsector | Office (N742) | IF-RE-000.B | 2,533,295 sq ft (235,351$m^2$) | 3,875,004 sq ft (360,000$m^2$) |
| Percentage of indirectly managed assets, by property subsector | Office (N742) | IF-RE-000.C | 100% | 100% |
| Average occupancy rate, by property subsector | Office (N742) | IF-RE-000.D | 100% | 100% |

***Notes:***

1. *The energy consumption and water withdrawal data presented in this index covered only the assets occupied by DWP, and pertains to the 12-month period of January to December 2020 and January to December 2021.*
2. *Properties refer those with High (>3.3% chance a year) and Medium (1% - 3.3% chance a year) risk of river, sea and surface water flooding in Wales, High (10% chance each year) and Medium risk (0.5% chance each year) of river, coastal and surface water flooding in Scotland, and High Probability (1% or greater chance each year) of river and coastal flooding in England.*

# Enterprise Risk Management

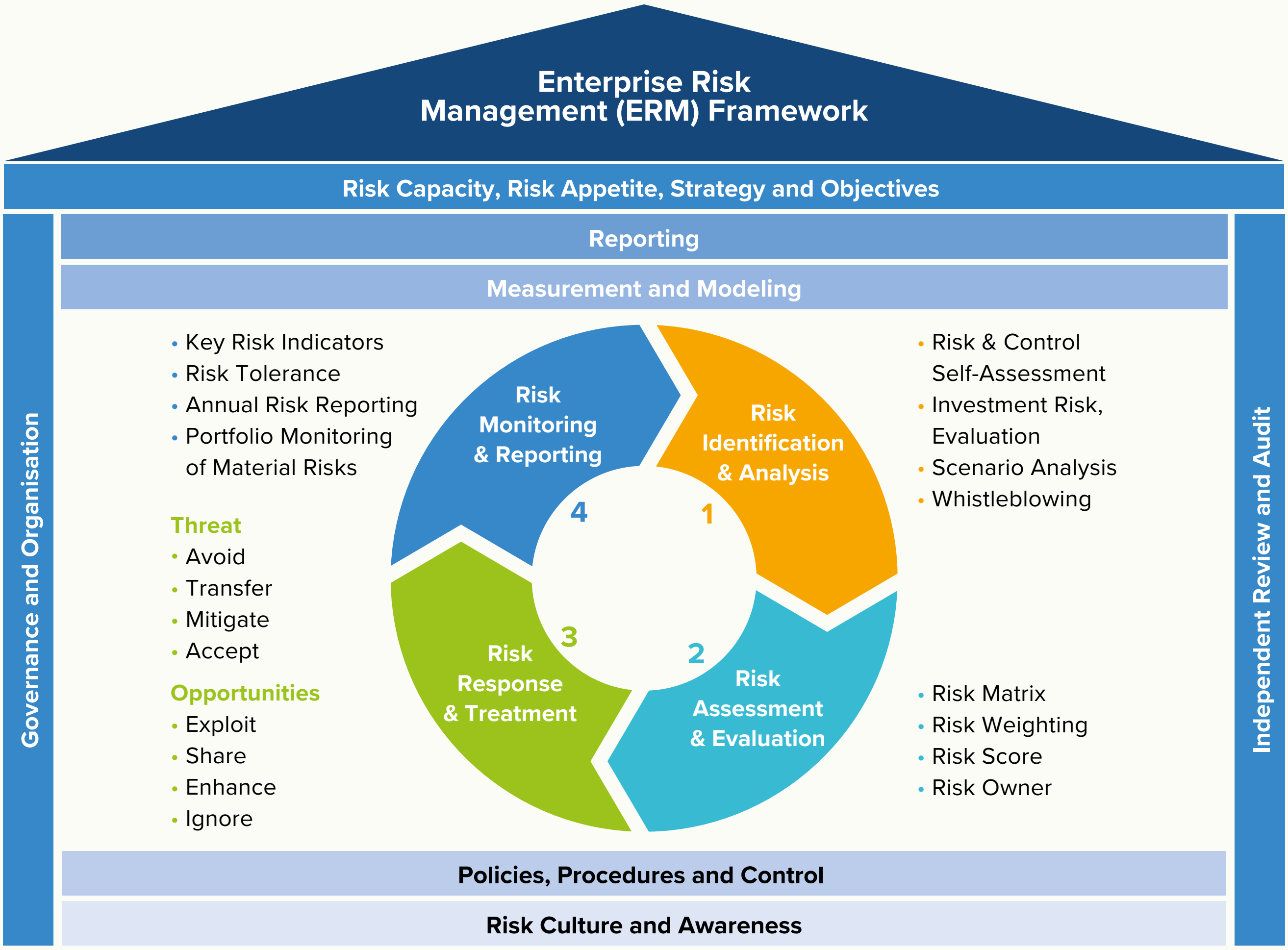
Enterprise Risk Management (“**ERM**”) is an integral part of the business strategy for Elite Commercial REIT (the “**REIT**”). Elite Commercial REIT Management Pte. Ltd. (the “**Manager**”) practises a proactive and integrated approach towards risk and opportunity management, which are applied towards both strategic and operational levels. The objective is not merely centred on risk minimisation, but rather the optimisation of opportunities within the known and agreed risk appetite levels set by the Board of Directors (the “**Board**”). The Manager may take measured risks for justifiable business reasons. This approach enables the Manager to manage risks in a systematic and consistent manner to support its business objectives and strategy, thereby creating sustainable value for all stakeholders.

## RISK MANAGEMENT GOVERNANCE STRUCTURE

The Board has overall responsibility for the governance of risk. The Board is responsible for setting the REIT’s risk appetite and risk tolerance limits that it is willing and able to take in pursuit of its strategic business objectives. The Board also reviews the REIT’s risk oversight structure to ensure appropriate accountability to risk owners, and that material risks are properly monitored in a regular and timely manner to detect deviations and ensure the adequacy and effectiveness of the risk management framework and policies. For these purposes, the Board is supported by the Audit and Risk Committee (the “**ARC**”), which assists the Board in discharging risk management oversight responsibility by ensuring the establishment, review, and assessment of the REIT’s policies, systems of risk management and internal controls.

The ARC, which is made up of three independent Board members, meets on a regular basis. The meetings are attended by the Chief Executive Officer (“**CEO**”) as well as other key management personnel of the Manager (collectively, the “**Management**”).

The Management is responsible for directing and monitoring the development, improvement, implementation, and practice of ERM for the REIT.




The Manager's ERM Framework is based on the principles and guidelines of the International Organisation for Standardisation[1] ("**ISO**") 31000 on Risk Management and the Committee of Sponsoring Organisations of the Treadway Commission[2] ("**COSO**") ERM Integrated Framework. The ERM Framework is reviewed and approved by the Board annually.

A robust internal control system and an independent review and audit process underpin the REIT's ERM Framework. While the Management is responsible for the design and implementation of effective internal controls using a risk-based approach, the Internal Audit function, which is outsourced to an independent professional firm, reviews such design and implementation to provide reasonable assurance to the ARC on the adequacy and effectiveness of risk management and internal control systems.

The REIT's ERM Framework is based on fostering the right risk culture. Regular risk workshops are conducted to enhance risk management knowledge and promote a culture of risk awareness. Risk management principles are embedded in all decision-making and business processes. At least once a year, the Management coordinates a Risk and Control Self-Assessment ("**RCSA**") exercise. This exercise requires the respective risk and control owners to identify, assess, and document material risks which include relevant Environmental, Social and Governance ("**ESG**") risks; along with their key controls and mitigating measures. Material risks and their associated controls are consolidated and reviewed by the Management before being presented to the ARC and the Board.

1. *An international standard-setting body composed of representatives from various national standards organisations. The organisation develops and publishes worldwide technical, industrial and commercial standards.*
2. *A joint initiative of five professional organisations and is dedicated to helping organisations improve performance by developing thought leadership that enhances internal control, risk management, governance and fraud deterrence.*

# Enterprise Risk Management

## Managing Material Risks

The Manager undertakes an iterative and comprehensive approach in identifying, managing, monitoring, and reporting material risks across the REIT. Such material risks include:

| Risk Pillars | Material Risks | Details | Key Mitigating Measures |
|---|---|---|---|
| Governance | Operational Risk | Prolonged business disruption due to the following factors:<br>• Tenant-related risks such as significant non-renewals of the REIT's existing leases and tenant default risk.<br>• Major infrastructure or equipment failures to the assets of the REIT. | • The REIT has engaged a third-party property manager in the UK to assist with on-the-ground management and periodic inspection of the assets.<br>• Maintaining regular dialogue with DWP and other tenants.<br>• Leveraging on data analytics in the development of the Asset Business Plans.<br>• Taking on adequate owner property insurance to mitigate risks. |
| | Licence, Regulatory and Compliance Risk | • Changes in property-related regulations and other events in Singapore and the UK.<br>• Continuous compliance with the licensing conditions of the Monetary Authority of Singapore and listing rules from the Singapore Exchange.<br>• Any forms of fraud, bribery, and corruption that could be perpetrated by employees, third parties, or collusion between employees and third parties. | • Active monitoring of developments in the laws and regulations governing Singapore and the UK.<br>• Communicating regularly with regulators and governing bodies (as appropriate, depending on the nature of the engagement).<br>• Maintaining a zero-tolerance approach towards fraud, corruption, bribery and unethical practices in the conduct of business. A Group-wide Code of Conduct and Ethics Policy sets out the behaviour and conduct expected of all employees.<br>• Providing an accessible communication channel to ARC through a Group-wide Whistleblowing Policy. |
| | Information Technology ("**IT**") and Cyber Risk | • Material failure on IT infrastructure that the Manager relies on may be compromised and result in inadvertent disclosure, alterations, theft, or destruction of the REIT's confidential information, financial transactions, maintenance of records, personal data, and lease data. This may have a negative impact on financials and/or regulatory compliance.<br>• Fraudulent transactions and hacking attempts (including internal sabotage) will adversely affect the Manager. | • The Manager has engaged a reputable and reliable professional third-party service provider to perform IT support services.<br>• The Manager continuously monitors and reviews the adequacy of the IT infrastructure against existing and emerging IT and cyber risks.<br>• Ongoing IT Security Awareness Training to address human factors in cyber security.<br>• Conducting regular Disaster Recovery exercises to ensure timely recoverability of business-critical IT systems. |
| | Business Continuity and Key Person Risk | • Infectious diseases outbreaks, terrorism attacks, adverse environmental conditions will affect the ability of the REIT and/or the Manager to operate at optimal conditions.<br>• COVID-19 pandemic/endemic has negatively impacted the real estate industry in general, due to the restrictions in domestic and cross-border movement and face-to-face interactions.<br>• Loss of any key person(s) will adversely affect the Manager's operations. | • Ensuring adequate insurance coverage for the properties, on top of the protection derived from FRI leases with the tenant being the UK Government.<br>• Business continuity plan is in place with split team arrangements to ensure the availability of essential personnel or critical shared services support during a disruption. |

| Risk Pillars | Material Risks | Details | Key Mitigating Measures |
|---|---|---|---|
| Economic | Strategic Risk | • Acquisition growth strategy may not be successful and may not integrate well with the REIT's Properties and future acquisitions may be yield-dilutive.<br>• The REIT remains vulnerable to external factors including volatility in the global economy, implications of geopolitical developments, intense competition in core markets, and disruptive technology. | • The Manager has in place an established process for identifying and evaluating investment and divestment decisions where activities are monitored to ensure that they meet the REIT's strategic intent, investment objectives, and returns.<br>• Conducting rigorous due diligence reviews on all investment and divestment proposals and, where necessary, engaging third-party consultants with the requisite expertise to assist in the due diligence review.<br>• Identifying, assessing, and managing material sustainability risks as part of the due diligence of the investment process with specific action plans to mitigate and potentially eliminate environmental risks that are identified. |
| | Financial Risk | • Refinancing of borrowings subject to performance of properties and availability of sources.<br>• Includes credit, liquidity and interest rate risks.<br>• Financial covenants from being a listed REIT and taking on debt financing could affect the financial flexibility of the REIT's operations.<br>• Tax rulings in Singapore and the UK may be amended with either prospective or retroactive effect and this may affect the overall tax liabilities of Singapore and/ or the UK entities, resulting in additional taxes becoming payable by the REIT. Uncertain tax rulings will cause volatility in the trading price for the REIT.<br>• Changes to the International Financial Reporting Standards may affect the ability of the REIT to make distributions to Unitholders. | • Diversifying banking relationships in the UK to ensure that there are sufficient options for debt financing and ongoing cost of debt remains competitive.<br>• Keeping abreast of any changes in accounting and tax policies in the UK via the support of reputable local Audit and Tax advisors.<br>• Active reviewing and monitoring of the mix of fixed and floating interest rate borrowings, taking into consideration the investments' holding period and nature of assets.<br>• Active monitoring of the REIT's debt maturity profile, loan covenants, operating cash flows, and the availability of funding to ensure that there are sufficient liquid reserves, in the form of cash and banking facilities to meet its working capital, refinancing, and operational needs.<br>• The Manager will utilise interest rate hedging strategies where appropriate from time to time, to optimise risk-adjusted returns to Unitholders.<br>• The Manager has developed measures and evaluated its financing and gearing risk using established risk management models.<br>• The Manager has instilled financial discipline, deploying capital to earn optimal risk-adjusted returns, maintaining a strong balance sheet to finance its interest-bearing liabilities. |

# Enterprise Risk Management

## Managing Material Risks *(continued)*

| Risk Pillars | Material Risks | Details | Key Mitigating Measures |
|---|---|---|---|
| Economic | Market and Political Risk | • Movements in domestic and international securities markets, economic conditions, foreign exchange and interest rates will affect the market price of, and demand for, the REIT.<br>• Property valuation is affected by country-specific market demand/ supply factors, local regulations, competition, rental rates, as well as the accuracy of assumptions used for its appraisals.<br>• The concentration of the REIT's Properties in the UK creates exposure to political risks in the UK. Uncertainties surrounding Brexit and potential Scotland Independence may pose difficulties to the REIT's operations and strategic objectives, and may dampen investor sentiment. | • Economic vagaries are unpredictable but can be mitigated with prudent treasury management and debt management.<br>• Adopting similar currency loan facility and fixing the majority of interest rate exposure via interest rate swaps.<br>• The Manager has established an internal panel of approved valuers. Valuations are expected to be independent, while the Manager's role is to provide adequate information and guidance on assumptions.<br>• Risk analysis is performed to understand changes in the political climate at least on an annual basis. |
| Environment | Sustainability and Climate Risk | • Includes physical risks such as rising sea levels, violent storms, prolonged heat waves, flash floods, freshwater disruption/ depletion, etc.<br>• Transitional risks such as increased and more stringent regulations and increased expectations from stakeholders.<br>• A lack of holistic understanding, identification, and prioritisation of sustainability risk factors would be detrimental to the REIT's competitiveness and longevity.<br>• Any property with a poor Energy Performance Certificate ("**EPC**") rating or energy performance is likely to be subjected to obsolescence risk. | • Sustainability and environmental risks are factored in to provide a holistic evaluation of the REIT's existing portfolio and potential acquisitions. This includes a review of the property's EPC ratings and mitigation efforts that may be needed for the property to enhance or maintain its EPC ratings.<br>• Minimising environmental impact by deploying renewable and low carbon intensive energy where possible and upgrading energy-intensive equipment through ongoing asset enhancement initiatives.<br>• The Manager plans to complete a climate risk study of selected buildings in the REIT's portfolio and also to review and enhance insurance coverage for identified physical climate-related risks, ensuring that the portfolio is adequately insured against climate-related events. |
| People | Human Capital Risk | • Inability to appropriately manage human capital needs and human resource related costs may affect business continuity. | • Fostering a conducive work environment by providing adequate and fair compensation and benefits.<br>• Focusing on nurturing and developing employees by investing in continuous learning and development.<br>• Creating and embracing a diverse and inclusive workplace by acting in a principled, respectful, and responsible manner.<br>• Keeping abreast on human resource developments in Singapore and the UK. |

# Corporate Governance Report

Elite Commercial REIT is a real estate investment trust constituted by the trust deed dated 7 June 2018 (and as may be amended, varied or supplemented from time to time) (the "**Trust Deed**"), and entered into between Elite Commercial REIT Management Pte. Ltd. (in its capacity as the manager of Elite Commercial REIT) (the "**REIT Manager**") and Perpetual (Asia) Limited (in its capacity as the trustee of Elite Commercial REIT) (the "**Trustee**").

The REIT Manager has been issued a capital markets services licence by the Monetary Authority of Singapore ("**MAS**") for REIT management ("**CMS Licence**") pursuant to the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**") on 22 January 2020.

The primary role of the REIT Manager is to manage Elite Commercial REIT's assets and liabilities for the benefit of unitholders of Elite Commercial REIT ("**Unitholders**") and set the strategic direction of Elite Commercial REIT in accordance with its mandate and make recommendations to the Trustee on any investment or divestment opportunities for Elite Commercial REIT and the enhancement of the assets of Elite Commercial REIT in accordance with the stated investment strategy for Elite Commercial REIT. The research, evaluation and analysis required for this purpose are coordinated and carried out by the REIT Manager.

Other functions and responsibilities of the REIT Manager include but are not limited to the following:

(a) using its best endeavours to conduct Elite Commercial REIT's business in a proper and efficient manner;

(b) preparing annual budgets for review by the directors of the REIT Manager ("**Directors**"), including forecasts on revenue, net income, and capital expenditure, explanations on major variances to previous years' financial results, written commentaries on key issues and underlying assumptions on rental rates, operating expenses and any other relevant assumptions;

(c) attending to all regular communications with Unitholders; and

(d) supervising and overseeing the management of real estate (including but not limited to lease audit, systems control, data management and business plan implementation) in accordance with the provisions of the Trust Deed.

The REIT Manager has developed and, on an ongoing basis, maintains sound and transparent policies and practices to meet the specific business needs of Elite Commercial REIT and to provide a firm foundation for trusted and respected business enterprise.

The Board of Directors of the REIT Manager (the "**Board**") and management of the REIT Manager aspire to the highest standards of corporate governance. The REIT Manager focused on complying with the substance and spirit of the principles of the Code of Corporate Governance 2018 while achieving operational excellence and delivering Elite Commercial REIT's long-term strategic objectives. It is fully committed to continuous improvement of its corporate governance practices as it firmly believes that is essential in protecting the interests of the Unitholders.

## ELITE COMMERCIAL REIT AND CORPORATE GOVERNANCE

The framework of relevant legislations and guidelines governing Elite Commercial REIT (the "**REIT**") include:

(i) The SFA;

(ii) The Code on Collective Investment Schemes (including Appendix 6 thereon on property funds) (the "**CIS Code**", and Appendix 6 of the CIS Code, the "**Property Funds Appendix**");

(iii) The listing manual (the "**Listing Manual**") issued by Singapore Exchange Securities Trading Limited;

(iv) The Code of Corporate Governance 2018 (the "**2018 Code**"); and

(v) Written directions, notices, codes and other guidelines that may be issued, modified and updated by the MAS from time to time.

The REIT Manager is fully dedicated to upholding the highest standards of corporate governance, business integrity and professionalism in all its activities. The REIT Manager believes that its sound corporate governance policies and practices reflect its focus on strong leadership, effective internal controls and risk management, a robust corporate culture, accountability to Unitholders, and engagement with stakeholders.

This corporate governance report ("**CG Report**") sets out Elite Commercial REIT's corporate governance framework and practices with specific reference to the principles and the provisions of the 2018 Code, in accordance with Rule 710 of the SGX Listing Rules, and where applicable, other relevant rules and provisions in the Listing Manual and the Companies Act 1967 of Singapore ("**Companies Act**").

# Corporate Governance Report

For the financial year ended 31 December 2021 ("**FY 2021**"), save as stated in the CG Report, Elite Commercial REIT has complied with the core principles of corporate governance laid down by the 2018 Code and also, in all material respects, with the provisions that underpin the principles of the 2018 Code. Where the REIT Manager's practices vary from any provisions of the 2018 Code, we have provided appropriate explanations, which include the reason for the respective variation, as well as the practices adopted to be consistent with the intent and philosophy of the relevant principle in question.

## (A) BOARD MATTERS

### THE BOARD'S CONDUCT OF AFFAIRS

**Principle 1:**

*The REIT Manager is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the REIT.*

### ROLE OF THE BOARD

The Board is entrusted with the responsibility for the overall management of the REIT Manager and has general powers of management over the assets of Elite Commercial REIT.

The key roles and responsibilities of the Board are to:

- Set strategic objectives and direction, and provide guidance to the management of the REIT Manager ("**Management**") in executing those objectives;
- Approve the business plans in relation to Elite Commercial REIT's properties;
- Ensure Management discharges its duties with integrity and accountability, and demonstrate highest level of skills and professionalism;
- Establish a framework of prudent and effective controls which enables risks to be assessed and managed to safeguard the interests of the Unitholders and the assets of Elite Commercial REIT;
- Consider sustainability issues such as environmental issues as part of its strategic formulation;
- Ensure that Management maintains sound measures relating to corporate governance, financial regulations and internal policies including the group-wide Code of Conduct & Ethics ("**Code of Conduct**") (further elaborated below and on pages 134 to 139 of the CG Report); and
- Consider the perceptions of stakeholders that will affect Elite Commercial REIT's reputation.

### CULTURE

All the Directors of the REIT Manager (the "**Directors**") are to discharge their duties and responsibilities objectively as fiduciaries in the best interests of Elite Commercial REIT at all times and hold the Management accountable for performance.

The REIT Manager has in place a Code of Conduct which sets out general principles and standards of behaviour that the REIT Manager expects from its employees in their dealings with fellow employees, customers, suppliers and business partners, which sets an appropriate tone-from-the-top and desired organisational culture and ensures proper accountability.

### BOARD COMMITTEES

In the discharge of its functions, the Board is supported by four (4) board committees which also serve to ensure that there are appropriate checks and balances. These committees are the Audit and Risk Committee ("**ARC**"), the Nominating and Remuneration Committee ("**NRC**"), the Strategic Planning Committee ("**SPC**") and the Sustainability Committee ("**SC**") (collectively known as "**Board Committees**"). The ARC, NRC and SC are chaired by independent directors ("**IDs**") while SPC is chaired by a non-independent non-executive director. These Board Committees will submit their recommendations to assist the Board in the discharge of its functions.

Membership of the various Board Committees is managed to ensure an equitable distribution of responsibilities among Board members, to maximise the effectiveness of the Board and to foster active participation and contribution from Board members. Diversity of experience and appropriate skills are considered in the composition of the respective Board Committees.

The composition of the Board Committees for FY 2021 is as follows:

| Directors | ARC | NRC | SPC | SC[1] |
|---|---|---|---|---|
| Mr David Lim Teck Leong | Member | Member | – | Chairman |
| Mr Tan Huay Lim | Chairman | – | – | – |
| Mr Koo Tsai Kee | Member | Chairman | – | – |
| Mr Yezdi Phiroze Chinoy | – | – | – | Member |
| Mr Tan Hai Peng Micheal | – | Member | Chairman | – |
| Mr Victor Song Chern Chean | – | – | Member | – |
| Dr Tan Kok Heng[2] | – | – | Member | Member |

*Notes:*

1. *Members of SC also comprise Ms Shaldine Wang (CEO), Mr Joel Cheah (CFO), Mr Jonathan Edmunds (CIO) and Ms Chai Hung Yin (Assistant Vice President, Investor Relations)*
2. *Dr Tan Kok Heng is an alternate director to Mr Evan Cheah Yean Shin.*

Each of the Board Committees has its own written terms of reference and operates under delegated authority from the Board. However, the Board retains overall responsibility for all decisions made by the Board Committees. Information on the ARC and NRC can be found in the "**Accountability and Audit**"; "**Board Membership**" and "**Board Performance**"; and "**Remuneration Matters**" section of this CG Report respectively. Terms of reference of the respective Board committees, as well as other relevant information on the Board Committees, are disclosed on pages 122 and 131 to 134 of this CG Report.

## BOARD MEETINGS AND ACTIVITIES

Directors attend and actively participate in Board and Board Committees' meetings. The Board meets regularly, at least once every quarter, and as required by business imperatives or particular circumstances, to discuss and review business strategies and policies, including any significant acquisition and/or disposal, portfolio performance, business outlook, movement in unitholdings, deliberate growth opportunities of Elite Commercial REIT, and approve the release of half-year and full-year financial results, and quarterly business updates.

As a general rule, Board and Board Committees' meeting notices and papers are required to be sent to the Directors and members of Board Committees are provided with ample time ahead of the meetings. This would also enable any Director who is unable to attend a meeting to provide input and raise queries on the agenda items. Board papers are detailed and give the background, explanatory information, justification, risks and mitigation measures for each agenda item and mandate sought by Management, including, where applicable, relevant budgets, business plans, forecasts and projections. Directors can ask for additional information as needed to make informed decisions. However, papers containing price sensitive information may be tabled at the meetings themselves or discussed without any papers being distributed. All Board and Board Committees' papers are kept and disseminated via an electronic board portal, which has proven to be an effective, secure and sustainable form of communication.

External consultants or advisers who can provide additional insights into the relevant matters at hand may be invited to attend the meetings. These parties will not participate in any decision making process.

Management recognises that an on-going flow of information on an accurate, complete, adequate and timely manner is critical for the Board to enable them to make informed decisions and be effective in discharging its duties. At Board and ARC meetings, Directors are updated on developments, challenges and changes in the operating environment, including changes in accounting standards, changes in laws and regulations governing the REIT industry, or changes that have a bearing on Elite Commercial REIT. The Board and Board Committees papers given to the Directors include updates on Elite Commercial REIT's operating and financial performance, strategic plans, regulatory and compliance updates and any other matters for discussion. On a quarterly basis, Management also provides the Board with a brief update on the operating performance of Elite Commercial REIT, to enable the Board to exercise effective oversight over the REIT.

The Directors of the Board have separate and independent access to Management and the company secretary of the REIT Manager ("**Company Secretary**") at all times, and they are entitled to request from Management additional information to make informed decisions. The Directors, either individually or as a group, may at the REIT Manager's expense seek independent professional advice where appropriate, to discharge his/their duties effectively.

# Corporate Governance Report

The Company Secretary and/or her representative attend the Board and Board Committees' meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also periodically updates the Board on relevant changes to the listing rules affecting the REIT. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Where exigencies prevent a Director from attending a Board meeting in person, the Constitution of the REIT Manager permits the Director to participate via audio or video conference. The Board and Board Committees may also make decisions by way of passing written resolutions.

In each meeting where matters requiring the Board's approval are to be considered, all members of the Board present participate in the discussions and deliberations; and resolutions in writing are circulated to all Directors for their consideration and approval. The exception is where a Director has a conflict of interest in a particular matter in which case, he will be required to recuse himself from the deliberations and abstain from voting on the matter. This principle of collective decisions adopted by the Board ensures that no individual influences or dominates the decision-making process.

The Board's responsiveness allowed Management to manage Elite Commercial REIT's business and operations effectively in an increasingly competitive business environment. Individual Directors make themselves available and accessible to Management for discussion and consultation outside the formal framework of the Board's and Board Committees' meetings.

The number of the Board and Board Committees' meetings and general meetings held during FY 2021, as well as the attendance of every Director and Chief Executive Officer at these meetings are set out in the table below:

The composition of the Board Committees for FY 2021 is as follows:

| Meeting | Board | ARC | NRC | SPC | SC | General Meetings## |
|---|---|---|---|---|---|---|
| **No. of meetings held** | 4 | 4 | 2 | 24 | 1 | 2 |
| **Board Members** | | | **No. of Meetings Attended** | | | |
| Mr David Lim Teck Leong | 4 | 4 | 2 | 2# | 1 | 2 |
| Mr Tan Huay Lim | 4 | 4 | 2# | 1# | – | 2 |
| Mr Koo Tsai Kee | 4 | 4 | 2 | 1# | – | 2 |
| Mr Nicholas David Ashmore | 4 | 2# | – | – | – | 2 |
| Mr Yezdi Phiroze Chinoy | 2^ | – | – | – | – | – |
| Mr Tan Hai Peng Micheal | 4 | 2# | 2 | 17 | – | 2 |
| Mr Victor Song Chern Chean | 4 | 2# | 1 | 24 | – | 2 |
| Mr Tan Dah Ching | 4 | 2# | – | 7# | – | 2 |
| Mr Evan Cheah Yean Shin | 4 | 2# | 2# | – | – | 2 |
| Dr Tan Kok Heng* | 4 | 2# | – | 24 | 1 | 2 |
| **Chief Executive Officer** | | | | | | |
| Ms Shaldine Wang | 4 | 4 | 2 | 24 | 1 | 2 |

*Notes:*
*# Attendance by invitation.*
** Dr Tan Kok Heng is an Alternate Director to Mr Evan Cheah Yean Shin.*
*^ Mr Yezdi Phiroze Chinoy was appointed on 1 July 2021.*
*## Comprises of Extraordinary General Meeting held on 25 January 2021 and Annual General meeting held on 22 April 2021.*

The Board has approved a list of matters reserved for the Board's decision-making. This sets clear directions for Management on matters that must be approved by the Board.

The list of matters reserved for the Board's approval includes, but is not limited to:

- Long-term strategy and objectives of Elite Commercial REIT;
- Annual budget and business plans in relation to Elite Commercial REIT's properties;
- Policies to safeguard the interests of the Unitholders and the assets of Elite Commercial REIT's investment strategy and mandate;
- Distribution policy;
- Announcements and press releases concerning Elite Commercial REIT;
- Board memberships and other appointments;
- Key Management Personnel appointment; and
- Appointment and removal of the Company Secretary.

Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of the REIT Manager and Elite Commercial REIT. As disclosed on page 120, the NRC is satisfied that all Directors gave sufficient time and attention to the affairs of the REIT Manager and were able to and have adequately carried out their duties as a Director of the REIT Manager for FY 2021.

In fulfilling its responsibilities to Elite Commercial REIT, the Board has approved a set of financial controls which sets out approval limits for operating expenditures, capital expenditures, procurements, general and administrative expenses and leases as well as arrangements in relation to cheque signatories. Appropriate delegation of authority and approval sub-limits are also provided at management level to facilitate operational efficiency.

## ORIENTATION AND TRAINING FOR DIRECTORS

The NRC exercises oversight on the orientation, training and professional development of Directors, in order to ensure that they understand Elite Commercial REIT's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Upon appointment, each Director is issued with a formal letter of appointment. The NRC also ensures that new Directors are aware of their duties and obligations.

The Board has a comprehensive and structured orientation framework. Newly appointed Directors will have to attend a familiarisation exercise whereby they undergo a tailored programme to enable them to have a good understanding of Elite Commercial REIT. The appropriate induction, orientation sessions had been conducted to orientate the Directors in acting as a director of a manager of a publicly listed REIT.

The orientation exercise consists of:

- Management presentations on Elite Commercial REIT's strategic objectives, business, operations, responsibilities of key management personnel, and financial and governance practices; and
- Site visits to Elite Commercial REIT's properties. There was however no site visit in FY 2021 due to COVID-19 and travel restrictions.

The orientation exercise allows the new Director to get acquainted with Management and to help pave the way for Board interaction and direct access to Management.

In addition to the above, copies of the minutes of immediate past Board and Board Committees' meetings will be made available to newly appointed Directors. They are also provided with other materials relating to the Board and Board Committees, including the terms of reference of the various Board Committees on which they are appointed as well as relevant guidelines and policies.

In accordance with SGX Listing Rule 210(5)(a) which states the requirement for first-time directors of an issuer on the Exchange to undertake training as prescribed by the Exchange, all the first-time directors (at the point of IPO) of Elite Commercial REIT have completed the mandatory training modules provided by the Singapore Institute of Directors ("**SID**") – the Listed Entity Directors programme, Modules 1 to 4. Mr Yezdi Phiroze Chinoy, who was appointed on 1 July 2021, will be enrolling himself in the mandatory training modules by SID within one (1) year from the date of his appointment.

The Board also recognises the importance of continual training and development for its existing Directors so that they can perform their roles on the Board and Board Committees to the best of their abilities. The NRC will annually discuss and identify the important training topic(s) for Directors and recommend it to the Board.

Directors are encouraged to participate in industry conferences, seminars, courses and training programmes which are relevant to their duties. Training programmes include those organised by the SID on corporate governance, leadership and industry-related subjects. The REIT Manager funds the training and development programmes for existing and new Board members. In FY 2021, certain Directors had attended trainings on corporate governance update for Elite Commercial REIT, compliance training and Board ESG awareness session. The REIT Manager believes that the provision of continuing education opportunities to Directors will keep them updated on matters relevant to their appointments and responsibilities. A training register is maintained with respect to the courses/seminars attended by Directors and such register is also tabled to the NRC for information at its meeting.

The Board is regularly updated either during Board meetings or at specially convened meetings (with the attendance of professional advisers, consultants, auditors and Management) on areas that may affect Elite Commercial REIT's business and developments. Management also provides the Board with timely information through regular updates on financial results, market trends in the UK's commercial real estate sector, and business developments.

# Corporate Governance Report

## BOARD COMPOSITION AND GUIDANCE

**Principle 2:**

*The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the REIT.*

The Board reviews the size and composition of the Board annually, to ensure that the Board is of the appropriate size and has the appropriate mix of expertise, experience and other aspects of diversity. The Board works to avoid groupthink and foster constructive debate, with a view to ensure effective decision making by taking into account the scope and nature of the operations of Elite Commercial REIT.

## REVIEW OF DIRECTORS' INDEPENDENCE

The Board presently comprises nine (9) Directors and one (1) Alternate Director, five (5) of whom are IDs. All the Directors are non-executive directors. The composition of the Board therefore complies with Provision 2.3 of the 2018 Code which requires a majority of the board to be made up of non-executive directors. In addition to the Chairman being independent, non-executive and independent Directors make up a majority of the Board. This enables the Management to benefit from their external, diverse and objective perspectives on issues that are brought before the Board. It would also enable the Board to interact and work with the Management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the Chief Executive Officer ("**CEO**"), provides a healthy professional relationship between the Board and Management, with clarity of roles and robust oversight as they deliberate on the business activities of the REIT Manager.

In FY 2021, none of the IDs had any business relationship with the REIT Manager, its related companies, its substantial shareholders or its officers, as well as with Elite Commercial REIT and its substantial Unitholders that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of Elite Commercial REIT.

During FY 2021, each of the IDs had been independent from the Management of the REIT Manager and Elite Commercial REIT, as well as from every substantial shareholder of the REIT Manager, and every substantial Unitholder of Elite Commercial REIT. This is in accordance with the guidance in the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR), Regulation 13E(b)(i).

## BOARD DIVERSITY POLICY AND COMPOSITION

The REIT Manager believes that a balanced Board can provide the diversity of viewpoints and insights that will enhance decision-making. Towards this end, the Board has established a Board Diversity Policy that seeks to have an appropriate level of size as well as diversity in its composition, including the dimensions of skills, knowledge and industry experiences, gender, age and tenure.

Elite Commercial REIT was newly listed in February 2020. Most of the IDs were appointed on the same date, with the exception of an ID who was appointed on 1 July 2021. Nonetheless, the Board believes a diversity of tenure and progressive renewal of the Board is important so that there is a continuity of experienced directors as well as the onboarding of new directors to provide fresh perspectives on an ongoing basis, and will ensure this in the long run as the REIT grows. All director appointments will be based on merit, having due regard to the overall balance and effectiveness of the Board.

Under the Board Diversity Policy, the NRC will, in reviewing and assessing the composition of the Board and making recommendations to the Board on the appointment of new directors, consider aspects such as professional qualifications, industry and geographic knowledge, skills, length of service, age, gender, and the needs of the REIT. The NRC will review the structure, size, balance and diversity of the Board annually and propose any changes to the Board to complement the REIT's objectives and strategies. In this regard, the NRC will review and report to the Board annually on the objectives and progress made in achieving an appropriately diverse board composition.

In view that the existing Board members' average tenure is about one (1) to two (2) years, the NRC and Board have agreed that it will be a medium to long term target for the Board to achieve and maintain a 30% of minimum representation of each gender on the Board by 2029. The Board is committed to the target and has included the target in its Board Diversity Policy.

Currently, the Board and its Board Committees comprise directors with an appropriate balance and diversity of skills, experience and knowledge. The Directors have diverse backgrounds in accounting and auditing, business advisory, corporate finance, corporate governance, investment and fund management, construction, real estate and property development, management consulting and commercial litigation. The Directors engage in open and constructive debate and regularly challenge Management on its assumptions and proposals. The Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

Management has benefited from the Directors' invaluable views and experiences. The Board continues to seek to introduce greater diversity as it progressively reviews the composition of the Board and its Board Committees. The Board is of the view that the size of the Board and the Board Committees is appropriate for the needs and demands of the REIT Manager and the Elite Commercial REIT's operations.

## INDEPENDENT DIRECTORS

The IDs, led by the Independent Board Chairman regularly meet to discuss matters both formally and informally without the presence of Management and the non-independent directors. The Independent Board Chairman provides feedback and recommendation to the Board as appropriate.

## CHAIRMAN AND CHIEF EXECUTIVE OFFICER

**Principle 3:**

***There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.***

The positions of Chairman of the Board and CEO of the REIT Manager are held by two different individuals in order to maintain effective segregation of duties, ensure an appropriate balance of power and authority, increased accountability and to maintain effective checks and balances such as to increase the capacity of the Board for independent decision making. The Chairman of the Board is Mr David Lim Teck Leong, while the CEO of the REIT Manager is Ms Shaldine Wang. They are not related to each other and do not have close family ties.

The Chairman leads the Board to ensure its effectiveness on all aspects of its role. He ensures that adequate time is given for discussion of all items at the Board meeting, in particular strategic issues. He also facilitates effective contribution of the Directors and encourages a culture of openness and debate at Board meetings. The Chairman also ensures that the Board works together with integrity and competency, and that the Board engages Management in constructive debate on strategy, business operations, enterprise risk and other plans.

The CEO is principally responsible for the management and conduct of the business of the REIT Manager. She has full executive responsibilities over the business direction and operational decisions in managing Elite Commercial REIT.

The CEO also makes sure that the information that is shared with the Board is timely, appropriate and of the requisite quality so that the Board can discharge its duties and responsibilities effectively.

The REIT Manager had adopted the terms of reference of Chairman and CEO which sets out clearly their respective duties.

The Chairman leads the Board and ensures the effectiveness on all aspects of its role. His responsibilities include, *inter alia*:

(a) constructively determining and approving, with the full Board, the REIT Manager's strategy;

(b) ensuring that the Board is properly organised, functioning effectively and meeting its obligations and responsibilities;

(c) setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular, strategic issues;

(d) ensuring that Directors receive complete, adequate and timely information;

(e) fostering effective communication and constructive relations amongst the Directors, within Board Committees, between Unitholders, between the Directors and Management;

(f) encouraging the constructive exchange of views within the Board and between Board members and Management;

(g) facilitating the effective contributions of all Directors;

(h) promoting a culture of openness and debate at the Board level and promoting high standards of corporate governance; and

(i) establishing a relationship of trust with the CEO.

The CEO leads the Management and ensures the development and execution of the REIT Manager's long-term strategy and plans:

(a) day-to-day running of the REIT Manager's and Elite Commercial REIT's business in accordance with the business plans;

(b) meeting or communicating with the Chairman on a regular basis to review key developments, issues, opportunities and concerns;

(c) developing and proposing the REIT Manager's strategies and policies for the Board's consideration;

(d) implementing the strategies and policies approved;

(e) assessing risks to the REIT Manager and Elite Commercial REIT;

(f) maintaining regular dialogue with the Chairman on important and strategic issues facing the REIT Manager and Elite Commercial REIT;

# Corporate Governance Report

(g) providing timely reports to the Board which contain relevant, accurate, timely and clear information necessary for the Board to fulfil its duties;

(h) ensuring the Board is alerted to forthcoming complex, contentious or sensitive issues affecting the REIT Manager and Elite Commercial REIT of which they might otherwise not be aware;

(i) overseeing the affairs of the REIT Manager and Elite Commercial REIT in accordance with the practices and procedures adopted by the Board and promoting the highest standards of integrity, probity and corporate governance within the REIT Manager and Elite Commercial REIT; and

(j) communicating, on behalf of the REIT Manager, with unitholders, government entities and the public.

Provision 3.3 of the 2018 Code recommends the appointment of an Independent Director to be the lead independent director, to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. As the Chairman, Mr David Lim Teck Leong, is independent, and most of the Board Committees are chaired by and comprise at least a majority of IDs, the Board is of the view that it is not necessary, for the time being, to appoint a lead independent director. In addition, the group-wide Whistleblowing Policy provides an independent mechanism for employees and other persons to raise any concerns where normal channels of communication with the Chairman or Management are inappropriate or inadequate, and matters under the policy are reported directly to the ARC Chairman or Board Chairman, who are also the Independent Directors of the REIT Manager.

## SUCCESSION PLANNING OF THE BOARD CHAIRMAN AND KEY MANAGEMENT PERSONNEL

The NRC is cognisant of succession planning of key positions in the REIT Manager. As part of contingent leadership planning, the NRC has identified one of its board members capable to take on as the acting CEO in the event the circumstances call for it. For the CEO and other key management's succession, the REIT Manager is mindful to identify and develop the potential next line succession for the respective role.

For Chairman's succession, the NRC will identify one of its board members to undertake the role if the circumstances require.

## BOARD MEMBERSHIP

**Principle 4:**

*The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.*

## NOMINATING AND REMUNERATION COMMITTEE ("NRC")

The Board established its NRC when the REIT was listed in February 2020. The NRC members are appointed by the Board from among its members, the majority of whom (including the Chairman of the NRC) are Independent Directors.

The NRC comprises three (3) Directors, a majority of whom, including the NRC Chairman are IDs. The members of the NRC are:

| | |
|---|---|
| Mr Koo Tsai Kee<br>(Independent Non-Executive Director) | *Chairman* |
| Mr David Lim Teck Leong<br>(Independent Non-Executive Director) | *Member* |
| Mr Tan Hai Peng Micheal<br>(Non-Independent Non-Executive Director) | *Member* |

## ROLES AND RESPONSIBILITIES OF THE NRC (IN RELATION TO NOMINATION MATTERS)

The NRC has written terms of reference setting out its scope and authority in performing the functions of a nominating and remuneration committee, including assisting the Board in matters relating to:

**Nomination**

- Reviewing and recommending to the Board a general framework of remuneration and succession plans for each director and executive officer, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel ("**KMP**");
- Developing the process and criteria for evaluation of the performance of the Board as a whole and each of its board committees and directors;
- Reviewing the training and professional development programmes for the Board;
- Establishing a formal and transparent process for the appointment and re-appointment of directors (including alternate directors, if applicable), having regard to the composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance, including, if applicable, as an Independent Director;

- Determining annually, and as when circumstances require, if a director is independent, having regard to the circumstances set forth in Provisions 2.1 and 2.2 of the 2018 Code and SGX Listing Rule 210 (5)(d);
- Ensuring that new directors are apprised of their duties and obligations;
- Deciding if a director is able to and has been adequately carrying out his duties as a director, taking into consideration the director's principal commitments;
- Reviewing Elite Commercial REIT's obligations arising in the event of termination of directors' and executive officers' contracts of service and ensuring that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
- Implementation and monitoring of the Board Diversity Policy in order to make recommendations to the Board on the diversity of skills, experience, gender, age, knowledge, size and composition of the Board; and
- Such other authorities and duties as provided in the 2018 Code.

*NOTE: The roles and responsibilities of the NRC with regard to remuneration matters are detailed in the section under REMUNERATION MATTERS.*

The NRC administers nominations to the Board, reviews the structure, size and composition of the Board and reviews the performance and independence of the Directors. In addition, as part of regulatory requirements, MAS also requires prior approval for any change of the CEO or of any appointment of director.

The NRC is of the view that the members of the Board provide an appropriate balance and diversity of skills and commercial experience, as elaborated on in the Board Diversity Policy section. The NRC believes that a director's eligibility for selection, appointment and re-appointment goes beyond his or her attendance at meetings. The NRC takes into consideration a director's competencies, commitment, contribution and performance, and is committed to providing an appropriate balance and diversity of skills, experience and knowledge.

## REVIEW OF DIRECTORS' INDEPENDENCE BY THE NRC

The Board presently comprises nine (9) Directors and one (1) Alternate Director, five (5) of whom are IDs. All the directors are Non-Executive Directors. The composition of the Board therefore complies with Provision 2.3 of the 2018 Code which requires a majority of the board to be made up of non-executive directors. In addition to the Chairman being independent, majority of the Directors on the Board are non-executive and independent. This enables the Management to benefit from their external, diverse and objective perspectives on issues that are brought before the Board. It would also enable the Board to interact and work with Management through a robust exchange of ideas and views to help shape the strategic process. This, together with a clear separation of the roles of the Chairman and the CEO, provides a healthy professional relationship between the Board and Management, with clarity of roles and robust oversight as they deliberate on the business activities of the REIT Manager.

The NRC formally assesses the independence of each Director in accordance with the guidance provided in the 2018 Code, the Listing Manual and the CIS Code on an annual basis. Under the 2018 Code, an ID is one who is independent in conduct, character and judgement, and has no relationship with the REIT Manager, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of Elite Commercial REIT.

Rule 210(5)(d) of the Listing Manual of the SGX-ST also sets out circumstances under which a director will not be independent. In particular, pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX ST, which came into effect on 1 January 2022, a director will not be independent if, *inter alia*, he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by certain classes of Unitholders (a "**two-tier unitholders' vote**"). There is currently no ID who has served on the Board for more than nine years.

The IDs complete an annual confirmation of independence, whereby they are required to critically assess their own independence including independence from the major shareholder and management, which the NRC takes into account for the purposes of this review. The Board has considered and determined, taking into account the views of the NRC, that Mr David Lim Teck Leong, Mr Koo Tsai Kee, Mr Tan Huay Lim, Mr Nicholas David Ashmore and Mr Yezdi Phiroze Chinoy have demonstrated independence in character and judgement in the discharge of their responsibilities as directors in FY 2021, and is satisfied that each of them has acted with independent judgement. The Board has also assessed the relationships or circumstances which are likely to affect, or could appear to affect, the Directors' judgement.

# Corporate Governance Report

Mr Nicholas David Ashmore is one of the directors of Elite UK Commercial Holdings Limited ("**ECHL**"), a wholly owned subsidiary of the REIT. ECHL is listed on The International Stock Exchange and the appointment of Mr Ashmore is to satisfy the resident director requirement in the UK and he does not play an executive role in ECHL. The NRC, with the concurrence of the Board, was of the view that the appointment of Mr Ashmore as director of ECHL does not impede his independence as an Independent Director of the REIT Manager.

Based on the annual review of the Directors' independence conducted by the NRC, the criteria of independence as set out in the 2018 Code and SGX Listing Rule 210 (5)(d), and the declarations by the IDs of their independence, the Board is satisfied that Mr David Lim Teck Leong, Mr Koo Tsai Kee, Mr Tan Huay Lim, Mr Nicholas David Ashmore and Mr Yezdi Phiroze Chinoy are independent.

In FY 2021, none of the IDs had any business relationship with the REIT Manager, its related companies, its substantial shareholders or its officers, as well as with Elite Commercial REIT and its substantial Unitholders that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of Elite Commercial REIT.

During FY 2021, each of the IDs had been independent from the management of the REIT Manager and Elite Commercial REIT, as well as from every substantial shareholder of the REIT Manager, and every substantial Unitholder of Elite Commercial REIT. This is in accordance with the guidance in the Securities and Futures (Licensing and Conduct of Business) Regulations (SFR), Regulation 13E(b)(i).

## REVIEW OF DIRECTORS' TIME COMMITMENTS

All directors are required to commit sufficient time and attention to the affairs of Elite Commercial REIT and the REIT Manager. The NRC will annually, and as required, assess the major commitments including employment and listed company directorships and whether the director has and can suitably fulfill his or her duties as a director of the REIT Manager.

The 2018 Code requires listed companies to disclose the number of listed company directorships and principal commitments of each director in the Annual Report and where a director holds a significant number of such directorships and commitments, it provides the Board reasoned assessment of the ability of the director to diligently discharge his or her duties. The Board believes that it is not practicable to impose a limit on the maximum number of listed company board representations each director may hold or stipulate the amount of time that each director should devote to the affairs of the REIT Manager. The effectiveness of the Board and contributions of each director cannot be assessed solely on a quantitative basis. The number of listed company directorships and principal commitments of each director, such as whether they are in full-time employment and the nature of their other responsibilities, are considered on a case-by-case basis and taken into account in the NRC's and the Board's assessment of the ability of each Director to diligently discharge his or her duties as a director of the REIT Manager, without any potential or actual conflict of interest. A director with multiple directorships and significant commitments is expected to ensure that sufficient attention can be given to the affairs of the REIT Manager. A director's capacity is determined by metrics such as his attendance at Board and Board Committee meetings and contributions to the effective supervision of Elite Commercial REIT.

Each director is or has been a senior executive and has knowledge about, and/or experience in, serving as director of listed corporations. Further, each of the directors confirms that he is able to devote sufficient time to discharge his duties as director of the REIT Manager.

Based on every Director's attendance record for Board and Board Committees' meetings (set out on page 114) and contributions outside of formal Board and Board Committees' meetings, the NRC is satisfied that all Directors are able to and have committed sufficient time and discharged their duties adequately for FY 2021.

Key information regarding the Directors such as academic and professional qualifications, committee membership, date of appointment, and details about the present and past directorships of each Director are set out on pages 10 to 15. The Directors' unitholdings in Elite Commercial REIT are set out on page 209 .

## SELECTION AND APPOINTMENT OF NEW DIRECTORS

The NRC will regularly review the existing attributes and competencies of the Board in order to determine the desired experience or expertise required to strengthen or supplement the Board. The NRC is in charge of making recommendations to the Board regarding the identification and selection of directors for appointment and re-appointment.

In identifying candidates for new appointments to the Board as part of the Board's renewal process, the following principles are applied by the NRC:

- The Board should comprise directors with a broad range of commercial experience, including expertise in business management, real estate, finance, investments and legal matters;
- The Board should have diversity in terms of gender and age;
- A majority of the Board should comprise independent directors if the Chairman is not an independent director; and
- The candidate is fit and proper in accordance with MAS' fit and proper guidelines, taking into account his or her experience, skills, track record, capabilities and such other relevant experience as may be determined by the Board.

Given the selection criteria, the search for potential candidates would be initiated by considering recommendations from Board members and Management, and conducting an external search for candidates that fit the criteria.

The NRC will then shortlist and interview the candidates. Shortlisted candidates are evaluated by the Chairman of the Board and IDs so that recommendations made on proposed candidates are objective and well-supported. Candidates are evaluated and selected based on their relevant expertise and potential contributions. Other factors including the current and mid-term needs and goals of Elite Commercial REIT are also considered. Once a candidate is selected for the Board, the NRC will conduct due diligence through reference checks before putting it up to the Board for approval.

## BOARD PERFORMANCE

**Principle 5:**

*The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.*

The NRC assesses and discusses the performance of the Board as a whole and its Board Committees on an annual basis. The NRC has in place a process to evaluate the effectiveness of the Board and its Board Committees, as well as the contribution by the Chairman and each individual Director. The review allows each Director to individually express his personal and confidential assessment of the Board's overall effectiveness in discharging its duties and responsibilities. It provides insights into the functioning of the Board and its Board Committees, whilst identifying areas that need strengthening or improvement.

The criteria for evaluation of the Board's performance includes board composition, access to information, board process, risk management, strategy and planning, board accountability, and engagement with the CEO and Management. These performance criteria are approved by the Board, and are generally unchanged from year to year so that trends may be determined.

On an annual basis, the Directors are required to complete evaluation questionnaires for the Board and its Board Committees and an individual director self-assessment questionnaire. The individual Director's performance is assessed based on the Director's duties and performance, knowledge and interactive skills. The scope of evaluation in the evaluation questionnaires for the Board for FY 2021 included (1) Board composition, (2) Board processes, internal control and risk management, (3) Board access to information, (4) Board accountability and committee effectiveness. The evaluation questionnaires for the Board also required the Board to consider whether the creation of value for Unitholders has been taken into consideration in its decision-making process.

Each Director is given sufficient opportunity to bring to the Board his perspective to enable balanced and well-considered decisions to be made. For FY 2021, individual Directors, the Board, ARC and NRC had completed their respective evaluation forms (the Board, ARC and NRC had completed their respective forms on a collective basis) and returned them to the Company Secretary for compilation of the summary of results of the evaluation.

The results of the evaluation questionnaires are first reviewed by the NRC and subsequently presented and deliberated by the Board, and all necessary follow-up actions will be undertaken with a view to enhance the effectiveness of the Board in the discharge of its duties and responsibilities.

The Board, in consultation with the NRC, was satisfied with the Board, ARC and NRC's performance evaluation results which indicated that each and every Director had demonstrated commitment and contributed to the effective functioning of the Board, ARC and NRC. The formal annual assessment is conducted entirely by the NRC and does not rely on any external facilitator.

The Board had recommended a strategic retreat session in FY 2022 to determine strategy and direction of future growth and value creation; and to deliver from this strategy retreat to be more focused direction for Management and key deliverables.

As SPC and SC was newly established during FY 2021, performance evaluation of these Board Committees will only be conducted in FY 2022.

# Corporate Governance Report

## (B) REMUNERATION MATTERS

### PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

**Principle 6:**

*The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.*

### LEVEL AND MIX OF REMUNERATION

**Principle 7:**

*The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the REIT, taking into account the strategic objectives of the REIT.*

### DISCLOSURE ON REMUNERATION

**Principle 8:**

*The REIT Manager is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.*

### ROLES AND RESPONSIBILITIES OF THE NRC (IN RELATION TO REMUNERATION MATTERS)

The NRC plays an important role in ensuring the attraction, recruitment, motivation, and retention of talents through competitive remuneration and progressive policies so as to achieve Elite Commercial REIT's goals, and to deliver sustainable Unitholder value, distribution income, as well as growth in total returns. Terms of reference setting out the scope and authority in performing the function of the NRC have been written, and these include assisting the Board in matters relating to:

**Remuneration**

- Assisting the Board in establishing a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel of the REIT Manager;
- Reviewing and recommending to the Board, for endorsement by the Board;
- A framework of remuneration for the Board and key executive officers of the REIT Manager (no member of the Board is involved in any decision of the Board relating to his or her own remuneration). The framework covers all aspects of remuneration, including fees, salaries, allowances, bonuses, grant of shares and share options and benefits in kind, as well as termination terms, to ensure they are fair;
- Specific remuneration packages for each director and key executive officers of the REIT Manager;
- Consulting independent professional consultancy firms where necessary in determining remuneration packages; and
- Considering the various disclosure requirements for directors' remuneration and ensuring that there is adequate disclosure in the financial statements to ensure and enhance transparency between Elite Commercial REIT and relevant interested parties.

The NRC seeks to ensure that a significant and appropriate proportion of executive directors' (if any) and key management personnel's remuneration is structured so as to link rewards to the achievement of corporate and individual performance targets. The Board sets performance targets with the purpose of motivating a high degree of business performance with emphasis on both short and long term quantifiable goals. The corporate and individual performance-related elements of remuneration have been established to align the interests of key management personnel with those of Unitholders and other stakeholders with the aim of providing for the long-term interests of Unitholders and to promote the long-term success of Elite Commercial REIT.

In addition, the NRC reviews the achievements of the REIT Manager against the targets set to determine the overall performance taking into consideration qualitative factors such as the business environment, regulatory landscape and industry trends and approves a bonus pool that is commensurate with the performance achieved.

Where necessary, the Board modifies the framework of remuneration to align the REIT Manager's compensation with the interests of the Unitholders. The remuneration packages are also appropriately structured to attract, retain and motivate the Directors to provide good stewardship of the REIT Manager and key management personnel to successfully manage Elite Commercial REIT for the long term.

Remuneration of the directors, executive officers and employees of the REIT Manager is not paid out of the deposited property of Elite Commercial REIT, but paid by the REIT Manager from the fees it receives.

## REMUNERATION FRAMEWORK OF KEY MANAGEMENT PERSONNEL

The remuneration of key management personnel is structured to take into account:

- The strategic objectives and goals of Elite Commercial REIT
- Corporate and individual performance, both in terms of financial and non-financial performance of Elite Commercial REIT through the incorporation of appropriate key performance indicators that are specific, measurable and result-oriented

The key performance indicators ("**KPIs**") used to determine the remuneration of the CEO and other key management personnel of the REIT Manager for FY 2021, take into consideration (amongst others):

- Elite Commercial REIT's income available for distribution (and distribution per Unit)
- Total Unitholders Return
- Investor relations management
- Asset Enhancement Initiatives
- Other strategic initiatives as determined from time to time

These performance indicators are appropriate and meaningful measures which assess Management's performance, whilst taking into account the risk policies of Elite Commercial REIT. Structuring the level of remuneration as such aligns the interests of KMP with that of the Unitholders and promotes the long-term success of Elite Commercial REIT.

The remuneration of KMP comprises a fixed and a variable component. The fixed component comprises fixed salary and compulsory employer contribution to the employees' Central Provident Fund. The variable component comprises short-term cash and cash-in-kind bonuses based on the achievement of KPIs.

The remuneration of the CEO and each of the KMP are reviewed by the NRC and recommended to the Board for approval.

## NON-EXECUTIVE DIRECTORS' REMUNERATION AND FEE STRUCTURE

The NRC also ensures that the remuneration of Non-Executive Directors is appropriate to their level of contribution taking into account factors such as effort, time spent, and their responsibilities. The NRC ensures that Independent Directors are not over-compensated to the extent that their independence may be compromised. None of the Directors has any service contracts with the REIT Manager.

The structure of Directors' fees takes into account the following:

- Directors' responsibilities and contributions; and
- Industry practices and norms on remuneration, including the guidelines set out in the Statement of Good Practice issued by the SID.

Directors' fees for Non-Executive Directors comprises an annual base fee of S$40,000 for serving as a director and additional fee for serving as Chairman of the ARC and NRC. The additional fee for chairmanship of the Board, ARC and NRC are as below:

| Chairmanship | Fee |
|---|---|
| Board | S$45,000 |
| Audit and Risk Committee | S$25,000 |
| Nominating and Remuneration Committee | S$15,000 |

The Directors' fees (including the Chairman) are paid in the form of cash and Directors' fees are reviewed and endorsed by the NRC.

## INDUSTRY BENCHMARKING AND ENGAGEMENT OF CONSULTANT

In determining the remuneration of its Directors and KMP, the REIT Manager may engage an independent remuneration consultant to advise on compensation benchmarks and provide views on market practices and trends. The independent remuneration consultant will not be related to the REIT Manager, its controlling shareholder, its related corporations or any of its Directors. The Board has access to independent remuneration consultants for advice on remuneration matters as required.

# Corporate Governance Report

The REIT Manager applies the principle that remuneration matters are to be sufficiently structured and benchmarked to good market practices in order to attract suitably qualified talent, to grow and manage Elite Commercial REIT. The REIT Manager applies the principle that the remuneration for the Board and key executives should be viewed in totality. It is a concerted pursuit of strong and ethical leadership for the success of Elite Commercial REIT and the REIT Manager.

In determining the mix of different forms of remuneration, the Board and NRC have reviewed and ensured that the level and structure of remuneration for the REIT Manager's KMP and Non-Executive Directors are in alignment with the long-term interests and risk management policies of Elite Commercial REIT. The Board and NRC seek to ensure that the level and mix of remuneration is competitive, relevant and appropriate in finding a balance between fixed and performance-related components.

## DISCLOSURE OF REMUNERATION

### Directors' fees

The REIT Manager set out in the table below information on the fees paid to the Directors for FY 2021:

| Board Members | Membership | Fees Paid for FY 2021 |
|---|---|---|
| Mr David Lim Teck Leong | Independent Non-Executive Chairman | S$85,000 |
| Mr Tan Huay Lim | Independent Non-Executive Director and Chairman of the ARC | S$65,000 |
| Mr Koo Tsai Kee | Independent Non-Executive Director and Chairman of the NRC | S$55,000 |
| Mr Nicholas David Ashmore | Independent Non-Executive Director | S$40,000 |
| Mr Yezdi Phiroze Chinoy | Independent Non-Executive Director | S$20,000* |
| Mr Evan Cheah Yean Shin | Non-Independent Non-Executive Director | S$40,000 |
| Mr Victor Song Chern Chean | Non-Independent Non-Executive Director | S$40,000 |
| Mr Tan Dah Ching | Non-Independent Non-Executive Director | S$40,000 |
| Mr Tan Hai Peng Micheal | Non-Independent Non-Executive Director | S$40,000 |

*Note:*
* *Mr Yezdi Phiroze Chinoy was appointed on 1 July 2021 and Directors' fees paid to him was pro-rated for FY 2021.*

## LEVEL AND MIX OF REMUNERATION OF THE CEO AND OTHER KEY MANAGEMENT PERSONNEL

The REIT Manager has adopted a performance-based remuneration system and have the KPIs in place to measure the performance and value creation in determining the remuneration of the CEO and KMP.

Remuneration of the CEO and KMP of the REIT Manager comprises fixed and variable components:

- Fixed components comprise the base salary, fixed allowances and statutory employer contribution to an employee's Central Provident Fund or other social security system.
- Variable components comprise short-term cash incentives based on the achievement of financial KPIs of the REIT Manager and individual KMP. REIT Manager is in the process of setting up a long-term incentive program which will be included as part of the variable component in due course.

The REIT Manager will continue to be guided by the objective of delivering long term sustainable returns to Unitholders while the remuneration of Management will continue to be aligned with the goal of value creation for Unitholders.

All fixed and variable remuneration are entirely paid by the REIT Manager and not as an additional expense imposed on the REIT.

KMP remuneration bands of S$250,000, together with a breakdown of their respective remuneration components in percentage terms, are set out in the remuneration table below:

| Remuneration Band and Name | Fixed Remuneration | Variable Remuneration | Total |
|---|---|---|---|
| **S$250,000 to S$500,000** | | | |
| Shaldine Wang (CEO) | 79% | 21% | 100% |
| Joel Cheah (CFO) | 76% | 24% | 100% |
| Jonathan Edmunds (CIO) | 75% | 25% | 100% |

The REIT Manager is cognisant of the requirements outlined in Principle 8 of the 2018 Code and the "**Notice to All Holders of a Capital Markets Services License for Real Estate Investment Trust Management**" (the "**Notice**") to disclose: (i) the remuneration of its CEO and each individual Director on a named basis; (ii) the remuneration of at least the top five (5) executive officers (who are neither Directors nor the CEO), on a named basis in bands of S$250,000; and (iii) in aggregate the total remuneration paid to its top five (5) KMP (who are not Directors or the CEO).

The REIT Manager has only three (3) KMP in FY 2021.

The Board has assessed and elected not to disclose (i) the remuneration of the CEO in exact amount; and (ii) aggregate remuneration paid to its top five (5) KMP (who are not Directors or the CEO) for the following reasons:

(i) the competition for talent in the REIT management industry is very keen and the REIT Manager has, in the interests of Unitholders, opted not to disclose the exact remuneration of its CEO and other KMPs (who are not Directors or the CEO) so as to minimise potential staff movement which would cause undue disruptions to the management team of Elite Commercial REIT;

(ii) it is important that the REIT Manager retains its competent and committed staff to ensure the stability and continuity of business and operations of Elite Commercial REIT;

(iii) due to the confidentiality and sensitivity of staff remuneration matters, the REIT Manager is of the view that such disclosures could be prejudicial to the interests of Unitholders. Conversely, the REIT Manager is of the view that such non-disclosure will not be prejudicial to the interests of Unitholders as the information provided regarding the REIT Manager's remuneration policies is sufficient to enable Unitholders to understand the link between remuneration paid to the CEO and other KMPs and their performance; and

(iv) there is no misalignment between the remuneration of the CEO and KMPs and the interests of the Unitholders as their remuneration is paid out from the fees the REIT Manager receives from Elite Commercial REIT, rather than borne by Elite Commercial REIT.

The REIT Manager is accordingly of the view that its practice is consistent with Principle 8 of the 2018 CG Code and the Notice as a whole.

There is no employee of the REIT Manager who is a substantial shareholder of the REIT Manager or a substantial Unitholder of Elite Commercial REIT, or an immediate family member of a Director, the CEO of the REIT Manager, a substantial shareholder of the REIT Manager or a substantial Unitholder of Elite Commercial REIT, and whose remuneration exceeded S$100,000 during FY 2021. According to the Listing Manual, "**immediate family**" refers to spouse, child, adopted child, step-child, brother, sister and parent.

The KMPs were remunerated wholly in cash for FY 2021.

The NRC has reviewed the REIT Manager's remuneration framework and is satisfied that there is reasonable mitigation of any potential misalignment of interests of Unitholders, taking into account (a) the NRC's discretion to determine whether the remuneration payable is in line with the remuneration framework, and (b) the substantial emphasis placed on the performance of Elite Commercial REIT which have been included as part of the KPIs. There are no termination, retirement or post-employment benefits that are granted over and above what have been disclosed.

# Corporate Governance Report

## (C) ACCOUNTABILITY AND AUDIT

### RISK MANAGEMENT AND INTERNAL CONTROLS

**Principle 9:**

*The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the REIT and its unitholders.*

### ROLE OF THE BOARD AND ARC IN ENSURING EFFECTIVE RISK MANAGEMENT AND INTERNAL CONTROLS

The Board recognises the importance of a sound system of risk management and internal controls to safeguard the Unitholders' interests and Elite Commercial REIT's assets. The Board affirms its responsibility for Elite Commercial REIT's system of risk management and internal controls, and for reviewing the adequacy and effectiveness of Elite Commercial REIT's risk management and internal control systems, including financial, operational, compliance and information technology controls on an annual basis. The Board, with the support of the ARC, determines the levels of risk tolerance and risk policies and oversees the design, implementation and monitoring of the risk management and internal control systems in order to achieve strategic objectives and value creation.

The ARC assists the Board in examining the adequacy and effectiveness of internal controls policies and procedures to ensure that a robust risk management framework and internal control system is maintained while the Board reviews the adequacy and effectiveness of the risk management and internal control system.

### FORMULATION OF RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM

In setting up the risk management framework, the extent of risk tolerance and the risk parameters based on Elite Commercial REIT's current operations and risk appetite have been set and approved by the Board after taking into consideration Elite Commercial REIT's strategic objectives. The risk parameters guide Management on managing the risks of Elite Commercial REIT and these parameters will remain unchanged for as long as there is no change in Elite Commercial REIT's operating profile.

The ARC guides Management in the formulation of risk policies and processes in identifying, evaluating and managing key risks while the ownership of risk management lies with the CEO and she is supported by the respective managers. The nature and extent of risks are assessed regularly by Management and internal auditors and reports are submitted to the ARC as and when necessary. The ARC reports to the Board on material findings and makes recommendations or seeks guidance from the Board in respect of any material risk issues.

Any findings on material non-compliance or weaknesses in internal controls and risk management by the internal auditors are reported to the ARC. The recommendations to further improve the internal control system and risk management system are reported to the ARC and actions are taken by Management.

### ASSESSMENT AND MANAGEMENT OF MATERIAL RISKS

In managing business risk, the Board considers the economic environment, asset specific risks such as tenant lease break notices, capital management risks such as financing and refinancing requirements, and risks that are relevant to the UK's commercial real estate industry.

In addressing information technology risk, the Management, with the assistance of its IT vendor, has put in place a framework and process to implement prevailing control measures for each IT system.

In managing conflicts of interest risk, the REIT Manager has instituted the following procedures:

(i) The REIT Manager will not manage any other REIT which invests in the same type of properties as Elite Commercial REIT;

(ii) All executive officers will be working exclusively for the REIT Manager and will not hold other executive positions in other entities, save for any wholly owned subsidiaries of the REIT Manager;

(iii) All resolutions in writing of the Directors in relation to matters concerning Elite Commercial REIT must be approved by at least a majority of the Directors (excluding any interested Director), including at least one Independent Director;

(iv) At least one-third of the Board shall comprise Independent Directors, provided that where the (i) the Chairman of the Board and the Chief Executive Officer is the same person, (ii) the Chairman of the Board and the Chief Executive Officer are immediate family members, (iii) the Chairman of the Board is part of the management team or (iv) the Chairman of the Board is not an Independent Director, at least half the Board shall comprise Independent Directors;

(v) In respect of matters in which a Director or his associates (as defined in the Listing Manual) has an interest, direct or indirect, such interested director will abstain from voting. In respect of matters in which the Sponsors and/or their subsidiaries have an interest, direct or indirect, for example, in matters relating to:

- potential acquisitions of additional properties or property-related investments by Elite Commercial REIT in competition with the Sponsors and/or their subsidiaries;
- competition for tenants between properties owned by Elite Commercial REIT and properties owned by the Sponsors and/or their subsidiaries;

any nominees appointed by the Sponsors and/or their subsidiaries to the Board to represent their interests will abstain from deliberation and voting on such matters;

(vi) Save as to resolutions relating to the removal of the REIT Manager, the REIT Manager and its associates are prohibited from voting or being counted as part of a quorum for any meeting of the Unitholders convened to approve any matter in which the REIT Manager and/or any of its associates has a material interest; and

(vii) It is also provided in the Trust Deed that if the REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Elite Commercial REIT with a Related Party (as defined herein) of the REIT Manager, the REIT Manager shall be obliged to consult with a reputable law firm (acceptable to the Trustee) who shall provide legal advice on the matter. If the said law firm is of the opinion that the Trustee, on behalf of Elite Commercial REIT, has a *prima facie* case against the party allegedly in breach under such agreement, the REIT Manager shall be obliged to take appropriate action in relation to such agreement. The Directors (including the Independent Directors) will have a duty to ensure that the REIT Manager so complies.

Notwithstanding the foregoing, the REIT Manager shall inform the Trustee as soon as it becomes aware of any breach of any agreement entered into by the Trustee for and on behalf of Elite Commercial REIT with a Related Party of the REIT Manager, and the Trustee may take such action as it deems necessary to protect the rights of the Unitholders and/or which is in the interests of the Unitholders.

Any decision by the REIT Manager not to take action against a Related Party of the REIT Manager shall not constitute a waiver of the Trustee's right to take such action as it deems fit against such Related Party.

## INTERNAL CONTROL SYSTEM FOR RELATED PARTY AND INTERESTED PERSON TRANSACTIONS

The REIT Manager has established an internal control system to ensure that all Related Party Transactions, Interested Party Transactions (as defined in the Property Fund Appendix) and Interested Person Transactions (as defined in the Listing Manual of the SGX-ST) (collectively "**IPT**"):

- will be undertaken on an arm's length basis and on normal commercial terms; and
- will not be prejudicial to the interests of Elite Commercial REIT and its Unitholders.

Related party transactions have been disclosed in the financial statements of this annual report. As a general rule, the REIT Manager must demonstrate to the ARC that such transactions satisfy the foregoing criteria, which may entail obtaining (where practicable) quotations from parties unrelated to the REIT Manager, or obtaining valuations from independent professional valuers (in accordance with the Property Funds Appendix).

The REIT Manager maintains a register to record all IPT which are entered into by Elite Commercial REIT and the bases, including any quotations from unrelated parties and independent valuations obtained, on which they are entered into.

The ARC will monitor the procedures established to regulate IPT, including reviewing any IPT entered into from time to time, to ascertain that the guidelines and procedures established to monitor IPT have been complied with (including relevant provisions of the Listing Manual and Property Funds Appendix). If a member of the ARC has an interest in a transaction, he is to abstain from participating in the review and approval process in relation to that transaction. The ARC will commission internal audit for IPT with an aggregate value equal to, or more than 3.0% of the REIT's latest audited net tangible assets and which are more than S$100,000 (other than those approved by Unitholders or the Exempted Agreements).

# Corporate Governance Report

In addition, the Trustee will also have the right to review such audit reports to ascertain that the Property Funds Appendix has been complied with. The review will include the examination of the nature of the transaction and its supporting documents or such other data deemed necessary to the ARC.

Further, the following procedures will be adhered to:

- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding S$100,000 in value but less than 3.0% of the value of Elite Commercial REIT's net tangible assets will be subject to review by the ARC at regular intervals;
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 3.0% but below 5.0% of the value of Elite Commercial REIT's net tangible assets will be subject to the review and prior approval of the ARC. Such approval shall only be given if such transaction is conducted on an arm's length basis, on normal commercial terms and consistent with similar types of transactions made with third parties which are not interested parties; and
- Transactions (either individually or as part of a series or if aggregated with other transactions involving the same interested party during the same financial year) equal to or exceeding 5.0% of the value of Elite Commercial REIT's net tangible assets will be reviewed and approved prior to such transaction being entered into, on the basis described in the preceding paragraph, by the ARC which may, as it deems fit, request advice on the transaction from independent sources or advisers, including the obtaining of valuations from independent professional valuers. Further, under the Listing Manual and the Property Funds Appendix, such transaction would have to be approved by the Elite Commercial REIT's Unitholders at a meeting duly convened and held in accordance with the provisions of the Trust Deed.

Where matters concerning Elite Commercial REIT relate to transactions entered into or to be entered into by the Trustee for and on behalf of Elite Commercial REIT with an interested party (which would include relevant associates thereof), the Trustee is required to ensure that such transactions are conducted on normal commercial terms, are not prejudicial to the interests of Elite Commercial REIT and the Unitholders of Elite Commercial REIT, and are in accordance with all applicable requirements of the Property Funds Appendix and/or the Listing Manual relating to the transaction in question. Furthermore, the Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving an interested party. If the Trustee is to sign any contract with an interested party, the Trustee will review the contract to ensure that it complies with the requirements relating to IPT in the Property Funds Appendix (as may be amended from time to time) and the provisions of the Listing Manual relating to IPT (as may be amended from time to time) as well as guidance prescribed by the MAS and SGX-ST.

Save for the IPT described under "**Related Party Transactions in Connection with the Setting Up of Elite Commercial REIT and the Offering**" and "**Exempted Agreements**" in the IPO prospectus, Elite Commercial REIT will comply with Rule 905 of the Listing Manual by announcing any Interested Person Transaction in accordance with the Listing Manual if such transaction, by itself or when aggregated with other Interested Person Transactions entered into with the same Interested Person (as defined in the Listing Manual) during the same financial year, is 3.0% or more of the value of Elite Commercial REIT's net tangible assets.

Elite Commercial REIT has not obtained a Unitholders' mandate pursuant to Rule 920 of the Listing Manual for IPT.

There were no material contracts entered into by Elite Commercial REIT and/or its subsidiaries including the interests of the CEO, any director or controlling Unitholder, either still subsisting at the end of the year or entered into since the end of the previous financial year.

The REIT had entered into an IPT with Elite Bushel Holding Limited for the acquisition of 100% shares in Elite Amphora Limited and Elite Cask Limited, which hold 58 commercial buildings located across the UK. Elite Bushel Holding Limited is a wholly owned subsidiary of Elite UK Commercial Fund II. Elite UK Commercial Fund II is a fund managed by Elite Partners Capital Pte. Ltd. ("**EPC**"), which is in turn wholly owned by Elite Partners Holdings Pte. Ltd. ("**EPH**"). EPH holds 68% of the total number of issued shares in the REIT Manager and is accordingly a "**controlling shareholder**" of the REIT Manager. As such, EPH is considered (under Chapter 9 of the Listing Manual) an **"interested person" and (under Appendix 6 of the CIS** Code) an "**interested party**".

In connection with the acquisition of the 58 properties located across the UK, the existing property management agreements between Elite Real Estate Services UK Limited and the two property holding companies, Elite Amphora Ltd. and Elite Cask Ltd., were deemed approved by Unitholders at an Extraordinary General Meeting held on 25 January 2021.

The Trustee has the ultimate discretion under the Trust Deed to decide whether or not to enter into a transaction involving a Related Party of the REIT Manager or the Trustee. If the Trustee is to sign any contract with a Related Party of the REIT Manager or the Trustee, the Trustee will review the contract to ensure that it complies with the relevant requirements relating to Related Party Transactions (as may be amended from time to time) as well as such other guidelines as may from time to time be prescribed by the MAS and the SGX-ST to apply to Elite Commercial REIT.

In accordance with Rule 907 of the Listing Manual of the SGX-ST, the IPT for FY 2021 is as follows:

| Name of the Interested Person | Nature of Relationship | Aggregate value of all IPTs during the financial year under review (excluding transactions conducted under Shareholders' Mandate pursuant to Rule 920) £'000 | Aggregate value of all IPTs, conducted under Shareholders' Mandate pursuant to Rule 920 during the financial year under review £'000 |
|---|---|---|---|
| **Elite Commercial REIT Management Pte. Ltd.** | The Manager of the REIT | | |
| Acquisition fee paid in units | | 2,125 | – |
| Management fee paid and payable in units | | 2,453 | – |
| Lease management fee paid and payable in units | | 232 | – |
| Leasing commission | | 13 | – |
| **Elite UK Real Estate Services UK Ltd.** | Related corporation of the Manager | | |
| Property management fee | | 231 | – |
| **Perpetual (Asia) Limited** | Trustee of the REIT | | |
| Trustee fees paid and payable | | 99 | – |

**Exempted Agreements**

In the case of external Managers for REITs, Related Party Transactions mostly relate to management fees and property management fees, leasing fees, development management fees and project management fees. These are paid annually in accordance with the terms disclosed in the IPO prospectus and reported each year in the financial statements.

The entry into and the fees and charges payable by Elite Commercial REIT under the Trust Deed, the License Agreement and the leases set out in the section "**Other Related Party Transactions**" in the IPO Prospectus and/or Circular, to the extent that details of these have been specifically disclosed in the IPO Prospectus and/or Circular, which each constitutes an Interested Person Transaction, are deemed to have been specially approved by Unitholders upon purchase of the Units and/or in the Extraordinary General Meeting and are therefore not subject to Rules 905 and 906 of the Listing Manual to the extent that there is no subsequent change to the rates and/or bases of the fees charged thereunder which will adversely affect Elite Commercial REIT.

All Related Party Transactions are regulated by Chapter 9 of the Listing Manual and the Property Funds Appendix. All Related Party Transactions are undertaken on normal commercial terms and are not prejudicial to the interests of Elite Commercial REIT and the Unitholders.

# Corporate Governance Report

## BOARD'S COMMENT ON INTERNAL CONTROLS AND RISK MANAGEMENT

The Board receives half-year and full-year certification of assurance from the CEO, CFO and CIO of the REIT Manager, and the Head of Compliance and Finance Director of EPH, which assures that to the best of their knowledge, the accounting records have been properly maintained and the financial statements are drawn up so as to give a true and fair view of the financial position and financial performance, and that they are prepared in accordance with accounting standards.

The CEO, CFO and CIO of the REIT Manager, and the Head of Compliance and Finance Director of EPH also provide a certification of assurance to the Board that Elite Commercial REIT's risk management and internal control systems, to the extent that they address the financial, operational, compliance and information technology risks faced by Elite Commercial REIT in its current business environment, have been adequately designed and are operating effectively in all material aspects, as at 31 December 2021.

Based on the risk management and internal control systems established and adhered to by Elite Commercial REIT, the assurance received from the CEO, CFO and CIO, work performed by the internal auditor, external auditor and compliance manager, and reviews conducted by Management and various Board Committees, the Board is of the view that Elite Commercial REIT's internal controls (including financial, operational, compliance and information technology controls) and risk management system have been adequately designed and are operating effectively in all material aspects faced by Elite Commercial REIT in its business environment. Accordingly, the REIT complies with Listing Rule 1207(10).

The Board notes that the internal controls and risk management system established provides reasonable though not absolute assurance against material misstatement of loss and that Elite Commercial REIT will not be adversely affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. The Board accepts that the internal control systems contain inherent limitations and notes that no system can provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, fraud and other irregularities.

The ARC concurs with the Board's comments above on the internal controls and risk management system of Elite Commercial REIT.

## ROLE AND DUTIES OF COMPLIANCE MANAGER

The Manager has outsourced the compliance function to EPH which has a centralised compliance function. EPH reports to the CEO, the ARC and the Board of the REIT Manager on matters pertaining to Elite Commercial REIT and the REIT Manager. EPH's Head of Compliance, Mr Lee Geok Heng, has more than ten (10) years of experience in listed REITs and is familiar with a REIT's regulations and compliance requirements. Mr Lee Geok Heng is supported by a dedicated Group Compliance Officer, Mr Leow Jun Yuan, who has the relevant experience in providing regulatory and compliance advice to financial institutions and listed companies. Based on the foregoing, the Manager is of the view that EPH's compliance team possesses the necessary skill and experience required to advise Elite Commercial REIT on its compliance matters.

The cost of such outsourcing of the role of compliance officer is borne by the REIT Manager out of its own funds and not out of Unitholders' funds.

**The duties under the compliance function include:**

- Assisting the REIT Manager in all matters concerning compliance with the SFA, the CIS Code (including Property Funds Appendix), the SGX Listing Manual and all applicable laws, regulations and guidelines including notices issued by the MAS;
- Ensuring all employees of the REIT Manager are regularly apprised of the ongoing compliance requirements under the SFA, the CIS Code (including the Property Funds Appendix), the Listing Manual and relevant Singapore laws, regulations and guidelines;
- Ensuring all employees of the REIT Manager have fulfilled their regulatory obligations;
- Ensuring the REIT Manager has prepared returns and other documents accurately for submission to the MAS as required under the SFA;
- Highlighting any deficiencies or making recommendations with respect to the REIT Manager's compliance processes; and
- Assisting in the application process for the appointment of new directors to the Board.

In addition, the REIT Manager engages KPMG Services Pte. Ltd. to assist in performing regulatory gap reviews against the applicable requirements of the SFA and its related regulations, notices and guidelines; and SGX Listing Rules and CIS Code. During the year, regulatory gap analysis was performed for the outsourcing framework and CIS Code policies and processes against the MAS Outsourcing Guidelines and the MAS CIS Code, respectively.

## AUDIT COMMITTEE

**Principle 10:**

*The Board has an Audit Committee which discharges its duties objectively.*

## AUDIT AND RISK COMMITTEE

The ARC comprises three (3) Directors, all of whom (including the Chairman of the ARC) are IDs. The members of the ARC are:

| | |
|---|---|
| Mr Tan Huay Lim<br>(Independent Non-Executive Director) | *Chairman* |
| Mr David Lim Teck Leong<br>(Independent Non-Executive Director) | *Member* |
| Mr Koo Tsai Kee<br>(Independent Non-Executive Director) | *Member* |

The Board is of the view that the members of the ARC bring with them invaluable and relevant managerial and professional expertise in accounting and related financial management domains to discharge their responsibilities. The Chairman of the ARC, Mr Tan Huay Lim, has extensive audit, accounting and financial management expertise and experience, having served as a partner in KPMG Singapore for 23 years until his retirement in September 2015. In particular, he is a Fellow Member of the Institute of Singapore Chartered Accountants, among other professional affiliations. The Board considers Mr David Lim Teck Leong and Mr Koo Tsai Kee as having sufficient financial management knowledge to discharge their responsibilities as members of the ARC.

Mr Tan Huay Lim had served as a partner in the REIT's existing external auditing firm, KPMG LLP, until September 2015, and does not have any financial interest in KPMG LLP as at the date of his appointment as the Chairman of the ARC in February 2020. None of the other ARC members are former partners or directors of KPMG LLP. Hence, this is in compliance with Provision 10.3 of the 2018 Code where it is required that, "The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation."

## KEY RESPONSIBILITIES AND ACTIVITIES OF THE ARC

The ARC's responsibilities include:

(i) Reviewing the significant financial reporting and judgements so as to ensure the integrity of the financial statements of the REIT Manager and Elite Commercial REIT and any formal announcements relating to Elite Commercial REIT's and/or the REIT Manager's financial performance;

(ii) Reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

(iii) Monitoring the procedures established to regulate interested party transactions, including ensuring the compliance with the provisions of the Listing Manual relating to IPT and the provisions of the Property Funds Appendix relating to IPT and reviewing transactions constituting IPTs;

(iv) Deliberating on conflict of interest situations involving Elite Commercial REIT, including situations where the REIT Manager is required to decide whether or not to take any action against any person in relation to any breach of any agreement entered into by the Trustee for and on behalf of Elite Commercial REIT with an Interested Person of the REIT Manager and where the directors, controlling shareholder of the REIT Manager, controlling Unitholder and Associates are involved in the management of or have shareholding interests in similar or related business as the REIT Manager, and in such situations, the ARC will monitor the investments by these individuals in Elite Commercial REIT's competitors, if any, and will make an assessment whether there is any potential conflict of interest;

(v) Assisting the Board to oversee the formulation, updating and maintenance work of adequate and effective internal controls and risk management framework and reviewing the statements included in Elite Commercial REIT's annual report on its internal controls and risk management framework;

(vi) Reviewing, on a regular basis, Elite Commercial REIT's lease concentration risks and if 20.0% of the leases (by Gross Rental Income) which are expiring within 12 months have not been renewed, to direct that timely announcements on SGX-ST are to be made;

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(vii) Monitoring the procedures in place to ensure compliance with the SFA, the CIS Code (including the Property Funds Appendix), the Listing Manual and all applicable legislation, regulations and guidelines including notices issued by the MAS;

(viii) Monitoring the tax regimes applicable to Elite Commercial REIT (including the UK CIR rules and anti-hybrid rules);

(ix) Reviewing the system of internal controls including financial, operational, compliance and information technology controls and risk management processes;

(x) Reviewing the quarterly or as the case may be semi-annual and annual financial statements and the auditor's report on the annual financial statements before they are submitted to the Board for approval;

(xi) Reviewing external and internal audit reports to ensure that where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by the management;

(xii) Reviewing internal audit reports at least once a year which will be commissioned for IPT with an aggregate value equal to, or more than 3.0% of the REIT's latest audited net tangible assets and which are more than S$100,000 (other than those approved by Unitholders or the Exempted Agreements) to ascertain that the guidelines and procedures established to monitor IPT have been complied with;

(xiii) Ensuring that the internal audit, accounting and compliance function is adequately resourced and has appropriate standing with Elite Commercial REIT;

(xiv) Reviewing, on an annual basis, the adequacy and effectiveness of the internal audit function in the overall context of Elite Commercial REIT's risk management system;

(xv) Reviewing arrangements by which staff and external parties may, in confidence, raise probable improprieties in matters of financial reporting or other matters, with the objective that arrangements are in place for the independent investigation of such matters and for appropriate follow-up action;

(xvi) The appointment, re-appointment or removal of internal auditors (including the review of their fees and scope of work);

(xvii) Reviewing the appointment, re-appointment or removal of external auditors, including their remuneration and terms of engagement;

(xviii) Reviewing the nature and extent of non-audit services performed by external auditors;

(xix) Reviewing, on an annual basis, the independence and objectivity of the external auditors;

(xx) Reviewing and providing their views on all hedging policies and instruments to be implemented by Elite Commercial REIT to the Board;

(xxi) Meeting with external and internal auditors, without the presence of the executive officers, at least on an annual basis;

(xxii) Investigating any matters within the ARC's terms of reference, whenever it deems necessary; and

(xxiii) Reporting to the Board on material matters, findings and recommendations.

The ARC has explicit authority to investigate any matter within its terms of reference. The ARC has full access to and co-operation by Management and the internal and external auditors and has full discretion to invite executive officers of the REIT Manager and the Sponsors, external consultants or advisers to attend its meetings. The internal and external auditors have unrestricted access to the ARC.

During the year under review, four (4) ARC meetings were held. The ARC has met separately with the internal auditor and external auditor, without the presence of the executive officers of the REIT Manager, to discuss issues and to confirm that they had full access to and received co-operation and support from the Management.

The ARC has conducted a review of all non-audit services provided by KPMG LLP, the external auditor, during the year under review. The aggregate amount of fees paid and payable to KPMG was S$518,275, and these were audit and attestation fees related.

The ARC, having regard to the nature and performance of the work by KPMG LLP, is of the view that the auditor's independence and objectivity are not impaired or threatened.

In reviewing the nomination of KPMG LLP for appointment for the financial year ending 31 December 2022, the ARC had taken into consideration the Audit Quality Indicators Framework introduced by the Accounting and Corporate Regulatory Authority. The ARC also considered the adequacy and experience of the professional staff and audit engagement partner assigned, KPMG LLP's experience in the REIT sector and the size and complexity of the audit. The ARC is satisfied with the independence and work of the external auditors and has recommended to the Board the re-appointment of KPMG LLP as the external auditors of Elite Commercial REIT at the forthcoming annual general meeting.

The Board confirms that Elite Commercial REIT complies with the requirements of Rule 712 and Rule 715 of the Listing Manual in respect of the suitability of the auditing firm for Elite Commercial REIT.

## STRATEGIC PLANNING COMMITTEE

To support Management in aligning the interests of stakeholders and enable faster decision-making, SPC was set up as a platform for Management and Directors to discuss and set objectives for the REIT. The SPC also tracks the executions of these objectives set.

The SPC comprises two (2) Non-Independent Non-Executive Directors and one (1) Alternate Director. The members of the SPC are:

Mr Tan Hai Peng Micheal — *Chairman*
(Non-Independent Non-Executive Director)

Mr Victor Song Chern Chean — *Member*
(Non-Independent Non-Executive Director)

Dr Tan Kok Heng — *Member*
(Alternate Director to Mr Evan Cheah Yean Shin)

The SPC helps the Board with its oversight responsibilities in the following key areas:

- Conceptualise and evaluate major strategic initiatives including mergers and acquisitions or disposals, investments and management of property portfolio, asset enhancement initiatives and recommending proposals to the Board which help to achieve the objectives of long-term value creation; and
- Provide direction and guidance to Management on strategic planning and matters of strategic implementation and monitor progress of such initiatives.

The SPC has written terms of reference setting out its duties and responsibilities, including:

(i) Overseeing and providing directions for the overall management of the REIT and the REIT Manager in accordance with the strategic plan set by the Board;

(ii) Reviewing the long-term objectives of the REIT and the REIT Manager;

(iii) Reviewing and recommending any proposed entry into mergers or acquisitions, disposals and investments to the Board;

(iv) Reviewing and recommending for adoption of the Board, annual budgets and long-term business plans to achieve the objectives of the REIT or the REIT Manager;

(v) Providing guidance and advisory support to Management at all stages of the strategic planning process upon request;

(vi) Such other duties or functions as may be delegated by the Board or required by regulatory authorities.

## SUSTAINABILITY COMMITTEE

The SC provides strategic oversight and direction for identifying, managing and implementing material environmental, social and governance ("**ESG**") factors, including environmental issues concerning climate-related risks and opportunities.

The SC comprises two (2) Directors, one (1) Alternate Director and four (4) Executive Officers. The members of the SC are:

Mr David Lim Teck Leong — *Chairman*
(Independent Non-Executive Director)

Mr Yezdi Phiroze Chinoy — *Member*
(Independent Non-Executive Director)

Dr Tan Kok Heng — *Member*
(Alternate Director to Mr Evan Cheah Yean Shin)

Ms Shaldine Wang — *Member*
*Chief Executive Officer*

Mr Joel Cheah — *Member*
*Chief Financial Officer*

Mr Jonathan Edmunds — *Member*
*Chief Investment Officer*

Ms Chai Hung Yin — *Member*
*Assistance Vice President, Investor Relations*

The SC's responsibilities include:

(i) Establishing ESG governance for the effective management of ESG issues;

(ii) Overseeing the management and implementation of strategy, policies and practices relating to material ESG factors;

(iii) Determining the REIT's material ESG factors, including climate-related environmental risks;

(iv) Reviewing and approving the environmental risk management framework for associated policies to manage the environmental risks of the assets' portfolio;

(v) Considering ESG factors and environmental risks and opportunities in the formulation of business strategy;

(vi) Considering key stakeholders' ESG expectations and concerns in developing strategy;

(vii) Ensuring Directors have an adequate understanding of environmental risks and the REIT Manager is equipped with the essential expertise for managing environmental risks;

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(viii) Reviewing and approving the REIT's sustainability reporting and climate-related performance disclosure; and

(ix) Reviewing the effectiveness of the Board in managing the material ESG factors, including the management of climate-related environmental risks.

## WHISTLEBLOWING POLICY

The REIT Manager adopts a group-wide Whistleblowing Policy for which relevant employees and Directors of the REIT Manager as well as external parties may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters in good faith, with the confidence that the relevant persons making the reports will be treated fairly and be protected from reprisal. The objective of the Whistleblowing Policy is to ensure that arrangements are in place for such concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. The Whistleblowing Policy deals with defalcation, impropriety, or wrongdoing by employees in situations including but not limited to suspected fraud, corruption, and unlawful or dishonest conduct (collectively, "**Serious Breaches**").

Investigations of actual or suspected Serious Breaches will be carried out in an objective manner by an independent party who may or may not be within the Elite Partners Group. Where a Serious Breach is considered following an investigation, appropriate disciplinary actions will be taken, up to and including termination of employment or contract. If the matter is substantiated, it will be referred to the Singapore Police Force, the Corrupt Practices Investigation Bureau, or other law enforcement agencies, as deemed appropriate. The REIT Manager recognises that there will be times when a person makes a report in good faith which later proves to be unsubstantiated. However, the REIT Manager will take action against those who intentionally or maliciously give false or misleading information against someone else.

To the extent that is lawful and the investigative process allows, all reports received, including the identity of the whistleblower, will be handled in strict confidence. Whistleblowers are given the option to remain anonymous and may report via an email address: whistleblow@elitecreit.com or postal address to Elite Commercial REIT's office, with attention to Elite Commercial REIT's Board Chairman, ARC Chairman and the CEO (collectively known as "**Designated Information Recipients**"). Establishing these policies reflects the REIT Manager's commitment to conduct its business within a framework that fosters the highest ethical standards.

Whistleblowing reports made to the Designated Information Recipients will be reviewed by a Review Committee and the composition of which to be determined by the ARC Chairman. This is to ensure that the whistleblower's concern is being reviewed in a fair, consistent and timely manner. Regardless of the significance of allegations or the outcome, all whistleblowing reports will be tabled and discussed at Review Committee meetings.

All qualifying disclosures shall be protected against any retaliation and victimisation as per the Whistleblowing Policy. Whistleblowers acting in good faith and who have not themselves engaged in such concerns shall be protected from any forms of discrimination, harassment, reprisals, etc. Any acts of retaliation and victimisation shall be reported to the ARC Chairman. The REIT Manager will not tolerate against anyone who, in good faith, discloses any actual or suspected violations or participates in an investigation.

The Whistleblowing Policy is made available to all new employees when they join the REIT Manager, and they are briefed on this together with the Code of Conduct. The Whistleblowing Policy is also publicly disclosed on Elite Commercial REIT's website.

There have been no incidents reported or complaints submitted pertaining to whistleblowing for FY 2021.

## ANTI-MONEY LAUNDERING AND COUNTERING THE FINANCING OF TERRORISM MEASURES

As a holder of a capital markets services licence issued by MAS, the REIT Manager abides by the MAS' notices and guidelines on the prevention of money laundering and countering the financing of terrorism. Under these guidelines, the main obligations of the REIT Manager are:

(a) evaluation of risk;

(b) customer due diligence;

(c) suspicious transaction reporting;

(d) record keeping;

(e) employee screening and representative screening; and

(f) training.

The REIT Manager has developed and implemented a policy on the prevention of money laundering and terrorist financing and is alert at all times to suspicious transactions. Where there is a suspicion of money laundering or terrorist financing, the REIT Manager performs due diligence checks on its counterparties in order to ensure that it does not enter into business transactions with terrorist suspects or other high-risk persons or entities. Suspicious transactions are also reported to the Suspicious Transaction Reporting Office of the Commercial Affairs Department.

Under this policy, the REIT Manager must retain all relevant records or documents relating to business relations with its customers or transactions entered into for a period of at least five years following the termination of such business relations or the completion of such transactions.

All prospective representatives of the REIT Manager are screened against various lists of terrorist suspects issued by the MAS. Periodic training is provided to its Directors, employees and representatives to ensure that they are updated and aware of applicable anti-money laundering and terrorist financing regulations, the prevailing techniques and trends in money laundering and terrorist financing and the measures adopted by the REIT Manager to combat money laundering and terrorist financing.

## REVIEWS CONDUCTED BY THE ARC

During the year under review, the ARC performed independent reviews of the half-year and full year financial results; and business updates for the first and third quarters of Elite Commercial REIT before recommending to the Board for approval on the release of the financial statements and SGX announcements relating to Elite Commercial REIT's financial statements. In the process, the ARC reviewed the significant financial reporting issues and judgements, including the appropriateness of accounting policies and the quality and completeness of disclosure to ensure the integrity of the financial statements. The ARC also reviewed, among other matters, the following significant financial reporting matter in relation to the financial statements for the year ended 31 December 2021.

### Valuation of investment properties

The valuation of the investment properties is a key risk due to its significance in the context of the net assets value of Elite Commercial REIT and that the valuation methodology requires significant judgement about the yield rates of the investment properties which is inherently subjective.

The ARC reviewed the objectivity and competency of the external valuer and the appropriateness of the valuation methodology applied by the valuer in arriving at the fair value of the investment properties based on their existing use.

The ARC reviewed the valuation reports and held discussions with Management and the external auditors in reviewing the reasonableness of the key assumptions and the underlying key data including the yield rates used in the valuation and the comparable market data provided by the valuer.

The ARC noted that the valuation report has been prepared in accordance with the Royal Institution of Chartered Surveyors' RICS Valuation - Global Standards (incorporating the International Valuation Standards). The ARC has held discussions with Knight Frank LLP, the valuer for the REIT portfolio, to understand the basis of key assumptions applied by the valuer.

The above significant financial reporting matter was also an area of focus for the external auditors who have included it as a key audit matter in their audit report set out in this Annual Report.

The ARC reviewed and approved the audit plan and scope of the external auditors on the audit of the full year financial statements. The ARC also reviewed the internal audit plan, including the scope of the internal auditor's work, and results of the internal audit procedures. In addition, the ARC reviewed the IPT to ensure compliance with the Listing Manual and the Property Funds Appendix.

In addition, the REIT Manager has put in placed a Service Agreement with Elite Real Estate Services Ltd ("**ERES**") to provide property management services and asset level business planning services to support the REIT Manager. The ARC has reviewed the performance of the ERES under the agreement and is satisfied with ERES performance. This review will be conducted biannually in accordance with Appendix 6 - Investment Property Fund of the CIS Code.

## ROLE AND DUTIES OF INTERNAL AUDITORS

The role of the internal auditors is to assist the ARC to ensure that the REIT Manager maintains a sound system of internal controls by regularly monitoring key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the ARC, and conducting regular in-depth audits of high-risk areas.

The ARC approves the hiring, removal, evaluation and compensation of the internal auditor, or the accounting/auditing firm or corporation to which the internal audit function is outsourced. Elite Commercial REIT and the REIT Manager have engaged Ernst & Young Advisory Pte. Ltd. ("**EY**") as the internal auditor. EY adopts the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors (IIA). The internal auditor is independent of management and reports directly to the Chairman of the ARC and administratively to the CEO.

The internal auditor plans the internal audit schedules in consultation with, but independent of the REIT Manager. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. The internal auditor has unfettered access to all the REIT Manager's documents, records, properties and personnel, including access to the ARC, and has appropriate standing within the REIT Manager. The ARC reviews the internal audit report quarterly and monitors the implementation of the improvements required on internal control weaknesses identified.

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During the year under review, the EPH's Group Compliance Department assisted in administering the Whistleblowing Policy of the REIT Manager. The department reports to the ARC on any whistleblowing reports or incidents.

For the year under review, the ARC is of the view that the internal audit function is adequately resourced and has appropriate standing within the REIT Manager. The ARC has reviewed and is satisfied with the adequacy, independence and effectiveness of the internal audit function.

## (D) UNITHOLDER RIGHTS AND ENGAGEMENT

### Unitholder Rights and Conduct of General Meetings

**Principle 11:**

*The REIT Manager treats all unitholders fairly and equitably in order to enable them to exercise unitholders' rights and have the opportunity to communicate their views on matters affecting the REIT Manager. The REIT Manager gives unitholders a balanced and understandable assessment of its performance, position and prospects.*

### Engagement with Unitholders

**Principle 12:**

*The REIT Manager communicates regularly with its unitholders and facilitates the participation of unitholders during general meetings and other dialogues to allow unitholders to communicate their views on various matters affecting the REIT.*

## MANAGING STAKEHOLDER RELATIONSHIPS

### Engagement with Stakeholders

**Principle 13:**

*The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the REIT are served.*

The Board is responsible for providing a balanced and understandable assessment of Elite Commercial REIT's performance, position and prospects. In this regard, Management provides timely, complete, adequate information to the Board through the most expedient means. On a quarterly basis, Management provides the Board with a set of management accounts and analysis, as well as an update on Elite Commercial REIT's operating performance.

The Board embraces openness and transparency in the management of Elite Commercial REIT, whilst preserving the commercial interests of Elite Commercial REIT. Financial reports, press releases, media and analyst presentations and other price-sensitive information are disseminated to Unitholders through announcements via SGXNet and Elite Commercial REIT's website.

The REIT Manager is committed to treating all Unitholders fairly and equitably, and seeks to facilitate the exercise of ownership rights by all Unitholders. The REIT Manager communicates with investors, analysts and the rest of the investment community in a timely and comprehensive manner, and continues to strive towards improving the standard of disclosures and transparency to help investors make more informed investment decisions.

The Board is responsible to Unitholders for providing a balanced and understandable assessment of Elite Commercial REIT's performance, position and prospects, including interim and other price-sensitive public reports and reports to the regulators (where required). Financial reports and other price sensitive information are disseminated to Unitholders through announcements via SGXNet, press releases and the REIT Manager's website. Physical copies of the Annual Report and the circulars are sent to all Unitholders upon request and the electronic copies are made available on SGXNet and Elite Commercial REIT's website.

Provision 11.4 of the 2018 Code provides that the REIT Manager's constitution (or other constitutive documents) allows for absentia voting at general meetings of unitholders. Principle 11 of the 2018 Code provides, *inter alia*, that the REIT Manager treats all unitholders fairly and equitably in order to enable them to exercise unitholders' rights and have the opportunity to communicate their views on matters affecting the REIT. Voting in absentia by email, mail or fax is not implemented currently, which constitutes a variation from Provision 11.4 of the 2018 Code. Having considered that Unitholders who are unable to attend in person may vote by proxy or by attorney, or in the case of a corporation, by a representative, the REIT Manager has decided, for the time being, to refrain from implementing absentia voting until security, integrity, and other pertinent issues are satisfactorily resolved.

In view of the prevailing COVID-19 situation in Singapore, the first Annual General Meeting ("**AGM 2021**") was held on 22 April 2021 by way of electronic means pursuant to the COVID-19 (Temporary Measures) Order (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. The same approach will be adopted for the current year AGM.

An electronic copy of Annual Report for FY 2021 has been published on the REIT Manager's website at the URL https://investor.elitecreit.com/ar.html and made available on the SGXNet website at the URL https://www.sgx.com/securities/company-announcements. In view of the prevailing COVID-19 situation, the Annual Report, Notice of AGM and Proxy form are made available to Unitholders by electronic means via publication on Elite Commercial REIT's website and on SGXNet. Nonetheless, for ease of reference by Unitholders, A5 booklets containing a cover letter to Unitholders with instructions on how to download the full annual report and to register to observe and/or listen to the AGM proceedings, the Notice of AGM, Proxy Form and Letter from Chairman and CEO had been mailed out to Unitholders. Should Unitholders wish to have a printed copy of the Annual Report, they may also submit a request via email to Elite Commercial REIT's Unit Registrar, details of which are indicated in the A5 booklets and corporate website.

Unitholders are informed of AGMs or EGMs through notices and/or proxy forms mailed to them. The announcements and electronic copies of these materials are also issued via SGXNet and on Elite Commercial REIT's corporate website. The Board encourages active Unitholder participation at the general meetings and opportunity is given to every Unitholder to interact with the Directors and Management of the Manager, to communicate their views and ask questions on matters affecting Elite Commercial REIT. Prior to voting at an AGM or any other general meeting, the voting procedures will be made known to the Unitholders to facilitate them in exercising their votes. If any Unitholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meetings through proxy forms sent in advance. Having considered that Unitholders who are unable to attend in person may vote by proxy or by attorney, or in the case of a corporation, by a representative, the REIT Manager has decided, for the time being, to refrain from implementing absentia voting until security, integrity, and other pertinent issues are satisfactorily resolved.

All Directors, KMPs of the REIT Manager and representatives from the Trustee are present to address Unitholders' queries at the AGMs and EGMs. The external auditor is also present to answer Unitholders' questions about the conduct of audit and the content of the auditors' report. All directors attended the AGM 2021 and EGM held on 25 January 2021 as disclosed on page 114 .

Proxy forms must be deposited at the office of Boardroom Corporate & Advisory Services Pte. Ltd., the Unit Registrar of Elite Commercial REIT, not less than 72 hours before the time appointed for holding the general meetings.

Each distinct issue is proposed as a separate resolution at the general meetings and the reasons and material implications are explained. All the resolutions at the general meetings are moved by voting by poll. The voting and vote tabulation procedures are declared before the voting commences, and an independent scrutineer is appointed to count and validate the votes. The voting results, showing the number of votes cast for and against each resolution and the respective percentages, are disclosed at the general meetings right after the votes are casted.

After the general meetings, announcements of the voting results are also made through SGXNet and on Elite Commercial REIT's website.

The REIT Manager publishes minutes of general meetings of Unitholders on its corporate website, as soon as practicable. The minutes of Unitholders' meetings captured the attendance of Board members at the meetings, matters approved by Unitholders, voting results and substantial and relevant comments or queries from Unitholders relating to the agenda of the meetings, together with responses from the Board and Management.

Elite Commercial REIT's distribution policy is to distribute 100.0% of the REIT's Annual Distributable Income for the period from the Listing Date to the end of Projection Year 2021. Thereafter, Elite Commercial REIT will distribute at least 90.0% of its Annual Distributable Income for each financial year. The actual level of distribution will be determined at the REIT Manager's discretion and may be greater than 90.0% of its Annual Distributable Income for each financial year. The actual proportion of Annual Distributable Income distributed to Unitholders beyond the end of Projection Year 2021 may be greater than 90.0% to the extent that the REIT Manager believes it to be appropriate, having regard to Elite Commercial REIT's funding requirements, other capital management considerations and the overall stability of distributions. The REIT Manager also has the discretion to distribute any additional amounts (including capital). In determining whether to distribute additional amounts (including capital), the REIT Manager will consider a range of factors including but not limited to Elite Commercial REIT's funding requirements, its financial position, its growth strategy, compliance with relevant laws, regulations and covenants, other capital management considerations, the overall suitability of distributions and prevailing industry practice.

The REIT Manager has established an Investor Relations Policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with Unitholders.

# Corporate Governance Report

Material information is disclosed in a comprehensive, accurate and timely manner via SGXNet and on Elite Commercial REIT's website. The management team actively engages institutional and retail investors, analysts and fund managers to solicit and understand the views of the investment community via:

- Analyst and fund manager briefings held half-yearly after the financial results announcements;
- One-on-one or group meetings, conference calls, investor luncheons, local/overseas road shows and conferences; and
- Elite Commercial REIT's website at www.elitecreit.com

During the results briefings, analysts and fund managers are given the opportunity to ask questions and the questions are responded to immediately by Management.

The REIT Manager has established Elite Commercial REIT's corporate website as an information resource centre for retail and institutional investors and for regular dialogue with them, to gather their views or inputs. All investors and other stakeholders can send their feedback and enquiries or voice concerns through filling in an online form on the "**Contact Us**" page, or through sending a message directly to Elite Commercial REIT's corporate email: enquiry@elitecreit.com. These avenues allow Unitholders to contact the REIT Manager with questions and also allow the REIT Manager to respond to such questions. Elite Commercial REIT maintains a current and updated corporate website at www.elitecreit.com. An email alert option is available to subscribers who wish to be notified of newly posted announcements, press releases, presentations and publications. In this way, the REIT Manager strives to have good communication and engagement with all its material stakeholders.

The REIT Manager endeavours to understand the REIT's key stakeholders' views, concerns, expectations and objectives and to create long-term value and growth based on ESG factors. The Manager recognises that all stakeholders are integral to the REIT's long-term growth and success, and has identified the groups which have a significant influence and interest in the operations and business of the REIT. The key stakeholders identified are the REIT Manager's Board of Directors, employees, sponsors, Unitholders and investment community, the media, tenants, government regulators and industry or business associations, and the local community at large. The REIT Manager adopts the principle and belief that to build confidence among stakeholders, sustainable value must be delivered. Elite Commercial REIT's Annual Report for FY 2021 includes its inaugural sustainability report, outlining its sustainability framework. The sustainability report details Elite Commercial REIT's approach in identifying its material stakeholders, as well as addressing stakeholders' concerns and methods of engagement. It also set out the key areas of focus in relation to the management of stakeholder relationships during the reporting period and also addresses the environmental risk management requirement by MAS on identifying its physical and transition risks related to climate change.

## (E) ADDITIONAL INFORMATION DEALING IN UNITS

Each director and the CEO of the REIT Manager is to give notice to the REIT Manager of any acquisition of Units or of changes in the number of Units which he/she holds or in which he/she has an interest, within two (2) business days after such acquisition or the occurrence of the events giving rise to changes in the number of Units which he/she holds or in which he/she has an interest. All dealings in Units by the directors and CEO of the REIT Manager will be announced via SGXNet.

The directors and employees of the REIT Manager and EPH are encouraged, as a matter of internal policy, to hold Units but are prohibited from dealing in the Units:

- In the period commencing one month before the public announcement of Elite Commercial REIT's results and property valuations, in a prescribed embargo period immediately preceding, and up to the time of each public announcement of Elite Commercial REIT's financial results and property valuations during a financial year; or
- at any time while in possession of price sensitive information.

The Directors and employees of the REIT Manager and EPH are also prohibited from communicating price sensitive information to any person. Under the policy, directors and employees of the REIT Manager and EPH are also discouraged from trading on short-term or speculative considerations.

The REIT Manager has complied with the Code of Best Practices on Securities Dealings in FY 2021.

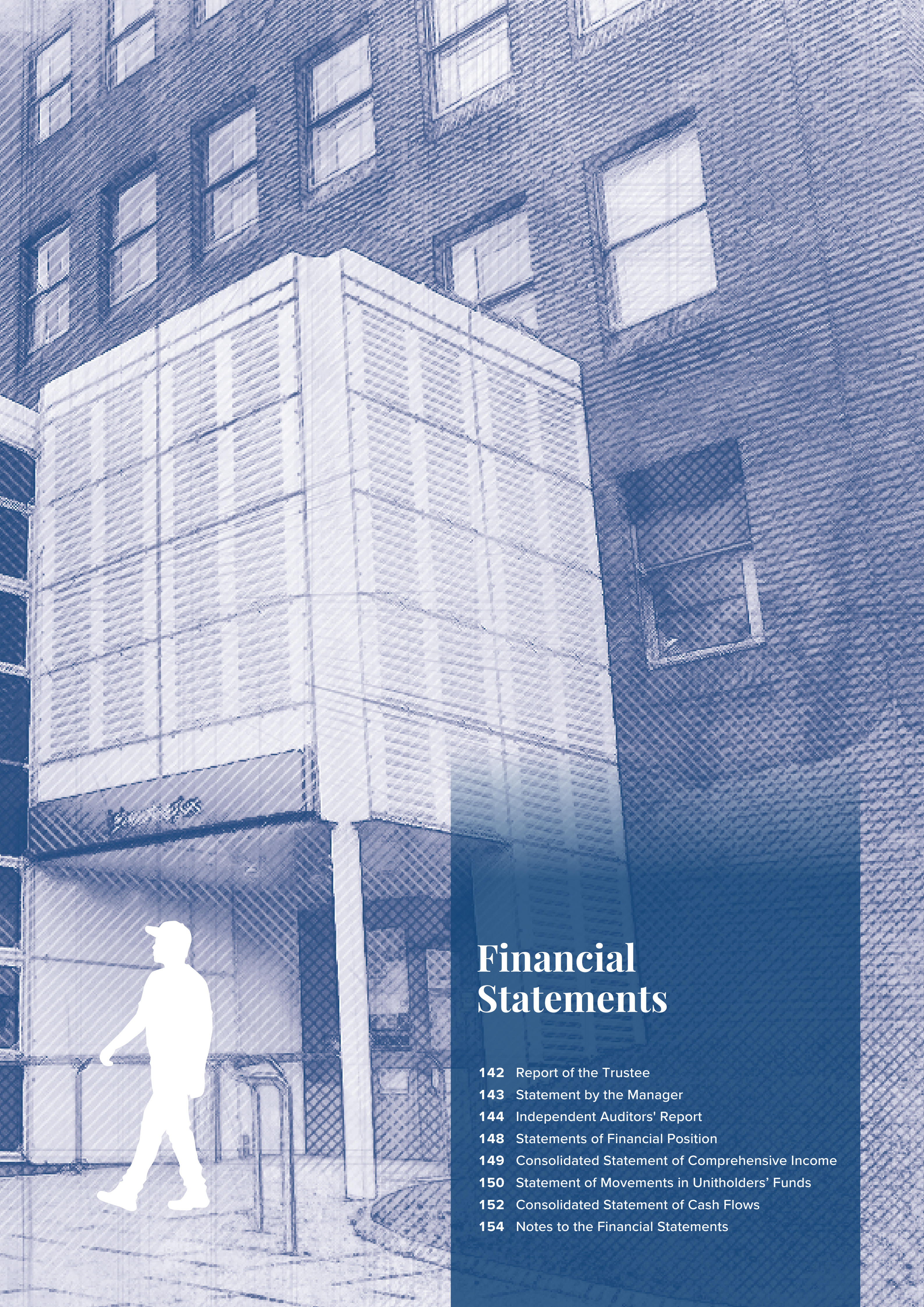
Pursuant to Section 137ZC of the SFA, the REIT Manager is required to, *inter alia*, announce to SGX-ST the particulars of any acquisition or disposal of interest in Units by the REIT Manager as soon as practicable, and in any case no later than the end of the business day following the day on which the REIT Manager became aware of the acquisition or disposal.

## CORRUPTION AND BRIBERY PREVENTION POLICY

The REIT Manager adopts a zero tolerance position towards bribery and corruption. There are detailed guidelines and procedures listed in the Code of Conduct with regard to the giving and receiving of gifts (monetary or otherwise), kickbacks, concessionary offers, entertainment, and business dealings that may place the employee under any real or apparent obligation or indebtedness to any party. The REIT Manager's zero tolerance policy towards bribery and corruption extends to its business dealings with third parties, and hence the REIT Manager requires that certain agreements incorporate anti-bribery and anti-corruption provisions.

In FY 2021, to the best of its knowledge, the REIT Manager (i) is in full compliance with all relevant modern slavery legislation, (ii) has received zero significant monetary fines or non-monetary sanctions incurred for non-compliance with environmental laws and regulations, (iii) has zero non-compliance with laws and regulations in the social and economic area, (iv) has received zero fines for non-compliance concerning product and service information labelling and (v) has zero incidents of non-compliance concerning health and safety impacts of products and services, (vi) has zero incidents of reported corruption, (vii) has zero legal actions against it for anti-competitive behaviour and anti-trust of monopoly practices. The REIT Manager reported no lost days or deaths due to work injuries.

The REIT Manager adopts a group-wide Third Party Agent & Outsourcing Policy which provides guidance to address outsourcing and corruption risks arising from the engagement of third party agents. Where there is a greater level of bribery or corruption risk attached to any particular area of business, or when working with a third-party agent, due diligence checks and processes are in place to adequately address and mitigate the risk(s). In FY 2021, all of the REIT Manager's employees received mandatory communication and training on anti-bribery and anti-corruption policies and procedures.



# Financial Statements

# Report of the Trustee

Perpetual (Asia) Limited (the "Trustee") is under a duty to take into custody and hold the assets of Elite Commercial REIT (the "Trust") held by it or through its subsidiaries (collectively, the "Group") in trust for the unitholders. In accordance with the Securities and Futures Act, Chapter 289 of Singapore, its subsidiary legislation, the Code on Collective Investment Schemes and the Listing Manual (collectively referred to as the "Regulations"), the Trustee shall monitor the activities of Elite Commercial REIT Management Pte. Ltd. (the "Manager") for compliance with the limitations imposed on the investment and borrowing powers as set out in the trust deed dated 7 June 2018 (as amended) (the "Trust Deed") between the Manager and the Trustee in each annual accounting period and report thereon to unitholders in an annual report.

To the best knowledge of the Trustee, the Manager has, in all material respects, managed the Group during the year covered by these financial statements, set out on pages 148 to 206, in accordance with the limitations imposed on the investment and borrowing powers as set out in the Trust Deed.

**For and on behalf of the Trustee,**
**Perpetual (Asia) Limited**

**Sin Li Choo**
*Director*

**Singapore**
16 March 2022

# Statement by the Manager

In the opinion of the directors of Elite Commercial REIT Management Pte. Ltd. (the "Manager"), the manager of Elite Commercial REIT (the "Trust"), the accompanying consolidated financial statements set out on pages 148 to 206, comprising the consolidated statement of financial position of the Group and statement of financial position of the Trust as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements are drawn up so as to present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2021, and the consolidated financial performance, consolidated movements in unitholders' funds and consolidated cash flows of the Group for the financial year ended on that date in accordance with International Financial Reporting Standards (IFRS) and the provisions of the Trust.

At the date of this statement, there are reasonable grounds to believe that the Group will be able to meet its financial obligations as and when they materialise.

**For and on behalf of the Manager,**
**Elite Commercial REIT Management Pte. Ltd.**

**Tan Hai Peng Micheal**
*Director*

**Singapore**
16 March 2022

# Independent Auditors' Report

**Unitholders of Elite Commercial REIT**

(Constituted under a Trust Deed dated 7 June 2018 (as amended))

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

*Opinion*

We have audited the financial statements of Elite Commercial REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and statement of financial position of the Trust as at 31 December 2021, the consolidated statement of comprehensive income, consolidated statement of movements in unitholders' funds and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies as set out on pages 148 to 206.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Trust present fairly, in all material respects, the consolidated financial position of the Group and the financial position of the Trust as at 31 December 2021 and the consolidated financial performance, consolidated movements in unitholders' funds and consolidated cash flows of the Group for the year ended on that date in accordance with the International Financial Reporting Standards ("IFRS").

*Basis for opinion*

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

*Key audit matters*

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

**Valuation of investment properties**
**(refer to Note 4 of the financial statements)**

***Risk***

The Group owns a portfolio of 155 commercial properties located in United Kingdom. The investment properties represent the single largest category of assets on the consolidated statements of financial position, with a carrying value of approximately £501.3 million as of 31 December 2021.

These investment properties are stated at their fair values based on independent external valuations. The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are sensitive to key assumptions applied and a change in the assumptions may have an impact on the valuations.

Recognising the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, the valuer has highlighted the importance of the valuation date of the valuations in its valuation report.

# Independent Auditors' Report

**Unitholders of Elite Commercial REIT**

(Constituted under a Trust Deed dated 7 June 2018 (as amended))

***Our response***

We evaluated the competence and objectivity of the external valuer. We considered the valuation methodology used against those applied by other valuers for similar property types. We evaluated the appropriateness of the key assumptions used in the valuations by comparing them to available industry data, taking into consideration comparability and market factors. Where the assumptions were out of the observable range, we undertook further procedures and held discussions with the external valuer to understand the effects of additional factors taken into account in the valuations.

***Our findings***

The valuer is a member of a recognised professional association of valuers and has considered its own independence in carrying out its work. The valuation methodology used is in line with generally accepted market practices and the key assumptions used were generally comparable to observable market transactions. Where the assumptions were outside of the observable range, the additional factors considered by the valuer were consistent with other corroborative evidence.

*Other information*

The Manager is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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

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

*Responsibilities of the Manager for the financial statements*

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with IFRS, and for such internal controls as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Manager's responsibilities include overseeing the Group's financial reporting process.

# Independent Auditors' Report

**Unitholders of Elite Commercial REIT**

(Constituted under a Trust Deed dated 7 June 2018 (as amended))

*Auditors' responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Manager and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# Independent Auditors' Report

**Unitholders of Elite Commercial REIT**

(Constituted under a Trust Deed dated 7 June 2018 (as amended))

*Auditors' responsibilities for the audit of the financial statements (cont'd)*

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

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

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

The engagement partner on the audit resulting in this independent auditors' report is Lo Mun Wai.

KPMG LLP

**KPMG LLP**
*Public Accountants and*
*Chartered Accountants*

**Singapore**
16 March 2022

# Statements of Financial Position

As at 31 December 2021

| | Note | Group 2021 £'000 | Group 2020 £'000 | Trust 2021 £'000 | Trust 2020 £'000 |
|---|---|---|---|---|---|
| **Non-current assets** | | | | | |
| Investment properties | 4 | 501,347 | 311,855 | – | – |
| Investments in subsidiaries | 5 | – | – | 78,505 | 90,852 |
| Financial derivatives | 6 | 508 | – | – | – |
| Notes receivable | 7 | – | – | 201,133 | 111,751 |
| | | 501,855 | 311,855 | 279,638 | 202,603 |
| **Current assets** | | | | | |
| Trade and other receivables | 8 | 12,030 | 881 | 5,082 | 3,190 |
| Cash and cash equivalents | 9 | 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 | 10 | 217,254 | 101,906 | – | – |
| Lease liabilities | 11 | 1,237 | – | – | – |
| Deferred tax liabilities | 14 | 3,799 | 5,920 | – | – |
| | | 222,290 | 107,826 | – | – |
| **Current liabilities** | | | | | |
| Loans and borrowings | 10 | 6,600 | – | – | – |
| Lease liabilities | 11 | 7 | – | – | – |
| Trade and other payables | 12 | 5,625 | 2,541 | 616 | 1,178 |
| Deferred income | 13 | 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: | | | | | |
| **Unitholders' funds** | | | | | |
| Units in issue and to be issued | 15 | 304,794 | 208,689 | 304,794 | 208,689 |
| Unit issue costs | 16 | (5,903) | (5,903) | (5,903) | (5,903) |
| (Accumulated losses)/Retained earnings | | (9,872) | 14,372 | (9,872) | 6,489 |
| | | 289,019 | 217,158 | 289,019 | 209,275 |
| **Number of Units in issue and to be issued ('000)** | 15 | 476,506 | 334,858 | 476,506 | 334,858 |
| **Net asset value per Unit attributable to unitholders (£)** | 17 | 0.61 | 0.65 | 0.61 | 0.62 |

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

# Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

| | Note | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|---|
| Revenue | 18 | 34,731 | 20,963 | 23,266 |
| Property operating expenses | 19 | (1,004) | (588) | (596) |
| **Net property income** | | 33,727 | 20,375 | 22,670 |
| Manager's management fees | 20 | (2,453) | (1,484) | (3,702) |
| Trustee's fees | | (99) | (93) | (96) |
| Other trust expenses | 21 | (1,983) | (3,232) | (3,455) |
| Finance income | 22 | 508 | – | 4,549 |
| Finance costs | 22 | (4,854) | (2,354) | (5,589) |
| Net finance costs | | (4,346) | (2,354) | (1,040) |
| Net change in fair value of investment properties | 4 | (28,217) | 15,887 | 15,887 |
| **(Loss)/Profit before tax for the year/period** | | (3,371) | 29,099 | 30,264 |
| Tax expense | 23 | (1,370) | (5,741) | (5,996) |
| **(Loss)/Profit after tax for the year/period** | | (4,741) | 23,358 | 24,268 |
| **Earnings per Unit (pence)** | | | | |
| Basic | 25 | (1.06) | 7.01 | 7.83 |
| Diluted | 25 | (1.06) | 6.98 | 7.79 |

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

# Statement of Movements in Unitholders' Funds

Year ended 31 December 2021

| | Units in issue and to be issued £'000 | Unit issue costs £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **At 1 January 2020** | 95,000 | (256) | 6,410 | 101,154 |
| **Total comprehensive income for the period from 1 January 2020 to 6 February 2020 (Listing Date)** | | | | |
| Profit for the period | – | – | 910 | 910 |
| **Total comprehensive income for the period from 1 January 2020 to 6 February 2020 (Listing Date)** | – | – | 910 | 910 |
| **Transactions with unitholders, recognised directly in unitholders' funds from 1 January 2020 to 6 February 2020 (Listing Date)** | | | | |
| Distribution to unitholders | – | – | (9,805) | (9,805) |
| Redemption and cancellation of Units | (18,915) | – | – | (18,915) |
| **Total transactions with unitholders from 1 January 2020 to 6 February 2020 (Listing Date)** | (18,915) | – | (9,805) | (28,720) |
| **At 6 February 2020 (Listing Date)** | 76,085 | (256) | (2,485) | 73,344 |
| **Total comprehensive income for the period from 6 February 2020 (Listing Date) to 31 December 2020** | | | | |
| Profit for the period | – | – | 23,358 | 23,358 |
| **Total comprehensive income for the period from 6 February 2020 (Listing Date) to 31 December 2020** | – | – | 23,358 | 23,358 |
| **Transactions with unitholders, recognised directly in unitholders' funds from 6 February 2020 (Listing Date) to 31 December 2020** | | | | |
| Issue of Units on the Listing Date | 130,910 | – | – | 130,910 |
| Issue costs | – | (5,647) | – | (5,647) |
| Units issued and to be issued for Manager's management fee and lease management fee paid/payable in Units | 1,694 | – | – | 1,694 |
| Distribution to unitholders | – | – | (6,501) | (6,501) |
| **Total transactions with unitholders from 6 February 2020 (Listing Date) to 31 December 2020** | 132,604 | (5,647) | (6,501) | 120,456 |
| **At 31 December 2020** | 208,689 | (5,903) | 14,372 | 217,158 |

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

# Statement of Movements in Unitholders' Funds (cont'd)

Year ended 31 December 2021

| | Units in issue and to be issued £'000 | Unit issue costs £'000 | Retained earnings £'000 | Total £'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **At 1 January 2021** | 208,689 | (5,903) | 14,372 | 217,158 |
| **Total comprehensive income for the year** | | | | |
| Loss for the year | – | – | (4,741) | (4,741) |
| **Total comprehensive income for the year** | – | – | (4,741) | (4,741) |
| **Transactions with unitholders, recognised directly in unitholders' funds** | | | | |
| 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 year** | 96,105 | – | (19,503) | 76,602 |
| **At 31 December 2021** | 304,794 | (5,903) | (9,872) | 289,019 |

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

# Consolidated Statement of Cash Flows

Year ended 31 December 2021

| | Note | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| (Loss)/Profit before tax | | (3,371) | 29,099 | 30,264 |
| Adjustments for: | | | | |
| Finance income | | (508) | – | (4,549) |
| Finance costs | | 4,854 | 2,354 | 5,589 |
| Management fee paid/payable in Units | | 2,453 | 1,484 | 1,484 |
| Lease management fee paid/payable in Units | | 232 | 210 | 210 |
| Listing costs expensed in statement of comprehensive income | | – | 1,721 | 1,721 |
| Change in fair value of investment properties | | 28,217 | (15,887) | (15,887) |
| Unrealised foreign exchange gain | | (9) | (5) | (4) |
| **Operating income before working capital changes** | | 31,868 | 18,976 | 18,828 |
| **Changes in:** | | | | |
| Trade and other receivables | | (10,926) | (437) | 6,392 |
| Trade and other payables | | 2,060 | (1,807) | (212) |
| Deferred income | | 2,608 | 2,300 | (13) |
| **Cash generated from operating activities** | | 25,610 | 19,032 | 24,995 |
| Tax paid | | (2,921) | (2,572) | (3,381) |
| **Net cash generated from operating activities** | | 22,689 | 16,460 | 21,614 |
| **Cash flows from investing activity** | | | | |
| Acquisition of subsidiaries, net of cash acquired | 30 | (9,399) | – | – |
| **Net cash used in investing activity** | | (9,399) | – | – |
| **Cash flows from financing activities** | | | | |
| Proceeds from issuance of Units | | – | 130,910 | 130,910 |
| Redemption of existing Units | | – | (18,915) | (18,915) |
| Listing and unit issue costs | | – | (7,368) | (7,368) |
| Interest paid | | (3,571) | (3,449) | (3,814) |
| Proceeds from bank loans | | 30,800 | – | – |
| Repayment of bank loans | | (22,236) | (105,623) | (105,623) |
| Distribution to unitholders | | (17,590) | (16,306) | (16,306) |
| Payment of transaction costs related to loans and borrowings | | (1,361) | – | – |
| Payment of lease liabilities | | (6) | – | – |
| (Increase)/Decrease in restricted cash | | (131) | 5,123 | 9,823 |
| **Net cash used in financing activities** | | (14,095) | (15,628) | (11,293) |
| **Net (decrease)/increase in cash and cash equivalents** | | (805) | 832 | 10,321 |
| Cash and cash equivalents at 1 January 2021/ Listing Date/1 January 2020 | | 18,976 | 18,144 | 8,655 |
| **Cash and cash equivalents at 31 December** | 9 | 18,171 | 18,976 | 18,976 |

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

# Consolidated Statement of Cash Flows (cont'd)

Year ended 31 December 2021

### 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 year.

(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 year.

(iii) approximately 3,376,000 Units, amounting to approximately £2,244,000, were issued to the Manager as satisfaction of the management fee paid to the Manager.

(iv) approximately 349,000 Units, amounting to approximately £233,000, 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 and year ended 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.

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

# Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Manager on 16 March 2022.

## 1. GENERAL

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 17 January 2020, the Trust changed its name from Elite UK Commercial Fund to Elite Commercial REIT and the Manager was changed from Elite Partners Capital Pte. Ltd. to Elite Commercial REIT Management Pte. Ltd. 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).

On 26 August 2021, a wholly owned subsidiary of the Trust, Elite UK Commercial Holdings Limited ("EUKCH") was admitted to The International Stock Exchange ("TISE"), enabling EUKCH and its subsidiaries to qualify as a UK REIT Group (refer to Note 14).

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 consolidated financial statements relate to the Trust and its subsidiaries. A list of the subsidiaries is set out in Note 5.

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

### (i) Manager's management fees

Prior to the Listing Date

As agreed between the Manager and the Trustee, the Manager was entitled to a management fee equal to 1.5% per annum of the value of investment properties less the property management fee payable to the property manager.

The Manager's management fee was payable to the Manager out of the assets of the Trust on a monthly basis.

For all acquisitions or disposals of properties or investments, the Manager was entitled to receive an acquisition fee of 1.0% of the purchase price and a divestment fee of 0.5% of the sale price.

# Notes to the Financial Statements

## 1. GENERAL (CONT'D)

### (i) Manager's management fees (cont'd)

From the Listing Date

Pursuant to the Trust Deed, the Manager is entitled to the following:

- Management fees comprising a base fee of 10% per annum (or such lower percentage as may be determined by the Manager in its absolute discretion) of the Annual Distributable Income (as defined in the Trust Deed) of the Group in the relevant financial period/year (calculated before accounting for the base fee and performance fee) and a performance fee of 25% per annum of the increase in the Distribution Per Unit ("DPU") (as defined in the Trust Deed) in a financial year over the DPU in the preceding year (calculated before accounting for the performance fee but after accounting for the base fee in the financial year) multiplied by the weighted average number of Units in issue for such financial year.

  The management fee is payable in the form of cash and/or Units as the Manager may elect. The portion of the management fee payable in the form of Units is payable quarterly in arrears and the portion of the management fee payable in cash is payable monthly in arrears.

- An acquisition fee of 1.0% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the acquisition price on all future acquisitions of properties or investments.

  The acquisition fee is payable in the form of cash and/or Units as the Manager may elect.

- A divestment fee of 0.5% (or such lower percentage as may be determined by the Manager in its absolute discretion) of the sale price on all future disposals of properties or investments.

  The divestment fee is payable in the form of cash and/or Units as the Manager may elect.

- A development management fee of 3% of the Total Project Costs (as defined in the Trust Deed) incurred in a Development Project (as defined in the Trust Deed) undertaken by the Manager on behalf of the Trust.

  The development management fee is payable in equal monthly instalments over the construction period of each Development Project based on the Manager's best estimate of the Total Project Costs and construction period and, if necessary, a final payment of the balance amount when the Total Project Costs is finalised.

# Notes to the Financial Statements

## 1. GENERAL (CONT'D)

### (ii) Property management fees

Under the property management agreement in respect of each property within the Trust's initial portfolio of 97 properties ("Initial Portfolio"), the property manager ("Property Manager") will provide, amongst others, tenant liaison, rental and insurance collections, accounts monitoring and reporting services.

The property management fee payable to the Property Manager for the management of the portfolio shall reduce the management fee payable to the Manager. The Property Manager shall be entitled to receive out of the Deposited Assets (as defined in the Trust Deed) a fee for its services to be paid either directly (by the Trustee) or indirectly (by the entity which is held by the Trust).

The Property Manager is entitled to a fixed annual fee to be paid in the form of cash quarterly in advance.

Under the property management agreement in respect of each property within the Trust's new portfolio of 58 properties ("New Portfolio"), the property manager ("New Property Manager"), a related corporation of the Manager, will provide, amongst others, tenancy management, tenant liaison, building management, administrative and financial management services.

The New Property Manager is entitled to a property management fee of 2.0% per annum of the Gross Revenue (as defined the property management agreement) of each property. Where the New Property Manager has subcontracted any of the property management services to another property manager ("Other Property Manager"), the fees paid to the New Property Manager will be reduced by an amount equal to the fees paid to the Other Property Manager in respect of the property.

The property management fee is payable in the form of cash and/or Units as agreed between the Manager and the New Property Manager. The fees are payable quarterly in arrears.

### (iii) Lease management fees

From the Listing Date

Under the lease management agreement in respect of each property within the Trust's Initial Portfolio, the Manager is entitled to a lease management fee of 1.0% per annum of Revenue (as defined in the lease management agreement) of each property.

In addition, in relation to securing a new lease or renewal of an existing tenancy, the Manager is entitled to the following lease commissions:

- one month's gross rent, for securing a tenancy of three years or more;
- 0.5 month's gross rent, for securing a tenancy of fewer than three years; and
- 0.25 month's gross rent, for securing a tenancy of any number of years, if there is a third party agent involved. For the avoidance of doubt, any fees payable to third party agent(s) will be paid on a cost recovery basis.

The lease management fee and commissions are payable in the form of cash or Units or a combination of cash and Units as the Manager may elect.

Under the property management agreement in respect of each property within the Trust's New Portfolio, the New Property Manager will also provide lease management services, including space management and leasing supervision and rental collections.

The New Property Manager is entitled to a lease management fee of 1.0% per annum of the Gross Revenue (as defined the property management agreement) of each property.

# Notes to the Financial Statements

## 1. GENERAL (CONT'D)

### (iii) Lease management fees (cont'd)

From the Listing Date (cont'd)

The lease management fee is payable in the form of cash and/or Units as agreed between the Manager and the New Property Manager. The fees are payable quarterly in arrears.

### (iv) Trustee's fees

Prior to the Listing Date

Pursuant to the Trust Deed, the Trustee was entitled to receive, for its own account out of the Deposited Assets (as defined in the Trust Deed), a remuneration subject to an amount as prescribed in the Trust Deed, excluding out-of-pocket expenses and goods and services tax. Deposited Assets refers to all the assets of the Trust, including all its investments for the time being held or deemed to be held upon the trust of the Trust Deed and the receivables of the Trust.

The Trustee is also entitled to reimbursement of expenses incurred in the performance of its duties under the Trust Deed until the Trust is finally wound up. The Trustee shall be entitled to transaction fees and safekeeping fees, and the actual fees payable shall be agreed in writing between the Trustee and the Manager from time to time.

The Trustee's fee was payable monthly.

From the Listing Date

Pursuant to the Trust Deed, the Trustee's fee shall not exceed 0.015% per annum of the value of the Deposited Property (as defined in the Trust Deed) subject to a minimum amount of S$15,000 per month, excluding out-of-pocket expenses and GST. The Trustee's fee is payable monthly in arrears.

## 2. BASIS OF ACCOUNTING

### 2.1 Statement of compliance

The financial statements have been prepared in accordance with IFRS and the provisions of the Trust Deed.

### 2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

### 2.3 Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity (the "functional currency"). The financial statements of the Group are presented in Pound Sterling (£), which is the functional currency of the Trust. All financial information presented in Pound Sterling has been rounded to the nearest thousand, unless otherwise stated.

# Notes to the Financial Statements

## 2. BASIS OF ACCOUNTING (CONT'D)

### 2.4 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires the Manager to make 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.

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 critical judgements in applying accounting policies and assumptions and estimation uncertainties that have the most significant effect on the amounts recognised in the financial statements are described in Note 4 – 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.

The Group has an established control framework with respect to the measurement of fair values. The Chief Investment Officer and team have overall responsibility for all significant fair value measurements, including Level 3 fair values, and report directly to the Chief Executive Officer.

The Chief Investment Officer and team regularly review significant unobservable inputs and valuation adjustments. If third party information, the Chief Investment Officer assesses and documents the evidence obtained from the third parties to support the conclusion that these valuations meet the requirements of IFRS, including the level in the fair value hierarchy in the valuations should be classified. Significant valuation issues are reported to the Manager's Audit and Risk Committee.

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.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 4 – Valuation of investment properties
- Note 27 – Valuation of financial instruments

# Notes to the Financial Statements

## 2. BASIS OF ACCOUNTING (CONT'D)

### 2.5 Change in accounting policies

**Revised standards**

The Group has adopted the following IFRSs amendments to and interpretations of IFRS that are effective for the financial year beginning 1 January 2021:

- *Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) ("Phase 2 Amendments")*
- *Covid-19 Related Rent Concessions (Amendment to IFRS 16)*

Other than the Phase 2 Amendments, the application of the amendments to standards and interpretations did not have a material effect on the financial statements.

The Group applied the Phase 2 Amendments retrospectively. However, in accordance with the exceptions permitted in the Phase 2 Amendments, the Group has elected not to restate comparatives for the prior periods to reflect the application of these amendments. Since the Group had no transactions for which the benchmark rate had been replaced with an alternative benchmark rate as at 31 December 2020, there is no impact on opening unitholders' funds as a result of retrospective application.

<u>Specific policies applicable from 1 January 2021 for interest rate benchmark reform</u>

The Phase 2 Amendments provide practical relief from certain requirements in IFRS. These reliefs relate to modifications of financial instruments and lease contracts or hedging relationships triggered by a replacement of a benchmark interest rate in a contract with a new alternative benchmark rate.

If the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, then the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met:

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis – i.e. the basis immediately before the change.

If changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, then the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by interest rate benchmark reform. Subsequently, the Group applies the policies on accounting for modifications to the additional changes.

The amendments also provide an exception to use a revised discount rate that reflects the change in interest rate when remeasuring a lease liability because of a lease modification that is required by interest rate benchmark reform.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES

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

### 3.1 Basis of consolidation

#### (i) Business combinations

The Group accounts for business combinations using acquisition method when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group (see note 3.1(ii)). In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets in not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group measures goodwill at the date of acquisition as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess in negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Non-controlling interests ("NCI") that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the NCI's proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other NCI are measured at acquisition-date fair value, unless another measurement basis is required by IFRS.

Costs related to the acquisition, other than those associated with the issue of debt or equity investments, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### (ii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been aligned with the policies adopted by the Group.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.1 Basis of consolidation (cont'd)

**(iii) Loss of control**

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in statement of comprehensive income. Any interest retained in the former subsidiary is measured at fair value when control is lost.

**(iv) Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

**(v) Accounting for subsidiaries by the Trust**

Investment in subsidiaries are stated in the Trust's statement of financial position at cost less accumulated impairment losses.

### 3.2 Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the foreign exchange rates at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are generally recognised in profit or loss.

### 3.3 Financial instruments

**(i) Recognition and initial measurement**

***Non-derivative financial assets and financial liabilities***

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

**(ii) Classification and subsequent measurement**

***Non-derivative financial assets***

On initial recognition, a financial asset is classified as measured at: amortised cost; fair value through other comprehensive income ("FVOCI") – debt investment; FVOCI – equity investment or fair value through profit or loss ("FVTPL").

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Financial instruments (cont’d)

#### (ii) Classification and subsequent measurement (cont'd)

***Non-derivative financial assets (cont'd)***

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

*Financial assets at amortised cost*

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of comprehensive income. Any gain or loss on derecognition is recognised in the statement of comprehensive income.

*Financial assets at FVTPL*

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

***Financial assets: Business model assessment***

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether the Manager’s strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Manager;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group’s continuing recognition of the assets.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Financial instruments (cont'd)

#### (ii) Classification and subsequent measurement (cont'd)

***Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest***

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

***Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses***

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss.

#### (iii) Derecognition

***Financial assets***

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Financial instruments (cont'd)

#### (iii) Derecognition (cont'd)

*Financial liabilities*

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

#### (iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

#### (v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances at banks. For the purpose of the statement of cash flows, restricted cash is excluded.

#### (vi) Derivative financial instruments

The Group holds derivative financial instruments to hedge its interest rate risk exposure. Embedded derivatives are separated from the host contract and accounted for separately if the host contract is not a financial asset and certain criteria are met.

Derivatives are initially measured at fair value and any directly attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

#### (vii) Compound financial instruments

Compound financial instruments issued by the Group comprised a convertible loan denominated in US Dollars that can be converted to Units in the Trust at the option of the holder under certain circumstances, where the number of Units to be issued will vary with changes in fair value. The convertible loan comprises a liability for the principal and interest and a derivative liability. The liability component of the convertible loan is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity conversion option is accounted for as a derivative and is recognised initially at the difference between the fair value of the convertible loan as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability component and the derivative component in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound instrument is measured at amortised cost using the effective interest method. The separated derivative component of a compound instrument is measured at FVTPL.

Interest related to the liability component is recognised in statement of comprehensive income. On conversion at maturity, the liability is reclassified to equity and no gain or loss is recognised.

The convertible loan was repaid in February 2020. The derivative component was de-recognised upon the repayment of the loan.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.3 Financial instruments (cont'd)

#### (viii) Intra-group financial guarantees

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

Financial guarantees contracts are accounted for as insurance contracts. A provision is recognised based on the Trust's estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date. The provision is assessed by reviewing the individual claims and tested for adequacy by comparing the amount recognised and the amount that would be required to settle the guarantee contract.

### 3.4 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment properties are measured at cost on initial recognition and subsequently at fair value with any change therein recognised in the statement of comprehensive income.

The cost of a purchased property comprises its purchase price and any directly attributable expenditure including transaction costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in statement of comprehensive income.

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

### 3.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

*As a lessee*

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property, the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset that meets the definition of investment property is presented in investment property and is carried at fair value in accordance with note 3.4.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Leases (cont'd)

***As a lessee (cont'd)***

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. Generally, the Group uses the lessee's incremental borrowing rate as the discount rate.

The Group determines the lessee's incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset.

From 1 January 2021, where the basis for determining future lease payments changes as required by interest rate benchmark reform (see note 2.5), the Group remeasures the lease liability by discounting the revised lease payments using the revised discount rate that reflects the change to an alternative benchmark interest rate.

***As a lessor***

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.5 Leases (cont'd)

*As a lessor (cont'd)*

If an arrangement contains lease and non-lease components, then the Group applies IFRS 15 to allocate the consideration in the contract.

The Group recognises lease payments received from investment property under operating leases as income on a straight-line basis over the lease term as part of 'revenue'.

### 3.6 Impairment

#### (i) Non-derivative financial assets

The Group recognises loss allowances for expected credit losses ("ECLs") on financial assets measured at amortised cost.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

*Simplified approach*

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

*General approach*

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Impairment (cont'd)

#### (i) Non-derivative financial assets (cont'd)

*Measurement of ECLs*

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

*Credit-impaired financial assets*

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

*Presentation of allowance for ECLs in the statement of financial position*

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

*Write-off*

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.6 Impairment (cont'd)

#### (ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment properties, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit ("CGU") exceeds its estimated recoverable amount.

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

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

### 3.7 Units in issue

Units issued by the Trust are classified as equity.

Issue costs relate to expenses incurred in connection with issuance of Units. The expenses are deducted directly against unitholders' funds.

### 3.8 Revenue recognition

*Rental income*

Rental income receivable under operating leases is recognised in the statement of comprehensive income on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental to be received.

### 3.9 Provisions

*Levies*

A provision for levies is recognised when the condition that triggers the payment of the levy as specified in the relevant legislation is met. If a levy obligation is subject to a minimum activity threshold so that the obligating event is reaching a minimum activity, then a provision is recognised when that minimum activity threshold is reached.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.10 Finance income and finance costs

Finance income comprises interest income, net gain on financial derivatives and net foreign exchange gains.

Finance costs comprises interest expense on loans and borrowings, amortisation of debt-related transactions costs, net loss on financial derivatives and net foreign exchange losses.

Interest income or expenses is recognised using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset, or the amortised cost of the financial liability.

### 3.11 Taxation

Tax expenses comprises current and deferred tax. Current tax and deferred tax are recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in unitholders' fund.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under *IAS 37 Provisions, Contingent Liabilities and Contingent Assets*.

Current tax is the expected tax payable or receivable on the taxable income for the year, measured using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are effect only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and, at the time of the transaction, that affects neither accounting nor taxable profit; and
- temporary differences relating to investments in subsidiaries to the extent that the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. For investment property that is measured at fair value, the carrying amount of the investment property is presumed to be recovered through sale, and the Group has not rebutted this presumption. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on tax rates and tax laws that have been enacted or substantively enacted by the reporting date.

# Notes to the Financial Statements

## 3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 3.11 Taxation (cont'd)

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

### 3.12 Earnings per Unit

The Group presents basic and diluted earnings per Unit. Basic earnings per Unit is calculated by dividing the profit or loss attributable to unitholders by the weighted-average number of Units outstanding during the year. Diluted earnings per Unit is determined by adjusting the profit or loss attributable to unitholders and the weighted average number of Units outstanding, adjusted for the effects of all dilutive potential Units.

### 3.13 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.

### 3.14 New standards and interpretations not adopted

A number of new standards and interpretations and amendments to standards are effective for annual periods beginning after 1 January 2021 and earlier application is permitted. The Group has not early adopted the new or amended standards and interpretations in preparing these financial statements. The Group is in the process of assessing the impact of the new standards and interpretations and amendments to standards on its financial statements.

# Notes to the Financial Statements

## 4. INVESTMENT PROPERTIES

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| At beginning of the year | 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 |
| At end of the year | 501,347 | 311,855 |

Investment properties comprise 150 (2020: 96) freehold and 5 (2020: 1) leasehold commercial properties situated throughout England, Scotland, and Wales which are mainly leased to the UK Government via various government agencies, which include The Secretary of State for Housing, Communities and Local Government (with the Department of Works and Pensions ("DWP") occupying each property under a group sharing arrangement), under operating leases with a weighted lease expiry of 6.0 (2020: 7.3) years at the reporting date.

The carrying values of the Group's investment properties are set out below:

| | Carrying value | |
|---|---|---|
| | 2021 £'000 | 2020 £'000 |
| **England** | | |
| East | | |
| Wyvern House, Bedford | 2,370 | 3,160 |
| St Andrew's House, Bury St Edmunds | 2,300 | 3,320 |
| Crown Buildings, Colechester | 3,525 | 3,655 |
| Beaufort House, Harlow | 6,315 | 6,735 |
| Rishton House, Lowestoft | 1,465 | 2,890 |
| The Forum, Stevenage | 4,390 | 5,010 |
| Blackburn House, Norwich[1] | 1,250 | –* |
| Great Oaks House, Basildon[2] | 8,400 | –* |
| London | | |
| High Road, Ilford | 6,440 | 6,535 |
| Finchley Lane, Hendon | 5,875 | –* |
| Kilner House, Canning Town | 5,775 | –* |
| Medina Road, Finsbury Park | 6,400 | –* |
| Raydean House, Barnet | 7,800 | –* |
| Oates House, Stratford | 8,425 | –* |
| Collyer Court, Peckham | 8,650 | –* |
| Peckham High Street | 9,975 | –* |
| Broadway House, Ealing | 10,560 | –* |
| Crown House, Romford | 11,635 | –* |
| Balance carried forward | 111,550 | 31,305 |

# Notes to the Financial Statements

## 4. INVESTMENT PROPERTIES (CONT'D)

| | Carrying value 2021 £'000 | Carrying value 2020 £'000 |
|---|---|---|
| Balance brought forward | 111,550 | 31,305 |
| **England (cont'd)** | | |
| Midlands | | |
| Tannery House, Alfreton | 1,050 | 1,100 |
| Crown House, Burton On Trent | 1,490 | 1,790 |
| Beecroft Road, Cannock | 1,250 | 1,850 |
| Holborn House, Derby | 6,340 | 6,300 |
| Crown House, Grantham | 1,950 | 2,535 |
| Crown Buildings, Ilkeston | 1,160 | 1,430 |
| Acacia Walk, Nottingham | 785 | 785 |
| Upper Huntbach Street, Stoke-On-Trent | 2,510 | 2,830 |
| Lothersdale House, Wellingborough | 2,400 | 4,120 |
| Washwood Heath Road, Birmingham | 685 | –* |
| Saxon Mill Lane, Tamworth | 1,425 | –* |
| George Street, Corby | 1,225 | –* |
| High Street, Bilston | 1,310 | –* |
| Scotland House, Stourbridge | 1,445 | –* |
| Bristol Road South, Birmingham | 3,725 | –* |
| St Katherine's House, Northampton | 2,610 | –* |
| Temple House, Wolverhampton | 3,350 | –* |
| North East | | |
| Reiverdale House, Ashington | 950 | 1,220 |
| Norham House, Berwick Upon Tweed | 350 | 445 |
| Hadrian House, Eston | 1,535 | 1,595 |
| Ward Jackson House, Hartlepool | 2,245 | 2,200 |
| St Andrew's House, Hexham | 2,335 | 2,875 |
| Broadway House, Houghton Le Spring | 1,480 | 1,625 |
| Hatfield House, Peterlee | 1,030 | 1,145 |
| St John's Square, Seaham | 515 | 680 |
| John Street, Sunderland | 580 | 1,350 |
| Crown Buildings, Chester Le Street | 585 | –* |
| Portland House, Redcar | 700 | –* |
| Theatre Buildings, Billingham | 510 | –* |
| Balance carried forward | 159,075 | 67,180 |

# Notes to the Financial Statements

## 4. INVESTMENT PROPERTIES (CONT'D)

| | Carrying value 2021 £'000 | Carrying value 2020 £'000 |
|---|---|---|
| Balance brought forward | 159,075 | 67,180 |
| **England (cont'd)** | | |
| North West | | |
| Peel Park, Blackpool | 27,700 | 26,900 |
| St Martin's House, Bootle | 4,680 | 3,915 |
| Lee-Moran House, Burnley | 1,980 | 2,030 |
| Blackburn Road, Burnley | 6,150 | 5,605 |
| Silver Street, Bury | 1,075 | 945 |
| Roskell House, Fleetwood | 435 | 535 |
| Beech House, Hyde | 2,640 | 2,375 |
| Mitre House, Lancaster | 6,575 | 4,335 |
| Roydale House, Leigh | 1,450 | 1,300 |
| Springfield House, Liverpool | 1,035 | 1,175 |
| Hougoumont House, Liverpool | 1,425 | 1,255 |
| Wilmslow Road, Manchester | 2,760 | 2,485 |
| Palatine House, Preston | 3,135 | 3,385 |
| Duchy House, Preston | 3,650 | 4,000 |
| Heron House, Stockport | 3,930 | 4,070 |
| Hilden House, Warrington | 5,885 | 7,065 |
| Speke Road, Liverpool | 715 | –* |
| Openshaw Job Centre, Manchester | 650 | –* |
| Premier House, Liverpool | 590 | –* |
| Great Moor Street, Bolton | 1,275 | –* |
| Cardwell Place, Blackburn | 550 | –* |
| Brunswick House, Birkenhead | 1,575 | –* |
| Tomlinson House, Blackpool Norcross Lane | 9,240 | –* |
| Great Western House, Birkenhead | 8,625 | –* |
| Chantry House, Chester | 5,040 | –* |
| Units 1-2 Dallas Court, Salford[3] | 1,340 | –* |
| South East | | |
| East Street, Epsom | 2,340 | 2,415 |
| South Western House, Aldershot | 2,425 | 2,555 |
| Crown Building, Banbury | 3,260 | 3,930 |
| Gloucester House, Bognor Regis | 3,385 | 2,885 |
| Nutwood House, Canterbury | 8,825 | 9,160 |
| Crown House, Chatham | 6,050 | 6,710 |
| Palting House, Folkestone | 4,165 | 4,585 |
| Broadlands House, Newport | 7,860 | 7,980 |
| Crown House, Worthing | 5,485 | 5,825 |
| Medwyn House, Lewes | 6,900 | –* |
| Crown Buildings, Tonbridge | 3,260 | –* |
| St Cross House, Southampton | 5,600 | –* |
| Balance carried forward | 322,735 | 184,600 |

# Notes to the Financial Statements

## 4. INVESTMENT PROPERTIES (CONT'D)

| | Carrying value | |
|---|---|---|
| | **2021** | **2020** |
| | £'000 | £'000 |
| Balance brought forward | 322,735 | 184,600 |
| **England (cont'd)** | | |
| South West | | |
| Kent Street, Bristol | 1,085 | 1,075 |
| Monks Park Avenue, Bristol | 1,745 | 2,070 |
| Lodge House, Bristol | 5,760 | 6,550 |
| St Paul's House, Chippenham | 1,265 | 3,675 |
| Summerlock House, Salisbury | 2,220 | 2,775 |
| Spring Gardens House, Swindon | 8,325 | 8,035 |
| Brendon House, Taunton | 5,150 | 5,705 |
| Cotswold House, Torquay | 2,925 | 3,110 |
| Regent House, Weston Super Mare | 2,780 | 2,685 |
| Queens House, Plymouth | 1,220 | –* |
| Cyppa Court, Chippenham | 1,845 | –* |
| Hanover House, Bridgwater | 1,900 | –* |
| Yorkshire and Humber | | |
| Mulberry House, Goole | 425 | 445 |
| Crown Buildings, Mexborough | 620 | 665 |
| Elder House, Northallerton | 790 | 1,010 |
| Low Hall, Pontefract | 715 | 895 |
| Centurion House, Castleford | 720 | –* |
| Leeds Road, Bradford | 735 | –* |
| Chantry House, Rotherham | 1,225 | –* |
| Castle House, Huddersfield[4] | 2,100 | –* |
| Bridge House, Castleford | 750 | –* |
| Bradmarsh Business Park, Rotherham | 1,135 | –* |
| Phoenix House, Bradford | 3,540 | –* |
| Balance carried forward | 371,710 | 223,295 |

# Notes to the Financial Statements

## 4. INVESTMENT PROPERTIES (CONT'D)

| | Carrying value | |
|---|---|---|
| | **2021** £'000 | **2020** £'000 |
| Balance brought forward | 371,710 | 223,295 |
| **Scotland** | | |
| Wallacetoun House, Ayr | 2,715 | 2,870 |
| Whitburn Road, Bathgate | 1,575 | 2,695 |
| Bowling Green Street, Bellshill | 3,560 | 2,810 |
| Hall Street, Campbeltown | 560 | 585 |
| High Street, Dingwall | 300 | 320 |
| Claverhouse Industrial Park, Dundee | 3,145 | 2,995 |
| Trinity Road, Elgin | 1,695 | 1,450 |
| Heron House, Falkirk | 3,090 | 2,650 |
| Parklands, Falkirk | 9,225 | 6,570 |
| Pollokshaws Road, Glasgow | 1,560 | 1,570 |
| Coustonholm Road, Glasgow | 3,700 | 3,070 |
| Atlas Road, Glasgow | 2,475 | 4,010 |
| Glasgow Benefits Centre, Glasgow | 33,985 | 30,290 |
| Crown Building, Kilmarnock | 3,120 | 3,050 |
| Waggon Road, Leven | 285 | 290 |
| Castlestead House, Montrose | 420 | 410 |
| Flemington House, Motherwell | 2,625 | 2,540 |
| Bayfield Road, Portree | 255 | 240 |
| Discovery House, Stornoway | 960 | 865 |
| St John Street, Stranraer | 600 | 610 |
| South Muirhead Road, Glasgow | 725 | –* |
| Irish Street, Dumfries | 1,090 | –* |
| New Reiver House, Galashiels | 2,455 | –* |
| Victoria Road, Kirkcaldy | 930 | –* |
| Ladywell House, Edinburgh | 9,210 | –* |
| Lindsay House, Dundee | 1,990 | –* |
| Sidlaw House, Dundee | 5,560 | –* |
| Balance carried forward | 469,520 | 293,185 |

# Notes to the Financial Statements

## 4. INVESTMENT PROPERTIES (CONT'D)

| | Carrying value 2021 £'000 | Carrying value 2020 £'000 |
|---|---|---|
| Balance brought forward | 469,520 | 293,185 |
| **Wales** | | |
| Crown Buildings, Aberdare | 860 | 1,050 |
| Crown Buildings, Abertillery | 420 | 405 |
| Parc Menai, Bangor[5] | 4,975 | 3,670 |
| Crown Buildings, Bridgend | 4,410 | 3,975 |
| Crown Buildings, Caerphilly | 690 | 1,400 |
| Quay Street, Haverfordwest | 835 | 805 |
| Bridge Street, Llangefni | 680 | 725 |
| Maengwyn Street, Machynlleth | 158 | 145 |
| Cleddau Bridge Business Park, Pembroke Dock | 1,375 | 1,275 |
| Hannah Street, Porth | 675 | 680 |
| Dock Street, Porthcawl | 335 | 285 |
| Oldway House, Swansea | 1,050 | 1,120 |
| High Street, Swansea | 1,970 | 1,995 |
| Thistle House, Tonypandy | 995 | 1,140 |
| Station Road, Port Talbot | 670 | –* |
| High Street, Rhyl | 720 | –* |
| Windsor Road, Neath | 1,225 | –* |
| Afon House, Newtown | 1,500 | –* |
| Charles Street, Newport | 1,840 | –* |
| Newport Road, Cardiff | 5,200 | –* |
| | 500,103 | 311,855 |

1 *Blackburn House, Norwich is a leasehold property with a 99-year lease term from 10 August 1978.*

2 *Great Oaks House, Basildon is a leasehold property with a 999-year lease term from 17 June 2004.*

3 *Units 1-2 Dallas Court, Salford is a leasehold property with a 99-year lease term from 24 June 1987.*

4 *Castle House, Huddersfield is a leasehold property with a 150-year lease term from 17 March 1995.*

5 *Parc Menai, Bangor is a leasehold property with a 250-year lease term from 20 May 2005.*

* *Acquired during the year through acquisition of Elite Amphora Limited and Elite Cask Limited.*

As at 31 December 2021, 58 properties with a total carrying value of £195,960,000 (2020: Nil) are pledged as security for credit facilities granted to the Group (Note 10).

# Notes to the Financial Statements

## 4. INVESTMENT PROPERTIES (CONT'D)

***Measurement of fair value***

The carrying values of the investment properties as at 31 December 2021 were based on independent professional valuation undertaken by Knight Frank UK 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.

The independent professional valuations were based on the investment method (also known as income capitalisation method) (2020: income capitalisation method). The valuation method used in determining the fair value involve certain estimates including that relating to 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.

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.

***(i) 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 technique used (see Note 2.4).

| | 2021<br>£'000 | 2020<br>£'000 |
|---|---|---|
| Fair value of investment properties (based on valuation reports) | 500,103 | 311,855 |
| Add: Carrying amount of lease liabilities | 1,244 | – |
| Carrying amount of investment properties | 501,347 | 311,855 |

***(ii) Valuation technique and significant unobservable inputs***

The following table shows the significant unobservable inputs used in the valuation model:

| Valuation method | Significant unobservable inputs | Inter-relationship between significant unobservable inputs and fair value measurement |
|---|---|---|
| 2021: Investment method (also known as income capitalisation method)<br><br>2020: Income capitalisation method | Yield rate:<br>- 2021: 3.91% to 37.91%<br>- 2020: 5.11% to 10.26% | The estimated fair value would increase (decrease) if the yield rate is lower (higher). |

# Notes to the Financial Statements

## 5. INVESTMENTS IN SUBSIDIARIES

| | Trust | |
|---|---|---|
| | 2021 £'000 | 2020 £'000 |
| Equity investment, at cost | 88,900 | 90,852 |
| Impairment loss | (10,395) | – |
| | 78,505 | 90,852 |

Details of the subsidiaries are as follows:

| Name of subsidiaries | Place of constitution/business | Equity interests held by the Group 2021 % | 2020 % |
|---|---|---|---|
| **Direct subsidiaries** | | | |
| Regal Sheen Investment Limited[1] | British Virgin Islands | – | 100 |
| Elite UK Commercial Holdings Limited[2] | United Kingdom | 100 | 100 |
| **Indirect subsidiaries** | | | |
| Elite Kist Limited[2] | United Kingdom | 100 | 100 |
| Elite UK Commercial Investments Limited[2] | United Kingdom | 100 | 100 |
| Elite UK Commercial Limited[2] | United Kingdom | 100 | 100 |
| Elite Gemstones Properties Limited[2] | United Kingdom | 100 | 100 |
| Elite Amphora Limited[2, 3] | United Kingdom | 100 | – |
| Elite Cask Limited[2, 3] | United Kingdom | 100 | – |

1 *Liquidated in 2021*
2 *Audited by other member firm of KPMG International*
3 *Acquired during the year. Refer to Note 30 for details*

As at 31 December 2020, investments in subsidiaries included an amount of £1,952,000 relating to the fair value of a warrant instrument that the Trust granted to the lender of the convertible loan (Note 10) to allow the lender to convert 30% of the repayment amount into the Units in the Trust, in respect of a convertible loan taken by a subsidiary. The instrument granted by the Trust, in relation to the convertible loan, was deemed to be part of the Trust's investment in its subsidiary. The subsidiary was liquidated during the year.

As at 31 December 2021, the shares of certain subsidiaries, Elite Gemstones Properties Limited, Elite Amphora Limited and Elite Cask Limited, have been pledged as security for credit facilities granted to the Group (Note 10). As at 31 December 2020, the shares of a subsidiary, Elite Gemstones Properties Limited, had been pledged as security for credit facilities granted to the Group (Note 10).

# Notes to the Financial Statements

## 5. INVESTMENTS IN SUBSIDIARIES (CONT'D)

During the year, the Trust undertook an impairment assessment of its investment in subsidiaries for indicators of impairment. Based on the assessment, the Trust recognised an impairment loss of £10,395,000 (2020: Nil) on its investment in a subsidiary. The recoverable amount of the subsidiary was determined using the fair value less costs to sell approach and was estimated taking into consideration the fair values of the underlying assets and fair values of the liabilities to be settled of the subsidiary. The fair value measurement was categorised as a Level 3 fair value based on the inputs in the valuation techniques used.

## 6. FINANCIAL DERIVATIVES

| | Group | | Trust | |
|---|---|---|---|---|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| **Derivative assets** | | | | |
| Interest rate swaps at FVTPL | 508 | – | – | – |

## 7. NOTES RECEIVABLE

Notes receivable relate to loan notes issued by a subsidiary, Elite UK Commercial Holdings Limited ("EUKCH"), subscribed by the Trust. During the financial year, the Trust subscribed to a new loan note issued by EUKCH in relation to the acquisition of subsidiaries, Elite Amphora Limited and Elite Cask Limited, amounting to £89.4 million in addition to the £111.7 million note subscribed in prior year.

£111.7 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 EUKCH, to purchase all of its notes on specified put option exercise dates, being 16 November 2021 and 16 November 2022 for the £111.7 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.

## 8. TRADE AND OTHER RECEIVABLES

| | Group | | Trust | |
|---|---|---|---|---|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Trade receivables | 11,299 | 127 | – | – |
| Other receivables | 37 | 16 | – | – |
| Amount due from subsidiaries | – | – | 4,906 | 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 |

As at 31 December 2021, the trade receivables of the Group, relate to a receivable from the property manager in respect of advance rental collected by the property manager on behalf of the Group from tenants.

# Notes to the Financial Statements

## 9. CASH AND CASH EQUIVALENTS

| | Group | | Trust | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| | £'000 | £'000 | £'000 | £'000 |
| Cash at banks and in hand | 19,479 | 20,153 | 4,915 | 4,660 |
| Restricted cash | (1,308) | (1,177) | – | – |
| Cash and cash equivalents in the statement of cash flows | 18,171 | 18,976 | 4,915 | 4,660 |

The restricted cash relates to the reserve funds required to be maintained with banks under the terms of the secured bank loans.

## 10. LOANS AND BORROWINGS

| | Group | |
|---|---|---|
| | **2021** | **2020** |
| | £'000 | £'000 |
| Secured bank loans | 225,600 | 103,200 |
| Less: Unamortised transaction costs | (1,746) | (1,294) |
| | 223,854 | 101,906 |
| Current | 6,600 | – |
| Non-current | 217,254 | 101,906 |
| | 223,854 | 101,906 |

The Group has loan facilities comprising:

<u>£140.0 million term loan and bridge loan facilities</u>

- A £125.0 million (2020: £125.0 million) secured term loan facility. At the reporting date, £125.0 million (2020: £103.2 million) was drawn down and is due for repayment in November 2024.
- An uncommitted £15.0 million (2020: £15.0 million) bridge loan facility. The bridge loan facility can be drawn down under multiple tranches, and each tranche is to be repaid within the earlier of one year from the drawn down date, and five years after the first drawn down date (where the amount is drawn down in multiple tranches). At the reporting date, £6.6 million (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 (Note 5).

<u>£94.0 million term loan and revolving credit facilities</u>

- A £80.0 million secured term loan facility. At the reporting date, £80.0 million (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 (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 (Notes 4 and 5).

# Notes to the Financial Statements

## 10. LOANS AND BORROWINGS (CONT'D)

Convertible loan

In addition to the loan facilities, the Group had a mezzanine term loan facility ("Convertible Loan") as at 31 December 2019, which related to a 2-year fixed term loan of approximately £25.0 million (USD33.0 million) with a nominal interest rate of 9% per annum drawn down by the Trust's directly-owned subsidiary, Elite UK Commercial Holdings Limited. The mezzanine term loan was secured on the shares of subsidiaries, Elite UK Commercial Holdings Limited and Regal Sheen Investment Limited.

The lender had an option to convert 30% of the repayment amount into the Units in the Trust or the listed entity at the same valuation as the investors that were committing capital to the Trust in the event of the listing of the Trust as a business trust or a real estate investment trust ("REIT") in Singapore and/or such other recognised stock exchange in a suitable jurisdiction or the sale of the assets of the Trust to a business trust or a REIT to be listed.

As at 31 December 2020, the Group had fully repaid the Convertible Loan and the embedded derivative associated with the conversion option was derecognised.

**Terms and debt repayment schedule**

Terms and conditions of the outstanding loans and borrowings at the reporting date are as follows:

| | Nominal interest rate per annum % | Year of maturity | Face value £'000 | Carrying amount £'000 |
|---|---|---|---|---|
| **Group** | | | | |
| **2021** | | | | |
| Secured bank loans | LIBOR* + margin | 2024 | 62,500 | 62,003 |
| Secured bank loan | 2.28% | 2024 | 62,500 | 62,003 |
| Secured bridge loan | LIBOR* + margin | 2022 | 6,600 | 6,600 |
| Secured bank loans | SONIA^ + credit adjustment spread + margin | 2023 | 94,000 | 93,248 |
| | | | 225,600 | 223,854 |
| **2020** | | | | |
| Secured bank loans | LIBOR* + margin | 2024 | 51,600 | 50,953 |
| Secured bank loan | 2.28% | 2024 | 51,600 | 50,953 |
| | | | 103,200 | 101,906 |

* *London Interbank Offered Rate*

^ *Sterling Overnight Index Average*

# Notes to the Financial Statements

## 10. LOANS AND BORROWINGS (CONT'D)

*Reconciliation of movements of liabilities to cash flows arising from financing activities*

| | Liabilities | | | Derivative liabilities | |
|---|---|---|---|---|---|
| | Loans and borrowings £'000 | Convertible loan £'000 | Interest payable £'000 | Embedded derivative liability relating to convertible loan £'000 | Total £'000 |
| Balance at 1 January 2020 | 179,376 | 25,992 | 703 | 4,549 | 210,620 |
| **Changes from financing cash flows** | | | | | |
| Repayment of bank loans | (77,800) | (27,823) | – | – | (105,623) |
| Interest paid | – | – | (3,814) | – | (3,814) |
| **Total changes from financing cash flows** | (77,800) | (27,823) | (3,814) | – | (109,437) |
| **Other non-cash changes** | | | | | |
| Effects of changes in foreign exchange rates | – | 681 | 13 | – | 694 |
| Amortisation of transaction costs related to loans and borrowings | 330 | 265 | – | – | 595 |
| Interest expense | – | 885 | 3,259 | – | 4,144 |
| De-recognition of embedded derivatives | – | – | – | (4,549) | (4,549) |
| Others | – | – | 23 | – | 23 |
| **Total other non-cash changes** | 330 | 1,831 | 3,295 | (4,549) | 907 |
| **Balance at 31 December 2020** | 101,906 | – | 184 | – | 102,090 |

# Notes to the Financial Statements

## 10. LOANS AND BORROWINGS (CONT'D)

*Reconciliation of movements of liabilities to cash flows arising from financing activities (cont'd)*

| | Liabilities | | | |
|---|---|---|---|---|
| | Loans and borrowings £'000 | Lease liabilities £'000 | Interest payable £'000 | Total £'000 |
| **Balance at 1 January 2021** | 101,906 | – | 184 | 102,090 |
| **Changes from financing cash flows** | | | | |
| Proceeds from bank loans | 30,800 | – | – | 30,800 |
| Repayment of bank loans | (22,236) | – | – | (22,236) |
| Payment of transaction costs related to loans and borrowings | (1,361) | – | – | (1,361) |
| Payment of lease liabilities | – | (6) | – | (6) |
| Interest paid | – | (31) | (3,540) | (3,571) |
| **Total changes from financing cash flows** | 7,203 | (37) | (3,540) | 3,626 |
| **Other non-cash changes** | | | | |
| Acquisition of subsidiaries | 113,836 | 1,250 | – | 115,086 |
| Amortisation of transaction costs related to loans and borrowings | 909 | – | – | 909 |
| Interest expense | – | 31 | 3,914 | 3,945 |
| **Total other non-cash changes** | 114,745 | 1,281 | 3,914 | 119,940 |
| **Balance at 31 December 2021** | 223,854 | 1,244 | 558 | 225,656 |

# Notes to the Financial Statements

## 11. LEASE LIABILITIES

| | Group | |
|---|---|---|
| | 2021 | 2020 |
| | £'000 | £'000 |
| **Lease liabilities** | 1,244 | – |
| Current | 7 | – |
| Non-current | 1,237 | – |
| | 1,244 | – |

The incremental borrowing rates of the Group's lease liabilities ranged from 3.06% to 3.11% (2020: Nil) per annum.

## 12. TRADE AND OTHER PAYABLES

| | Group | | Trust | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| | £'000 | £'000 | £'000 | £'000 |
| Trade payables | 194 | 27 | 9 | 27 |
| Bank interest payable | 558 | 184 | – | – |
| Accrued operating expenses | 2,010 | 1,367 | 607 | 235 |
| Other payables | 2,863 | 963 | – | – |
| Amount due to subsidiaries | – | – | – | 916 |
| | 5,625 | 2,541 | 616 | 1,178 |

The non-trade amounts due to subsidiaries were unsecured, interest-free and repayable on demand.

## 13. DEFERRED INCOME

Deferred income relates to the advance rental received from tenants.

## 14. DEFERRED TAX LIABILITIES

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

| | At 1 January 2020 | Recognised in profit or loss (Note 23) | At 31 December 2020 | Recognised in profit or loss (Note 23) | At 31 December 2021 |
|---|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Group** | | | | | |
| **Deferred tax liabilities** | | | | | |
| Investment properties | 2,349 | 3,571 | 5,920 | (2,121) | 3,799 |

# Notes to the Financial Statements

## 14. DEFERRED TAX LIABILITIES (CONT'D)

Under IAS 12 Income taxes, deferred tax is not recognised for temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting or taxable profit or loss. In 2018, the Group's acquisition of a subsidiary was accounted for as an acquisition of assets and not a business combination, and neither affected accounting or taxable profit at the point of acquisition. Accordingly, the Group had not recognised deferred tax liabilities of £15.9 million as at 31 December 2020 relating to temporary differences on the initial recognition of assets and liabilities of the subsidiary acquired in 2018.

On 26 August 2021, Elite UK Commercial Holdings Limited ("EUKCH") a wholly owned subsidiary of the Trust, was listed on The International Stock Exchange (the "TISE"), as a UK REIT group. Upon entry into the UK REIT regime, latent capital gains (and its corresponding deferred tax liabilities) to that date, of the existing properties held by the Group were eliminated. For further acquisition of property investment company holding UK properties by EUKCH and its subsidiaries (the "UK REIT Group"), any unrealised gains on the properties (and the corresponding deferred tax liabilities) will also be eliminated on acquisition. Additionally, any gains arising on the direct or indirect disposal of the properties that form part of the qualifying property rental business within the UK REIT Group are exempt from UK corporation tax. Instead, a withholding tax of 15% is applicable upon the distribution of such gains.

## 15. UNITS IN ISSUE AND TO BE ISSUED

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | Number of Units '000 | £'000 | Number of Units '000 | £'000 |
| **Units issued and fully paid** | | | | |
| At beginning of the year | 334,134 | 208,208 | 95,000 | 95,000 |
| Issue of new Units: | | | | |
| - Sub-division of Units | – | – | 75,522 | – |
| - 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 | 3,376 | 2,244 | 1,675 | 1,062 |
| - Lease management fees paid in Units | 349 | 233 | 239 | 151 |
| - Distribution reinvestment plan | 2,966 | 1,913 | – | – |
| Redemption and cancellation of Units | – | – | (27,816) | (18,915) |
| Total issued Units | 475,468 | 304,105 | 334,134 | 208,208 |
| **Units to be issued** | | | | |
| - Manager's management fees payable in Units | 950 | 631 | 636 | 422 |
| - Lease management fees payable in Units | 88 | 58 | 88 | 59 |
| Total issuable Units | 1,038 | 689 | 724 | 481 |
| Total issued and issuable Units at the end of the year | 476,506 | 304,794 | 334,858 | 208,689 |

## 15. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

During the year, there were the following movements in the Units in issue and to be issued:

Year ended 31 December 2021

- Approximately 131,444,000 Units were issued at £0.68 per Unit, amounting to approximately £89,382,000, in satisfaction of part of the purchase consideration for the subsidiaries acquired during the year.
- Approximately 3,199,000 Units were issued at £0.66 per Unit, amounting to approximately £2,125,000, to the Manager as satisfaction of the acquisition fee for the subsidiaries acquired during the year.
- Approximately 3,376,000 Units were issued at Unit prices ranging from £0.66 to £0.67 per Unit, amounting to approximately £2,244,000, to the Manager as satisfaction of the management fee paid to the Manager.
- Approximately 349,000 Units were issued at Unit prices ranging from £0.66 to £0.67 per Unit, amounting to approximately £233,000, to the Manager as satisfaction of the lease management fee paid to the Manager.
- Approximately 2,966,000 Units were issued at £0.65 per Unit, amounting to approximately £1,913,000, under the distribution reinvestment plan.
- Approximately 950,000 Units and 88,000 Units will be issued at £0.66 per Unit, amounting to approximately £631,000 and £58,000 respectively, subsequent to the reporting date, as satisfaction of the Manager's management fee and lease management fee respectively for the period from 1 October 2021 to 31 December 2021.

Year ended 31 December 2020

- 95,000,000 Units were sub-divided into 167,521,580 Units prior to the Listing Date;
- 27,815,685 Units were redeemed at £0.68 per Unit, amounting to approximately £18,915,000, prior to the Listing Date;
- 192,514,100 Units were issued at £0.68 per Unit, amounting to approximately £130,910,000, as part of the initial public offering of the Trust;
- 1,675,112 Units and 238,639 Units were issued at Unit prices ranging from £0.57 to £0.70 per Unit, amounting to approximately £1,062,000 and £151,000 respectively, as satisfaction of the Manager's management fee and lease management fee payable in Units respectively; and
- 636,385 Units and 87,893 Units would be issued at £0.66 per Unit, amounting to approximately £422,000 and £59,000 respectively, as satisfaction of the Manager's management fee and lease management fee respectively for the period from 1 October 2020 to 31 December 2020.

Each Unit in the Trust represents an undivided interest in the Trust. The rights and interests of unitholders are contained in the Trust Deed and include the right to:

- one vote per Unit;
- receive income and other distributions attributable to the Units held;
- participate in the termination of the Trust by receiving a share of all net cash proceeds derived from the realisation of the assets of the Trust less any liabilities, in accordance with their proportionate interests in the Trust. However, a unitholder has no equitable or proprietary interest in the underlying assets of the Trust and is not entitled to the transfer of any assets (or part thereof) or any estate or interest in any asset (or part thereof) of the Trust; and

# Notes to the Financial Statements

## 15. UNITS IN ISSUE AND TO BE ISSUED (CONT'D)

- attend all unitholders' meetings. The Trustee or the Manager may (and the Manager shall at the request in writing of one or more unitholders) at any time convene a meeting of unitholders in accordance with the provisions of the Trust Deed.

The restrictions of a unitholder include the following:

- a unitholder's right is limited to the right to require due administration of the Trust in accordance with the provisions of the Trust Deed; and

- a unitholder has no right to request the Manager to redeem his Units.

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

## 16. UNIT ISSUE COSTS

| | 2021 £'000 | 2020 £'000 |
|---|---|---|
| Listing and unit issue costs incurred(1): | | |
| - Financial advisory fee, underwriting and commission | – | 3,834 |
| - Professional and other fees | – | 3,790 |
| | – | 7,624 |
| Unit issue costs capitalised in unitholders' funds | 5,903 | 5,903 |
| Listing costs expensed in statement of comprehensive income | – | 1,721 |
| | 5,903 | 7,624 |

(1) *Included in listing and issue costs incurred in the year ended 31 December 2020 were audit fees paid to the auditors of the Group amounting to £246,000, for services rendered in connection with the initial public offering of the Units.*

## 17. NET ASSET VALUE PER UNIT

| | Group | | Trust | |
|---|---|---|---|---|
| | 2021 £'000 | 2020 £'000 | 2021 £'000 | 2020 £'000 |
| Net asset value per Unit is based on: | | | | |
| Net assets attributable to unitholders | 289,019 | 217,158 | 289,019 | 209,275 |
| Total issued and issuable Units as at 31 December ('000) (Note 15) | 476,506 | 334,858 | 476,506 | 334,858 |
| Net asset value per Unit (£) | 0.61 | 0.65 | 0.61 | 0.62 |

## 18. 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.

# Notes to the Financial Statements

## 19. PROPERTY OPERATING EXPENSES

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| Property management fee paid/payable to a non-related corporation of the Manager | 359 | 217 | 241 |
| Property management fee paid/payable to a related corporation of the Manager | 231 | – | – |
| Property insurance | 180 | 161 | 145 |
| Lease management fee paid/payable to the Manager | 232 | 210 | 210 |
| Other property expenses | 2 | – | – |
| | 1,004 | 588 | 596 |

For the year ended 31 December 2021, an aggregate of 349,000 (2020: 327,000) Units were issued or will be issued to the Manager as satisfaction of the lease management fee incurred.

## 20. MANAGER'S MANAGEMENT FEES

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| Base fee | 2,453 | 1,484 | 1,907 |
| Performance fee | – | – | 1,795 |
| | 2,453 | 1,484 | 3,702 |

For the year ended 31 December 2021, an aggregate of 3,690,000 (2020: 2,311,000) Units were issued or will be issued to the Manager as satisfaction of the management fees incurred.

The performance fee of £1,795,000 in 2020 related to the fee paid to the Manager prior to the Listing Date. No performance fee is payable to the Manager for the financial period from the Listing Date to 31 December 2020 and the financial year ended 31 December 2021.

# Notes to the Financial Statements

## 21. OTHER TRUST EXPENSES

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| Audit fees paid/payable to: | | | |
| – auditors of the Trust | 149 | 109 | 122 |
| – member firm of the auditors of the Trust | 131 | 60 | 66 |
| Valuation fees | 242 | 230 | 255 |
| Listing costs expensed in statement of comprehensive income | – | 1,721 | 1,721 |

## 22. FINANCE INCOME AND FINANCE COSTS

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| Fair value gain on financial derivatives | 508 | – | – |
| De-recognition of embedded derivative relating to convertible loan issued by the Group | – | – | 4,549 |
| **Finance income** | 508 | – | 4,549 |
| Amortisation of transaction costs relating to loans and borrowings | (909) | (298) | (595) |
| Commitment fee | (28) | (133) | (133) |
| Interest expense on: | | | |
| – loans and borrowings | (3,886) | (1,923) | (4,144) |
| – lease liabilities | (31) | – | – |
| Net foreign exchange loss | – | – | (694) |
| Others | – | – | (23) |
| **Finance costs** | (4,854) | (2,354) | (5,589) |
| **Net finance costs recognised in statement of comprehensive income** | (4,346) | (2,354) | (1,040) |

# Notes to the Financial Statements

## 23. TAX EXPENSE

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| **Current tax expense** | | | |
| Current year/period | 2,393 | 2,287 | 2,542 |
| Over provision in respect of prior years | (8) | (117) | (117) |
| Withholding tax | 1,106 | – | – |
| | 3,491 | 2,170 | 2,425 |
| **Deferred tax (credit)/expense** | | | |
| Origination of temporary differences | 4,812 | 3,153 | 3,153 |
| Under provision in respect of prior years | – | 127 | 127 |
| Effect of changes in tax rate | (1,013) | 291 | 291 |
| Reversal of deferred tax liabilities arising from the admission into UK REIT regime | (5,920) | – | – |
| | (2,121) | 3,571 | 3,571 |
| **Income tax expense** | 1,370 | 5,741 | 5,996 |
| ***Reconciliation of effective tax rate*** | | | |
| (Loss)/Profit for the year/period before tax | (3,371) | 29,099 | 30,264 |
| Tax calculated using Singapore tax rate of 17% (2020: 17%) | (573) | 4,946 | 5,144 |
| Effect of different tax rates in foreign jurisdictions | (156) | 542 | 510 |
| Effect of change in tax rate on deferred tax | (1,013) | 291 | 291 |
| Reversal of deferred tax liabilities arising from the admission into UK REIT regime | (5,920) | – | – |
| Income not subject to tax | (2,965) | (357) | (831) |
| Expenses not deductible for tax purposes | 10,899 | 309 | 872 |
| (Over)/under provision in respect of prior years | (8) | 10 | 10 |
| Withholding tax | 1,106 | – | – |
| | 1,370 | 5,741 | 5,996 |

# Notes to the Financial Statements

## 24. AMOUNT AVAILABLE FOR DISTRIBUTION

| | 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 1 January 2021/ 6 February 2020 (Listing Date)** | 8,342 | – |
| (Loss)/Profit for the year/period | (4,741) | 23,358 |
| Distribution adjustments (Note A) | 29,266 | (8,515) |
| | 24,525 | 14,843 |
| **Amount available for distribution to unitholders at end of the year** | 32,867 | 14,843 |
| Distribution to unitholders: | | |
| Distribution of GBP 1.95 pence per Unit for the period from 6 February 2020 (Listing Date) to 30 June 2020 | – | (6,501) |
| Distribution of GBP 2.49 pence per Unit for the period from 1 July 2020 to 31 December 2020 | (8,338) | – |
| Distribution of GBP 0.90 pence for the period from 1 January 2021 to 8 March 2021 | (3,014) | – |
| Distribution of GBP 1.73 pence for the period from 9 March 2021 to 30 June 2021 | (8,151) | – |
| | (19,503) | (6,501) |
| **Amount available for distribution to unitholders at end of the year** | 13,364 | 8,342 |
| **Distribution per Unit (pence)** | 5.43 | 4.44 |

**Note A**

Distribution adjustments relate to the following items:

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 |
|---|---|---|
| Manager's management fee payable in Units | 2,453 | 1,484 |
| Lease management fee payable in Units | 232 | 210 |
| Trustee's fee | 99 | 93 |
| Amortisation of debt-related upfront fee and transaction costs | 909 | 298 |
| Listing costs expensed in statement of comprehensive income | – | 1,721 |
| Change in fair value of investment properties | 28,217 | (15,887) |
| Fair value gain on financial derivative | (508) | – |
| Deferred tax expense | (2,121) | 3,571 |
| Others | (15) | (5) |
| **Distribution adjustments** | 29,266 | (8,515) |

# Notes to the Financial Statements

## 25. EARNINGS PER UNIT

### Basic earnings per Unit

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

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| (Loss)/Profit for the period attributable to unitholders | (4,741) | 23,358 | 24,268 |
| | **'000** | **'000** | **'000** |
| Weighted average number of Units: | | | |
| - Units issued on 1 January 2021/Listing Date/1 January 2020 | 334,858 | 139,706 | 95,000 |
| - Effect of Units arising from sub-division | – | – | 65,587 |
| - Effect of Units arising from redemption and cancellation | – | – | (25,156) |
| - Effect of Units arising from initial public offering | – | 192,514 | 173,578 |
| - Effect of Units issued in satisfaction of part of the purchase consideration for subsidiaries acquired | 107,316 | – | – |
| - Effect of Units issued as payment of Manager's acquisition fee | 2,611 | – | – |
| - Effect of Units issued and to be issued as payment of Manager's management fee payable in Units | 1,295 | 876 | 790 |
| - Effect of Units issued and to be issued as payment of lease management fee payable in Units | 132 | 125 | 113 |
| - Effect of Units issued under distribution reinvestment plan | 806 | – | – |
| Weighted average number of Units | 447,018 | 333,221 | 309,912 |

# Notes to the Financial Statements

## 25. EARNINGS PER UNIT (CONT'D)

### 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 adjusting for the effects of all dilutive potential Units.

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| (Loss)/Profit for the period attributable to unitholders | (4,741) | 23,358 | 24,268 |
| | **'000** | **'000** | **'000** |
| Weighted average number of Units: | | | |
| - Weighted average number of Units (basic) | 447,018 | 333,221 | 309,912 |
| - Effect of Units issued and to be issued as payment of Manager's management fee | – | 1,436 | 1,521 |
| - Effect of Units issued and to be issued as payment of lease management fee payable in Units | – | 201 | 214 |
| Weighted average number of Units (diluted) | 447,018 | 334,858 | 311,647 |

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.

## 26. 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.

| | Year ended 31/12/2021 £'000 | Period from 6/2/2020 (Listing Date) to 31/12/2020 £'000 | Year ended 31/12/2020 £'000 |
|---|---|---|---|
| Acquisition of subsidiaries from related corporations of the Manager | 98,988 | – | – |
| Leasing commission payable to the Manager | 13 | – | – |

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT

### Capital management

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

The Manager's objectives are to provide unitholders of the Group with regular and stable distributions and to achieve long-term growth in distribution per Unit and net asset value per Unit, while maintaining an appropriate capital structure.

The Manager will endeavour to employ an appropriate mix of debt and equity in financing acquisitions and asset enhancement and will seek to optimise its cost of debt financing, in order to minimise exposure to market volatility and maximise risk-adjusted returns to unitholders.

The Group is in compliance with all externally imposed capital requirements for the financial year ended 31 December 2020 and 31 December 2021. There are no substantial changes in the Group's approach to capital management during the year.

The Group is subject to the aggregate leverage limit and interest coverage ratio as stated in the Property Fund Guidelines of the Code of Collective Investment Scheme issued by Monetary Authority of Singapore ("CIS Code"). On 16 April 2020, the MAS announced that the aggregate leverage limit for Singapore REITs ("S-REITs") has been raised from 45.0% to 50.0% with immediate effect. S-REITs are required to have a new minimum interest coverage ratio ("ICR") of 2.5 times before they are allowed to increase their leverage to beyond the prevailing 45.0% limit (up to 50.0%). The effective date of this new ICR requirement was deferred to 1 January 2022 in light of the COVID-19 pandemic situation.

As at 31 December 2021, the Group's aggregate leverage ratio was 42.4% with an interest coverage ratio of 6.0 times^. As at 31 December 2020, the Group's aggregate leverage ratio was 31.0% with an interest coverage ratio of 7.7 times*. The aggregate leverage ratio is calculated as gross borrowings divided by total assets, based on the latest valuations.

The Group has complied with the guidelines prescribed under the Property Fund Guidelines of the CIS Code during both financial periods.

* 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 amortisation (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 expense and borrowing related fees.

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

^ 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 amortisation (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.

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

### Financial risk management

**Overview**

The Group's returns are primarily from net operating income and capital appreciation of its assets. However, these returns are exposed to financial risks including credit, liquidity, interest rate, and foreign currency risks.

Financial risk management is integral to the whole business of the Group. The Group adopts an integrated approach to manage the financial risks arising in the normal course of the Group's business to ensure that an appropriate balance between risk and control is achieved. Risk management policies and processes are reviewed regularly to reflect changes in market conditions and the Group's activities.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

The carrying amounts of financial assets represent the maximum exposure of the Group and the Trust to credit risk, before taking into account any collateral held. The Group and the Trust do not require any collateral in respect of their financial assets.

***Trade receivables***

*Exposure to credit risk*

While it is necessary to assume a certain level of tenant credit risk to remain competitive in the UK, the Group has established credit limits for tenants and monitors their balances on an ongoing basis. Appropriate risk mitigating actions are in place to manage trade receivables.

Over 99% (2020: 99%) of the Group's revenue is derived from the leases to the UK Government via various government agencies, which includes The Secretary of State for Housing, Communities and Local Government. Except as disclosed, there is no significant concentration of credit risk.

*Expected credit loss assessment*

At 31 December 2021 and 31 December 2020, the Group's trade receivables were not past due.

The Group establishes allowances for impairment that represent its estimates of the ECL and specific loss component in respect of its trade receivables. ECL is estimated taking into consideration past due status of the trade receivables, adjusted as appropriate to reflect current condition and estimates of future economic conditions. Based on the assessment, the impairment allowance on trade receivables is negligible.

***Other receivables and notes receivable***

The Group assesses on a forward-looking basis the expected credit loss associated with financial assets at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group considers the amount of the allowance on these financial assets to be negligible.

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

*Derivatives*

The derivatives are entered into with banks with sound credit ratings.

*Cash and cash equivalents*

Cash is placed with financial institutions which are regulated.

At the reporting date, the Group held cash and cash equivalents of £19.5 million (2020: £20.2 million). The cash and cash equivalents are held with banks and financial institution counterparties with sound credit ratings.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

*Liquidity risk*

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

The following are the contractual maturities of non-derivative financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

| | Carrying amount £'000 | Contractual cash flows £'000 | Within 1 year £'000 | After 1 year but within 5 years £'000 | More than 5 years £'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| **31 December 2021** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 223,854 | (234,654) | (10,881) | (223,773) | – |
| Lease liabilities | 1,244 | (2,729) | (46) | (183) | (2,500) |
| Trade and other payables | 5,625 | (5,625) | (5,625) | – | – |
| | 230,723 | (243,008) | (16,552) | (223,956) | (2,500) |
| **31 December 2020** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Loans and borrowings | 101,906 | (111,088) | (2,154) | (108,934) | – |
| Trade and other payables | 2,541 | (2,541) | (2,541) | – | – |
| | 104,447 | (113,629) | (4,695) | (108,934) | – |
| **Trust** | | | | | |
| **31 December 2021** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | 616 | (616) | (616) | – | – |
| **31 December 2020** | | | | | |
| **Non-derivative financial liabilities** | | | | | |
| Trade and other payables | 1,178 | (1,178) | (1,178) | – | – |

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

### Interest rate risk

The Manager adopts a proactive interest rate management policy to manage the risk associated with changes in interest rates on the Group's loan facilities while also seeking to ensure that the ongoing cost of debt remains competitive.

As at 31 December 2021 and 2020, the bank loans are made up of a mixture of fixed and floating rates. The floating rate loans are contractually repriced at intervals of one to twelve months, or when notified by banks.

As at 31 December 2021, the Group entered into interest rate swaps with a total notional amount of £80 million (2020: Nil) whereby the Group agreed with the counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured term loans.

***Managing interest rate benchmark reform and associated risks***

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). The Group has exposures to IBORs on its financial instruments that will be replaced or reformed as part of these market-wide initiatives.

The Group's main IBOR exposure at 31 December 2021 was indexed to GBP LIBOR. The alternative reference rate for GBP LIBOR is the Sterling Overnight Index Average (SONIA) rate. The GBP LIBOR has ceased to be published or representative on 31 December 2021 and will be replaced with the alternative interest rate benchmark, SONIA, from January 2022.

The Manager monitors and manages the Group's transition to alternative rates. The Manager evaluates the extent to which contracts reference IBOR cash flows, whether such contracts will need to be amended as a result of interest rate benchmark reform and how to manage communication about interest rate benchmark reform with counterparties.

*Non-derivative financial liabilities*

The Group's IBOR exposures to non-derivative financial liabilities as at 31 December 2021 relate to its £140.0 million facility indexed to GBP LIBOR. The Group has amended this facility to reference to SONIA in January 2022.

### Total amounts of unreformed contracts, including those with an appropriate fallback clause

The Group monitors the progress of transition from IBORs to new benchmark rates by reviewing the total amounts of contracts that have yet to transition to an alternative benchmark rate and the amounts of such contracts that include an appropriate fallback clause. The Group considers that a contract is not yet transitioned to an alternative benchmark rate when interest under the contract is indexed to a benchmark rate that is still subject to interest rate benchmark reform, even if it includes a fallback clause that deals with the cessation of the existing IBOR (referred to as an 'unreformed contract').

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

### Total amounts of unreformed contracts, including those with an appropriate fallback clause (cont'd)

The following table shows the total amounts of unreformed contracts and those with appropriate fallback language at 31 December 2021. The amounts of financial liabilities are shown at their carrying amounts.

| | LIBOR | |
|---|---|---|
| | Total amount of unreformed contracts £'000 | Amount with appropriate fallback clause £'000 |
| **Group** | | |
| **31 December 2021** | | |
| **Financial liabilities** | | |
| Secured bank loans | 68,603 | – |

*Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for any fixed rate financial assets and liabilities at FVTPL and the Group does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, in respect of the fixed rate instruments, a change in interest rates at the reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

A 100 basis point ("bp")* movement in interest rate at the reporting date would increase/(decrease) profit or loss (before any tax effect) by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

* *100 basis point is equivalent to 1 percentage point*

| | 2021 | | 2020 | |
|---|---|---|---|---|
| | 100 bp increase £'000 | 100 bp decrease £'000 | 100 bp increase £'000 | 100 bp decrease £'000 |
| **Group** | | | | |
| Variable rate instruments | (1,631) | 1,631 | (516) | 516 |
| Interest rate swaps | 800 | (800) | – | – |
| Cash flow sensitivity (net) | (831) | 831 | (516) | 516 |

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

*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 FVTPL £'000 | Other financial liabilities £'000 | Total carrying amount £'000 | Level 1 £'000 | Level 2 £'000 | Level 3 £'000 | Total £'000 |
| **Group** | | | | | | | | |
| **31 December 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 | | | | |
| | 30,815 | – | – | 30,815 | | | | |
| **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) |
| | – | – | (229,479) | (229,479) | | | | |

* *Excluding prepayments, tax receivables and VAT & GST receivables*

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

| | Carrying amount | | | Fair value | | | |
|---|---|---|---|---|---|---|---|
| | Financial assets at amortised cost | Other financial liabilities | Total carrying amount | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Group** | | | | | | | |
| **31 December 2020** | | | | | | | |
| **Financial assets not measured at fair value** | | | | | | | |
| Trade and other receivables* | 143 | – | 143 | | | | |
| Cash and cash equivalents | 20,153 | – | 20,153 | | | | |
| | 20,296 | – | 20,296 | | | | |
| **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) |
| | – | (104,447) | (104,447) | | | | |

* *Excluding prepayments, tax receivables and VAT & GST receivables*

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

| | Carrying amount | | | | Fair value | | | |
|---|---|---|---|---|---|---|---|---|
| | Financial assets at amortised cost | At FVTPL | Other financial liabilities | Total carrying amount | Level 1 | Level 2 | Level 3 | Total |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| **Trust** | | | | | | | | |
| **31 December 2021** | | | | | | | | |
| **Financial assets not measured at fair value** | | | | | | | | |
| Notes receivable | 201,133 | – | – | 201,133 | – | 182,230 | – | 182,230 |
| Trade and other receivables* | 4,906 | – | – | 4,906 | | | | |
| Cash and cash equivalents | 4,915 | – | – | 4,915 | | | | |
| | 210,954 | – | – | 210,954 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Trade and other payables | – | – | (616) | (616) | | | | |
| **31 December 2020** | | | | | | | | |
| **Financial assets not measured at fair value** | | | | | | | | |
| Notes receivable | 111,751 | – | – | 111,751 | – | 100,586 | – | 100,586 |
| Trade and other receivables* | 2,622 | – | – | 2,622 | | | | |
| Cash and cash equivalents | 4,660 | – | – | 4,660 | | | | |
| | 119,033 | – | – | 119,033 | | | | |
| **Financial liabilities not measured at fair value** | | | | | | | | |
| Trade and other payables | – | – | (1,178) | (1,178) | | | | |

* *Excluding prepayments, tax receivables and VAT & GST receivables*

# Notes to the Financial Statements

## 27. FINANCIAL RISK MANAGEMENT (CONT'D)

***Measurement of fair values***

***(i) Valuation techniques***

The following table shows the valuation techniques used in measuring Level 2 values:

| Type | Valuation technique |
|---|---|
| Loans and borrowings, and Notes receivables | 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. |
| Financial derivatives – 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. |

# Notes to the Financial Statements

## 28. LEASES

***Leases as lessee***

Some of the investment properties of the Group are under operating leases. The leases run for periods with expiry between 2077 and 2086. Lease payments are renegotiated every five years, and there is an option to renew the leases after the expiry date, for a further term of 26 years.

Information about leases for which the Group are lessees is presented as below:

***Right-of-use ("ROU") assets***

ROU assets relate to the Group's investment properties and are presented as investment properties.

***Amounts recognised in statement of comprehensive income***

Interest on lease liabilities of £0.03 million (2020: Nil) was recognised in the statement of comprehensive income during the year.

Amounts recognised in statement of cash flows

| | **2021** £'000 |
|---|---|
| Payment of lease liabilities | (6) |
| Interest expense | (31) |
| Total cash outflow for leases | (37) |

***Leases as lessor***

The Group leases out its investment properties. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

Rental income from investment properties recognised by the Group during 2021 was £34.7 million (2020: £23.3 million).

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

| | **2021** £'000 | **2020** £'000 |
|---|---|---|
| Less than one year | 36,719 | 22,844 |
| One to two years | 35,906 | 22,688 |
| Two to three years | 35,416 | 10,349 |
| Three to four years | 35,416 | 6,361 |
| Four to five years | 35,416 | 6,347 |
| More than five years | 45,991 | 14,240 |
| | 224,864 | 82,829 |

# Notes to the Financial Statements

## 29. FINANCIAL RATIOS

| | 2021 | 2020 |
|---|---|---|
| Expenses to weighted average net assets(1) | 1.55% | 2.85% |
| Portfolio turnover rate(2) | – | – |

(1) *The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to the expenses of the Group, excluding property expenses, interest expense, foreign exchange gains and losses, Unit issue costs, income tax expense of the Group. There is no performance component in the Manager's management fee during the period.*

(2) *The annualised ratios are computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value.*

## 30. 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 (including acquisition costs) for the shares and voting interest, including assuming the amounts due to the vendor, was approximately £102.9 million. The acquisition was accounted for as an acquisition of assets.

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 |
| Loans 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 |

***Cash flows relating to the acquisition***

| | £'000 |
|---|---|
| Consideration for 100% equity interest acquired | 59,560 |
| Add: Amounts due to ex-shareholder assumed | 39,428 |
| Add: Acquisition-related costs | 3,919 |
| Total | 102,907 |
| Less: Consideration paid in Units | (89,382) |
| Less: Acquisition fee paid in Units | (2,125) |
| Less: Cash acquired | (2,001) |
| Net cash outflow | 9,399 |

# Notes to the Financial Statements

## 31. SUBSEQUENT EVENTS

Subsequent to the reporting date, there were the following events:

- On 21 February 2022, the Manager declared a distribution of £0.0280 per Unit, amounting to £13.3 million, to unitholders in respect of the period from 1 July 2021 to 31 December 2021.
- On 22 February 2022, 1,037,903 Units were issued at a unit price of £0.6646, amounting to £0.69 million, to the Manager as payment of the Manager's base fee and lease management fee payable to the Manager for the period from 1 October 2021 to 31 December 2021 (Note 15).
- On 28 February 2022 and 11 March 2022, the Trust, through its wholly owned subsidiaries, has entered into separate agreements with The Secretary of State for Levelling Up, Housing and Communities of the United Kingdom to remove the break clause in respect of the lease agreements for 108 out of 117 investment properties (occupied by the Department for Work and Pensions ('DWP')) with a March 2023 break clause. In addition, the Group also entered into a sustainability collaboration with DWP to invest approximately £14.67 million over three years towards the planned asset enhancement works of DWP-occupied properties.

# Statistics of Unitholdings

(Constituted under a Trust Deed dated 7 June 2018 (as amended))
As at 7 March 2022

## ISSUED AND FULLY PAID UNITS

Issued and Fully Paid-Up Units: 476,506,248 units (voting rights: one vote per unit)

There is only one class of Units in Elite Commercial REIT.

## DISTRIBUTION OF SHAREHOLDINGS

| Size of Unitholdings | Number of Unitholders | % | Number of Units | % |
|---|---|---|---|---|
| 1 – 99 | 7 | 0.19 | 301 | 0.00 |
| 100 – 1,000 | 1,255 | 34.76 | 1,230,926 | 0.26 |
| 1,001 – 10,000 | 1,818 | 50.35 | 6,672,679 | 1.40 |
| 10,001 – 1,000,000 | 510 | 14.12 | 25,320,671 | 5.31 |
| 1,000,001 and above | 21 | 0.58 | 443,281,671 | 93.03 |
| **Total** | **3,611** | **100.00** | **476,506,248** | **100.00** |

## TWENTY LARGEST UNITHOLDERS

| No. | Name of Shareholders | Number of Shares | % |
|---|---|---|---|
| 1. | Citibank Nominees Singapore Pte Ltd | 133,993,749 | 28.12 |
| 2. | DBSN Services Pte. Ltd. | 112,069,919 | 23.52 |
| 3. | DBS Nominees (Private) Limited | 60,190,426 | 12.63 |
| 4. | DB Nominees (Singapore) Pte Ltd | 38,517,374 | 8.08 |
| 5. | CGS-CIMB Securities (Singapore) Pte. Ltd. | 31,638,495 | 6.64 |
| 6. | Raffles Nominees (Pte.) Limited | 23,833,986 | 5.00 |
| 7. | United Overseas Bank Nominees (Private) Limited | 5,233,252 | 1.10 |
| 8. | Tan Fuh Gih | 5,047,045 | 1.06 |
| 9. | Tan Wei Min | 4,588,216 | 0.96 |
| 10. | ABN Amro Clearing Bank N.V. | 4,437,657 | 0.93 |
| 11. | HSBC (Singapore) Nominees Pte Ltd | 4,258,933 | 0.89 |
| 12. | BNP Paribas Nominees Singapore Pte. Ltd. | 3,553,000 | 0.75 |
| 13. | Maybank Securities Pte. Ltd. | 2,513,279 | 0.53 |
| 14. | Phillip Securities Pte Ltd | 2,347,581 | 0.49 |
| 15. | OCBC Securities Private Limited | 2,143,752 | 0.45 |
| 16. | Chin Phak Lin | 2,084,439 | 0.44 |
| 17. | UOB Kay Hian Private Limited | 1,901,625 | 0.40 |
| 18. | BPSS Nominees Singapore (Pte.) Ltd. | 1,591,247 | 0.33 |
| 19. | Loh Sok Beng | 1,147,058 | 0.24 |
| 20. | Tan Ah Ling | 1,147,058 | 0.24 |
| | **Total** | **442,238,091** | **92.80** |

# Statistics of Unitholdings

(Constituted under a Trust Deed dated 7 June 2018 (as amended))

## SUBSTANTIAL UNITHOLDERS' UNITHOLDINGS AS AT 7 MARCH 2022

(As recorded in the Register of Substantial Unitholders' Unitholdings)

| Name of Substantial Unitholders | No. of Units Direct Interest | No. of Units Deemed Interest |
|---|---|---|
| Ho Lee Group Trust | 36,844,684 | – |
| Tan Hai Peng Micheal | 151,039[(1)] | 46,817,752[(1)] |
| Tan Hai Seng Benjamin | – | 46,591,151[(2)] |
| Tan Yong Hiang Priscilla | – | 36,844,684[(3)] |
| Seow Whye Pheng | – | 36,844,684[(3)] |
| Seow Hwye Min | – | 36,844,684[(3)] |
| Seow Whye Teck | – | 36,844,684[(3)] |
| Seow Hwye Tiong | – | 36,844,684[(3)] |
| Sunway RE Capital Pte. Ltd. | 27,405,537 | – |
| Sunway City Sdn. Bhd. | – | 27,405,537[(4)] |
| Sunway Berhad | – | 27,405,537[(4)] |
| Sungei Way Corporation Sdn. Bhd. | – | 27,405,537[(4)] |
| Active Equity Sdn. Bhd. | – | 27,405,537[(4)] |
| Tan Sri Dato' Seri Dr Jeffrey Cheah Fook Ling AO | – | 27,405,537[(4)] |
| Partner Reinsurance Asia Pte. Ltd. | 28,676,471 | – |
| Partner Reinsurance Company Ltd | 38,397,744 | – |
| Partner Reinsurance Europe SE | 42,000,000 | – |
| PartnerRe Holdings SA | – | 42,000,000[(5)] |
| PartnerRe Holdings Europe Limited | – | 42,000,000[(5)] |
| PartnerRe Ltd. | – | 109,074,215[(5)] |
| Exor Nederland N.V. | – | 109,074,215[(5)] |
| Exor N.V. | – | 109,074,215[(5)] |
| Giovanni Agnelli B.V. | – | 109,074,215[(5)] |

*Notes:*

(1) *Tan Hai Peng Micheal ("**Micheal**") holds 46.625% of the share capital of Teck Lee Holdings Pte. Ltd. ("**TLH**"). TLH holds 82.5% of the share capital of Ho Lee Group Pte. Ltd. ("**HLG**"). HLG holds 50% of the share capital of Elite Partners Holdings Pte. Ltd. ("**EPH**"), which holds 1,201,025 Units in Elite Commercial REIT. EPH holds 68% of the share capital of Elite Commercial REIT Management Pte. Ltd. (the "**Manager**"), which holds 8,545,442 Units in Elite Commercial REIT. Therefore, Micheal is deemed to be interested in 9,746,467 Units held by EPH and the Manager.*

*Ho Lee Group Trust ("**HLGT**") holds 36,844,684 Units. Micheal is a beneficiary of HLGT, and therefore is deemed to be interested in the 36,844,684 Units held by HLGT.*

*Micheal is also deemed interested in the 226,601 Units held by his wife, Kan Phui Lin.*

(2) *Mr Tan Hai Seng Benjamin hold 46.625% of the share capital of TLH. TLH holds 81.25% of the share capital of HLG. HLG holds 50% of the share capital of EPH, which holds 1,201,025 Units in Elite Commercial REIT. EPH holds 68% of the share capital of the Manager, which holds 8,545,442 Units in Elite Commercial REIT. Therefore, Tan Hai Seng Benjamin is deemed to be interested in 9,746,467 Units held by EPH and the Manager.*

*HLGT holds 36,844,684 Units. Tan Hai Seng Benjamin is deemed to be interested in the 36,844,684 Units held by HLGT.*

(3) *Tan Yong Hiang Priscilla, Seow Whye Pheng, Seow Hwye Min, Seow Whye Teck and Seow Hwye Tiong are beneficiaries of HLGT. Accordingly, each of Tan Yong Hiang Priscilla, Seow Whye Pheng, Seow Hwye Min, Seow Whye Teck and Seow Hwye Tiong are deemed to be interested in the Units held by HLGT.*

(4) *Sunway RE Capital Pte. Ltd. ("**Sunway RE**") is 100% owned by Sunway City Sdn. Bhd. ("**SCSB**"). SCSB is 100% owned by Sunway Berhad. Sungei Way Corporation Sdn. Bhd. ("**SWCSB**") holds 56.75% interest in Sunway Berhad. SWCSB is 100% owned by Active Equity Sdn. Bhd. ("**AESB**"). Tan Sri Dato' Seri Jeffrey Cheah Fook Ling AO holds 60% interest in AESB.*

*SCSB, Sunway Berhad, SWCSB, AESB and Tan Sri Dato' Seri Jeffrey Cheah Fook Ling AO are therefore deemed interested in the Units held by Sunway RE by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.*

(5) *Partner Reinsurance Company Ltd ("**PRCL**") and Partner Reinsurance Asia Pte. Ltd. ("**PRA**") hold 38,397,744 and 28,676,471 units in the REIT respectively. PRCL and PRA are wholly owned subsidiaries of PartnerRe Ltd. ("**PR**"). Partner Reinsurance Europe SE is wholly owned by PartnerRe Holdings SA ("**PRH**"). PRH is wholly owned by PartnerRe Holdings Europe Limited ("**PRHE**"). PRHE is wholly owned by PR.*

*Exor Nederland N.V. ("**EN**") holds 99.73% of the voting rights in PR. EN is therefore deemed interested in PR's interest in Units. EXOR N.V. ("**EXOR**"), a company listed on the Milan Stock Exchange, holds 100% of the voting rights in EN. Giovanni Agnelli B.V. ("**GA**") holds 52.99% of the voting rights in EXOR. GA is privately held by the Italian Agnelli family.*

# Statistics of Unitholdings

(Constituted under a Trust Deed dated 7 June 2018 (as amended))

## UNITHOLDINGS OF DIRECTORS OF THE MANAGER AS AT 21 JANUARY 2022

(As recorded in the Register of Directors' Unitholdings)

| Name of Substantial Unitholders | No. of Units Direct Interest | No. of Units Deemed Interest |
|---|---|---|
| David Lim Teck Leong | 500,000 | – |
| Tan Hai Peng Micheal | 151,039 | 45,779,849[1] |
| Victor Song Chern Chean | – | 8,708,564[2] |
| Tan Dah Ching | 34,053 | – |
| Yezdi Phiroze Chinoy | 5,000 | – |
| Nicholas David Ashmore | – | – |
| Koo Tsai Kee | – | – |
| Tan Huay Lim | – | – |
| Evan Cheah Yean Shin | – | – |
| Tan Kok Heng* | – | – |

* *Tan Kok Heng is an Alternate Director to Evan Cheah Yean Chin.*

*Notes:*

(1) *Tan Hai Peng Micheal ("**Micheal**") holds 46.625% of the share capital of Teck Lee Holdings Pte. Ltd. ("**TLH**"). TLH holds 82.5% of the share capital of Ho Lee Group Pte. Ltd. ("**HLG**"). HLG holds 50% of the share capital of Elite Partners Holdings Pte. Ltd. ("**EPH**"), which holds 1,201,025 Units in Elite Commercial REIT. EPH holds 68% of the share capital of the Manager, which holds 7,507,539 Units in Elite Commercial REIT. Therefore, Micheal is deemed to be interested in 8,708,564 Units held by EPH and the Manager.*

*Ho Lee Group Trust holds 36,844,684 Units. Micheal is a beneficiary of HLGT, and therefore is deemed to be interested in the 36,844,684 Units held by HLGT.*

*Micheal is also deemed interested in the 226,601 Units held by his wife, Kan Phui Lin.*

(2) *Victor Song Chern Chean holds 22.5% of the share capital of EPH, which holds 1,201,025 Units in Elite Commercial REIT. EPH holds 68% of the share capital of the Manager, which holds 7,507,539 Units in Elite Commercial REIT. Therefore, Victor Song Chern Chean is deemed to be interested in 8,708,564 Units held by EPH and the Manager.*

## FREE FLOAT

*Disclosure pursuant to Rule 1207(9)(e) of the SGX-ST Listing Manual*

Based on information available to the Manager as at 7 March 2022, approximately 84.3% of the Units in Elite Commercial REIT are held in public hands. Accordingly, Rule 723 of the SGX-ST Listing Manual has been complied with.

# Notice of Annual General Meeting

## ELITE COMMERCIAL REIT

*(a real estate investment trust constituted on 7 June 2018 under the laws of the Republic of Singapore)*
*(Managed by Elite Commercial REIT Management Pte. Ltd.)*

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**" or "**Meeting**") of the unitholders of Elite Commercial REIT (the "**Unitholders**") will be convened and held by way of electronic means on Wednesday, 27 April 2022 at 4.00 p.m. to transact the following business:

**(A) AS ORDINARY BUSINESS**

1. To receive and adopt the Report of Perpetual (Asia) Limited, as trustee of Elite Commercial REIT (the "**Trustee**"), the Statement by Elite Commercial REIT Management Pte. Ltd., as manager of Elite Commercial REIT (the "**Manager**") and the Audited Financial Statements of Elite Commercial REIT for the financial year ended 31 December 2021 together with the Auditors' Report thereon. **(Ordinary Resolution 1)**

2. To re-appoint KPMG LLP as Auditors of Elite Commercial REIT and to hold office until the conclusion of the next AGM and to authorise the Manager to fix their remuneration. **(Ordinary Resolution 2)**

**(B) AS SPECIAL BUSINESS**

To consider and if thought fit, to pass, with or without any modifications, the following resolution as an Ordinary Resolution:

3. **GENERAL MANDATE FOR THE ISSUE OF NEW UNITS AND/OR CONVERTIBLE SECURITIES**

That authority be given to the Manager to

(a) (i) issue units in Elite Commercial REIT ("**Units**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Units to be issued, including but not limited to the creation and issue of (as well as adjustments to) securities, options, warrants, debentures or other instruments convertible into Units,

at any time and upon such terms and conditions and for such purposes and to such persons as the Manager may in its absolute discretion deem fit; and

(b) issue Units in pursuance of any Instrument made or granted by the Manager while this Resolution was in force (notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time such Units are issued),

provided that:

(1) the aggregate number of Units to be issued pursuant to this Resolution (including Units to be issued in pursuance of the Instruments made or granted pursuant to this Resolution) shall not exceed fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Units to be issued other than on a pro rata basis to existing Unitholders (including Units to be issued in pursuance of Instruments to be made or granted pursuant to this Resolution) shall not exceed twenty per cent (20.0%) of the total number of issued Units (excluding treasury Units, if any) (as calculated in accordance with sub paragraph (2) below);

# Notice of Annual General Meeting

(2) subject to such manner of calculation as may be prescribed by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), for the purpose of determining the aggregate number of Units and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Units and Instruments shall be based on the total number of issued Units (excluding treasury Units, if any) at the time of the passing of this Resolution, after adjusting for:

(a) any new Units arising from the conversion or exercise of the Instruments; and

(b) any subsequent bonus issue, consolidation or subdivision of Units;

(3) in exercising the authority conferred by this Resolution, the Manager shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Trust Deed constituting Elite Commercial REIT (as amended) ("**Trust Deed**") for the time being in force (unless otherwise exempted or waived by the Monetary Authority of Singapore);

(4) unless revoked or varied by Unitholders in a general meeting of Elite Commercial REIT, the authority conferred by this Resolution shall continue in force (i) until (a) the conclusion of the next AGM of Elite Commercial REIT or (b) the date by which the next AGM of Elite Commercial REIT is required by the applicable laws and regulations or the Trust Deed to be held, whichever is earlier or (ii) in the case of Units to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Units in accordance with the terms of the Instruments;

(5) where the terms of the issue of the Instruments provide for adjustment to the number of Instruments or Units into which the Instruments may be converted in the event of rights, bonus or other capitalisation issues or any other events, the Manager is authorised to issue additional Instruments or Units pursuant to such adjustment notwithstanding that the authority conferred by this Resolution may have ceased to be in force at the time the Instruments or Units are issued; and

(6) the Manager and the Trustee be and are hereby severally authorised to complete and do all such acts and things (including executing all such documents as may be required) as the Manager or, as the case may be, the Trustee may consider expedient or necessary or in the interest of Elite Commercial REIT to give effect to the authority conferred by this Resolution. **(Ordinary Resolution 3)**

(Please see Explanatory Note)

By Order of the Board

**Elite Commercial REIT Management Pte. Ltd.**
*(as manager of Elite Commercial REIT)*
*(Company Registration No. 201925309R)*

**Josephine Toh**
Company Secretary

Singapore
4 April 2022

# Notice of Annual General Meeting

**Explanatory Note:**

The Ordinary Resolution 3 above, if passed, will empower the Manager from the date of this AGM until (i) the conclusion of the next AGM of the Unitholders of Elite Commercial REIT, or (ii) the date by which the next AGM of the Unitholders of Elite Commercial REIT is required by the applicable laws and regulations or the Trust Deed to be held, or (iii) such authority is varied or revoked by the Unitholders in a general meeting, whichever is the earliest, to issue Units, make or grant Instruments and to issue Units pursuant to such Instruments, up to a number not exceeding, in total, fifty per cent (50.0%) of the total number of issued Units (excluding treasury Units, if any), with a sub-limit of twenty per cent (20.0%) for issues other than on a *pro rata* basis to Unitholders.

For the purpose of determining the aggregate number of Units that may be issued, the percentage of issued Units will be calculated based on the total number of issued Units (excluding treasury Units, if any) at the time this Ordinary Resolution is passed, after adjusting for new Units arising from the conversion and any subsequent bonus issue, consolidation or subdivision of Units.

**Important Notice:**

The AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Unitholders will **NOT** be able to attend the AGM in person. All Unitholders or their corporate representative(s) (in the case of Unitholders which are legal entities) will be able to participate in the AGM proceedings by accessing a "live" webcast or listening to a "live" audio feed. Please refer to "**Pre-registration for the AGM**" section below for details on participation in the AGM.

Printed copies of this Notice of AGM will be sent to Unitholders. It may also be accessed on Elite Commercial REIT's website at the URL https://investor.elitecreit.com/agm_egm.html and on the SGX-ST's website at the URL https://www.sgx.com/securities/company-announcements

**Appointment of proxy(ies)**

1. A Unitholder who is not a relevant intermediary and entitled to attend and vote at the AGM is entitled to appoint one or two proxies to attend and vote in his/her/their/its stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she/they/it specifies the proportion of his/her/their/its holding (expressed as a percentage of the whole) to be represented by each proxy.

2. A Unitholder who is a relevant intermediary entitled to attend and vote at the AGM is entitled to appoint more than two proxies to attend and vote instead of the Unitholder. Each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

   "**Relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore, and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act 1953 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

# Notice of
# Annual General Meeting

3. Unitholders may also appoint Chairman of the Meeting to vote in his/her/their/its stead. The Chairman of the Meeting, as a proxy, need not be a Unitholder.

4. The instrument appointing proxy(ies) (the "**Proxy Form**") must be deposited at the Unit Registrar's Office at **Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632** or sent by email to EliteCREIT@boardroomlimited.com not less than seventy-two (72) hours before the time appointed for holding the AGM.

   **In view of the current COVID-19 situation, Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.**

5. CPF/SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e.: by **4.00 p.m.** on **14 April 2022**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form by the cut-off date.

### Pre-registration for the AGM

1. Unitholders, Proxyholders and CPF/SRS investors attending the virtual AGM will be able to participate in the AGM proceedings through the Live Webcast via their mobile phones, tablets or computers.

2. Unitholders, and CPF/SRS investors who wish to attend the AGM are required to pre-register their participation in the AGM ("**Pre-registration**") at the following link: https://investor.elitecreit.com/agm_egm.html ("**AGM Registration and Q&A Link**") by **4.00 p.m. on 24 April 2022** ("**Registration Deadline**") for verification of their status as Unitholders (or the corporate representatives of such Unitholders).

3. Unitholders who are appointing Proxyholder(s) to attend the AGM should pre-register his/her/its Proxyholder(s) via the **AGM Registration and Q&A Link** by the **Registration Deadline**, failing which the appointment shall be invalid.

4. Following verification, authenticated Unitholders, CPF/SRS investors and Proxyholders ("**Attendees**") will receive an email by **4.00 p.m. on 26 April 2022**. The email will contain instructions to access the "live" webcast or "live" audio feed of the AGM proceedings. Attendees **must not** forward the email to other persons who are not entitled to participate in the AGM proceedings. Attendees who have pre-registered by the Registration Deadline in accordance with paragraph 2 above but have not received an email by **4.00 p.m.** on **26 April 2022** may contact the Unit Registrar, Boardroom Corporate & Advisory Services Pte. Ltd., at (65) 6536-5355 (during office hours) or email EliteCREIT@boardroomlimited.com for assistance.

### Question and answer

1. Attendees who wish to ask questions may submit text-based questions via the Live Webcast by selecting the "**Messaging**" feature tab and then input their queries in the questions text box.

2. Attendees are also encouraged to submit questions related to the resolutions to be tabled at the AGM during Pre-registration via the **AGM Registration and Q&A Link** so that they may be addressed before or during the AGM proceedings. All questions must be submitted by **4.00 p.m.** on **14 April 2022**.

3. The Manager shall only address relevant and substantial questions (as may be determined by the Manager in its sole discretion) received in advance of the AGM either before or during the AGM. The Manager will publish the minutes of the AGM on SGXNET and the Manager's website within one month after the date of AGM.

# Notice of Annual General Meeting

**Voting**

1. Live voting will be conducted during the AGM. It is important for Attendees to ensure that their own web-browser enabled devices are ready for voting during the AGM.

2. Attendees will be required to log-in via the email address provided during pre-registration.

   (i) Live voting: Attendees may cast their votes in real time for each resolution to be tabled via the Live Webcast through the login credentials created during pre-registration. Attendees will have the opportunity to cast their votes via the live voting feature.

   (ii) Voting via appointing the Chairman of the Meeting as Proxy; As an alternative to the above, Unitholders may also appoint the Chairman of the AGM as his/her/its proxy to vote on their behalf. Please refer to "**Appointment of proxy(ies)**" section above for the manner of submission.

**Personal data privacy:**

By (a) submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) completing the Pre-registration in accordance with this Notice, or (c) submitting any question prior to and/or during the AGM in accordance with this Notice, a Unitholder of Elite Commercial REIT consents to the collection, use and disclosure of the Unitholder's personal data by Elite Commercial REIT (or its agents or service providers) for the following purposes:

(i) the processing and administration by Elite Commercial REIT (or its agents or service providers) of proxy forms appointing a proxy or proxies for the AGM (including any adjournment thereof);

(ii) the processing of the Pre-registration for the purposes of granting access to Unitholders (or their corporate representatives in the case of members which are legal entities) to the live webcast or live audio feed of the AGM proceedings and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from members received before and/or during the AGM and if necessary, following up with the relevant Unitholders in relation to such questions;

(iv) the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and

(v) enabling Elite Commercial REIT (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

**Important reminder**

**Due to the constantly evolving COVID-19 situation, the Manager of Elite Commercial REIT may be required to change its AGM arrangements at short notice. Unitholders are advised to regularly check the Manager's website or announcements released on SGXNET for updates on the AGM. Further, in light of the current COVID-19 measures, which may make it difficult for Unitholders to submit completed proxy forms by post, Unitholders are strongly encouraged to submit completed proxy forms electronically via email.**

# PROXY FORM
## ANNUAL GENERAL MEETING

*(Please see notes overleaf before completing this Form)*

**IMPORTANT:**

**Note:** This Proxy Form may be accessed at Elite Commercial REIT's website at https://investor.elitecreit.com/agm_egm.html and also on the website of the SGX-ST at https://www.sgx.com/securities/company-announcements. Printed copies of this Proxy Form will be sent to unitholders.

1. A relevant intermediary may appoint more than two proxies to attend and vote at the Annual General Meeting (please see Note 2 for the definition of "**relevant intermediary**").
2. For CPF/SRS investors who have used their CPF/SRS monies to buy units in Elite Commercial REIT, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies.
3. **PLEASE READ THE NOTES TO THE PROXY FORM.**

**Personal data privacy**

By submitting an instrument appointing a proxy(ies), the Unitholder accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated **4 April 2022**.

## ELITE COMMERCIAL REIT

*(Constituted in the Republic of Singapore pursuant to a trust deed dated 7 June 2018 (as amended))*

I/We, ______________________________________________________________ (Name)

____________________________________ (NRIC/Passport Number/Company Registration Number)

of ______________________________________________________________ (Address)

being a Unitholder/Unitholders of Elite Commercial REIT, hereby appoint:

| Name | NRIC/Passport No. | Proportion of Unitholdings | |
|---|---|---|---|
| | | No. of Units | % |
| Address | | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Proportion of Unitholdings | |
|---|---|---|---|
| | | No. of Units | % |
| Address | | | |

or failing either or both of the above person(s), the **Chairman of the Meeting** as *my/our proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of Unitholders of Elite Commercial REIT to be held by electronic means on Wednesday, 27 April 2022 at 4.00 p.m. and at any adjournment thereof. *I/We direct *my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her/their discretion.

| No. | Ordinary Resolutions | No. of votes For** | No. of votes Against** | No. of votes Abstain** |
|---|---|---|---|---|
| **ORDINARY BUSINESS** | | | | |
| 1. | To receive and adopt the Report of the Trustee, the Statement by the Manager, and the Audited Financial Statements of Elite Commercial REIT for the financial year ended 31 December 2021 together with the Auditors' Report thereon. | | | |
| 2. | To re-appoint KPMG LLP as Auditors of Elite Commercial REIT and to hold office until the conclusion of the next AGM and to authorise the Manager to fix their remuneration. | | | |
| **SPECIAL BUSINESS** | | | | |
| 3. | To approve the General Mandate for the issue of New Units and/or Convertible instruments. | | | |

* *Delete where inapplicable*

** *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" or "Abstain" the relevant resolution, please tick (√) within the box provided in respect of that resolution. Alternatively, please indicate the number of votes as appropriate.*

Dated this ______________ day of ______________ 2022

| Total number of Units in: | No. of Units |
|---|---|
| a) CDP Register | |
| (b) Register of Unitholders | |

____________________________________

Signature of Unitholder(s)/Common Seal of Corporate Unitholder

**IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW**

*Glue all sides firmly. Stapling and spot sealing are disallowed.*

*Glue all sides firmly. Stapling and spot sealing are disallowed.*

*First fold (Glue all sides firmly. Stapling and spot sealing are disallowed.)*

Postage will be paid by addressee. For posting in Singapore only.

**BUSINESS REPLY SERVICE**
**PERMIT NO. 09568**

**ELITE COMMERCIAL REIT MANAGEMENT PTE. LTD.**
(as manager of Elite Commercial REIT)
c/o Boardroom Corporate & Advisory Services Pte. Ltd.
1 Harbourfront Avenue,
#14-07 Keppel Bay Tower,
Singapore 098632

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**IMPORTANT: PLEASE READ THE NOTES TO PROXY FORM BELOW**

Notes to the Proxy Form:

1. A unitholder of Elite Commercial REIT ("**Unitholder**") who is not a relevant intermediary and entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his/her/their/its stead. A proxy need not be a Unitholder. Where a Unitholder appoints more than one proxy, the appointments shall be invalid unless he/she/they/it specifies the proportion of his/her/their/its unitholding (expressed as a percentage of the whole) to be represented by each proxy.
2. A Unitholder who is a relevant intermediary entitled to attend and vote at the Meeting is entitled to appoint more than two proxies to attend and vote instead of the Unitholder, but each proxy must be appointed to exercise the rights attached to a different Unit or Units held by such Unitholder. Where such Unitholder appoints more than one proxy, the appointments shall be invalid unless the Unitholder specifies the number of Units in relation to which each proxy has been appointed in the Proxy Form (defined below).

   "**Relevant intermediary**" means:

   (a) a banking corporation licensed under the Banking Act 1970 of Singapore, or a wholly owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds Units in that capacity;

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 of Singapore, and who holds Units in that capacity; or

   (c) the Central Provident Fund Board ("**CPF Board**") established by the Central Provident Fund Act 1953 of Singapore, Chapter 36 of Singapore, in respect of Units purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the CPF Board holds those Units in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. Unitholders may also appoint Chairman of the Meeting to vote in his/her/their/its stead. The Chairman of the Meeting, as a proxy, need not be a Unitholder.
4. A Unitholder should insert the total number of Units held in the Proxy Form. If the Unitholder has Units entered against his/her/their/its name in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), he/she/they/it should insert that number of Units. If the Unitholder has Units registered in his/her/their/its name in the Register of Unitholders, he/she/they/it should insert that number of Units. If the Unitholder has Units entered against his/her/their/its name in the said Depository Register and Units registered in his/her/their/its name in the Register of Unitholders, he/she/they/it should insert the aggregate number of Units entered against his/her/their/its name in the Depository Register and registered in his/her/their/its name in the Register of Unitholders. If no number is inserted, the Proxy Form will be deemed to relate to all the Units held by the Unitholder.

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5. The instrument appointing proxy(ies) (the "**Proxy Form**") must be deposited at the Unit Registrar's Office at **Boardroom Corporate & Advisory Services Pte. Ltd. at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632** or sent by email to EliteCREIT@boardroomlimited.com not less than 72 hours before the time appointed for holding the Meeting.

   **In view of the current COVID-19 situation, Unitholders are strongly encouraged to submit completed Proxy Forms electronically via email.**
6. The Proxy Form must be executed under the hand of the appointor or of his or her attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the Proxy Form is executed by an attorney on behalf of the appointor, the letter or power of attorney or a notarially certified copy thereof must be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.
7. The Manager shall have the right to reject any Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of Units entered in the Depository Register, the Manager (a) may reject any Proxy Form if the Unitholder, being the appointor, is not shown to have Units entered against his or her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by CDP to the Manager; and (b) shall be entitled and bound to accept as accurate the number of Units entered against the name of that Unitholder as shown in the Depository Register as at a time not earlier that 72 hours prior to the time of the Meeting, supplied by CDP to the Trustee and to accept as the maximum number of votes which in aggregate that Unitholder and his proxy/ies (if any) are able to cast on poll a number which is the number of Units entered against the name of that Unitholder as shown in the Depository Register, whether that number is greater or smaller than that specified by the Unitholder or in the Proxy Form.
8. All Unitholders will be bound by the outcome of the Meeting regardless of whether they have attended or voted at the Meeting.
9. Personal data privacy: By submitting an instrument appointing proxy(ies) to vote at the Meeting and/or any adjournment thereof, all Unitholders accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated **4 April 2022**.

# Corporate Directory

## THE TRUSTEE

**Perpetual (Asia) Limited**
16 Collyer Quay
#07-01 Singapore 049318
Telephone No.: (65) 6908 8203

## MANAGER

**Elite Commercial REIT Management Pte. Ltd.**
8 Temasek Boulevard #37-02,
Suntec Tower Three,
Singapore 038988
Telephone No.: (65) 6955 9999

## BOARD OF DIRECTORS

Chairman and Independent Non-Executive Director
**Mr David Lim Teck Leong**

Independent Non-Executive Directors
**Mr Tan Huay Lim**
**Mr Koo Tsai Kee**
**Mr Nicholas David Ashmore**
**Mr Yezdi Phiroze Chinoy**

Non-Independent Non-Executive Directors
**Mr Tan Hai Peng Micheal**
**Mr Victor Song Chern Chean**
**Mr Tan Dah Ching**
**Mr Evan Cheah Yean Shin**

Alternate Director to Mr Evan Cheah Yean Shin
**Dr Tan Kok Heng**

## AUDIT AND RISK COMMITTEE

Chairman
**Mr Tan Huay Lim**

Members
**Mr David Lim Teck Leong**
**Mr Koo Tsai Kee**

## NOMINATING AND REMUNERATION COMMITTEE

Chairman
**Mr Koo Tsai Kee**

Members
**Mr David Lim Teck Leong**
**Mr Tan Hai Peng Micheal**

## SUSTAINABILITY COMMITTEE

Chairman
**Mr David Lim Teck Leong**

Members
**Dr Tan Kok Heng**
**Mr Yezdi Phiroze Chinoy**
**Ms Shaldine Wang**
**Mr Joel Cheah**
**Mr Jonathan Edmunds**
**Ms Chai Hung Yin**

## STRATEGIC PLANNING COMMITTEE

Chairman
**Mr Tan Hai Peng Micheal**

Members
**Mr Victor Song Chern Chean**
**Dr Tan Kok Heng**

## MANAGEMENT TEAM

Chief Executive Officer
**Ms Shaldine Wang**

Chief Financial Officer
**Mr Joel Cheah**

Chief Investment Officer
**Mr Jonathan Edmunds**

Assistant Vice President, Investor Relations
**Ms Chai Hung Yin**

## COMPANY SECRETARY

**Ms Josephine Toh**

## AUDITOR

**KPMG LLP**
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Telephone No.: (65) 6213 3388

Partner-in-charge:
**Ms Lo Mun Wai**
*(Appointed since the financial period ended 31 December 2019)*

## UNIT REGISTRAR

**Boardroom Corporate & Advisory Services Pte. Ltd.**
1 Harbourfront Avenue,
#14-07 Keppel Bay Tower,
Singapore 098632
Telephone No.: (65) 6536 5355

# Glossary

## #

**°C**
Celcius

**2018 Code**
The Code of Corporate Governance 2018

## A

**Aggregate Leverage Limit**
The leverage limit stipulated by the Code on Collective Investment Schemes governed by the MAS. In April 2020, the aggregate leverage limit was raised to 50% from the previous limit of 45%

**AGM**
Annual General Meeting

**AR6**
IPCC Assessment Report

**ARC**
Audit and Risk Committee

**ART**
Antigen Rapid Test

## B

**BCP**
Business Continuity Plan

**Board**
Board of Directors of the REIT Manager

**Board Committees**
Consisting of ARC, NRC, SPC and SC

**Break Clause**
A break clause in a lease gives one or either party the right to end the lease sooner by giving notice either at any time or between specified dates

**British Pound (£)**
The official currency of The United Kingdom

## C

**CDP**
Central Depository (Pte) Limited

**CEO**
Chief Executive Officer

**CFO**
Chief Financial Officer

**CG Report**
Corporate governance report

**CIO**
Chief Investment Officer

**CIS Code**
The Code on Collective Investment Schemes

**CMS Licence**
Capital markets services licence issued by the Monetary Authority of Singapore

**$CO_2e$**
Carbon dioxide equivalent

**Code of Conduct**
Group-wide Code of Conduct & Ethics

**Companies Act**
Companies Act 1967 of Singapore

**Company Secretary**
Company secretary of the REIT Manager

**COSO**
Committee of Sponsoring Organisations of the Treadway Commission

**COVID-19**
Coronavirus Disease

**CPD**
Continuing Professional Development

**CPI**
Consumer Price Index

**CRAFT**
Comprehensive Risk Assessment Framework & Techniques

**CSR**
Corporate Social Responsibility

## D

**Directors**
All the Directors of the REIT Manager

**DPU**
Distribution per Unit

**DRP**
Dividend Reinvestment Plan

**DWP**
Department for Work and Pensions

## E

**ECHL**
Elite UK Commercial Holdings Limited

**EGM**
Extraordinary General Meeting

**EPC**
Elite Partners Capital Pte. Ltd./ Energy Performance Certificate

**EPH**
Elite Partners Holdings Pte. Ltd.

**ERM**
Enterprise Risk Management/ Environmental Risk Management (within the Sustainability Report)

**ESG**
Environmental, Social and Governance

## F

**Freehold**
A property with a freehold title can be held by its owner indefinitely

**FRI**
Full repairing and insuring

**FTSE ST REIT Index**
A free-float, market capitalisation-weighted index that measures the performance of stocks operating within the REIT Sector

**FY 2020**
Financial period from 6 February 2020 (Listing Date) to 31 December 2020

**FY 2021**
Financial period from 1 January 2021 to 1 December 2021

## G

**GDP**
Gross Domestic Product

**GHG**
Greenhouse Gas Emissions

**GRI**
Gross rental income/Global Reporting Initiative (within the Sustainability Report)

## I

**IDs**
Independent directors

**IPCC**
Intergovernmental Panel on Climate Change

**IPO**
Initial Public Offering

**IPO Projection**
Profit projection for the financial period from 1 January 2021 to 31 December 2021

**IPTs**
Interested Person Transactions

**ISO**
International Organisation for Standardisation

**IT**
Information Technology

## J

**JobCentre Plus**
A UK Government-funded employment agency and social security office

**JMML**
Juvenile Myelomonocytic Leukaemia

## K

**KYC**
Know Your Customer

**Kg**
Kilogram

**KMP**
Key management personnel

**kWh**
Kilowatt hour

## L

**Lease Re-gearing**
Re-gearing a lease is the practice of renegotiating lease terms between the tenant and landlord during the course of the lease

**Listing Date**
6 February 2020

## M

**Management**
CEO as well as other key management personnel of the REIT Manager

**MAS**
Monetary Authority of Singapore

**$m^2$**
Square metre

**MEES**
Minimum Energy Efficiency Standards

## N

**NAV**
Net Asset Value

**NIA**
Net internal area

**NRC**
Nominating and Remuneration Committee

## O

**OECD**
The Organisation for Economic Co-operation and Development is an international organisation that works to stimulate economic progress and world trade

## P

**PDPA**
Personal Data Protection Act

**Primary Occupier**
UK Government's Department for Work and Pensions

**Property Funds Appendix**
Appendix 6 of the CIS Code

**Portfolio**
The REIT's portfolio comprising 155 properties

**PV**
Photovoltaic

## R

**RCPs**
Representative Concentration Pathways

**RCSA**
Risk and Control Self-Assessment

**REIT**
Elite Commercial REIT

**REIT Manager**
Elite Commercial REIT Management Pte. Ltd., as the Manager of Elite Commercial REIT

**ROFR**
Right of First Refusal

## S

**SASB**
Sustainability Accounting Standards Board

**SC**
Sustainability Committee

**SFA**
Securities and Futures Act, Chapter 289 of Singapore

**SGX-ST**
Singapore Exchange Securities Trading Ltd.

**SID**
Singapore Institute of Directors

**SPC**
Strategic Planning Committee

**Sponsors**
Elite Partners Holdings Pte. Ltd.; Ho Lee Group Pte. Ltd.; and Sunway RE Capital Pte. Ltd. as Sponsors of Elite Commercial REIT

**Sq ft**
Square feet

**S-REIT**
Singapore REIT

**Straits Times Index**
A market capitalisation weighted index that tracks the performance of the top 30 companies listed on SGX

**SWT**
Sustainability Working Team

## T

**TISE**
The International Stock Exchange, a regulated stock exchange in Europe

**Trustee**
Perpetual (Asia) Limited

**Trust Deed**
Trust deed dated 7 June 2018

## U

**UK**
United Kingdom

**UKCP18**
UK Climate Projections 2018

**UN SDGs**
United Nations Sustainable Development Goals

**Unit(s)**
An undivided interest in Elite Commercial REIT as provided for in the Trust Deed

**Unitholder(s)**
The Depositor whose securities account with CDP is credited with Unit(s)

## T

**TCFD**
Task Force on Climate-related Financial Disclosures

## W

**WALB**
Weighted Average Lease Break. The weighted average lease break by headline rent based on the earlier of the next permissible break date(s) at the tenants election or the expiry of the lease

**WALE**
Weighted Average Lease Expiry. The weighted average lease expiry by headline rent based on the final termination date of the agreement

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**IMPORTANT NOTICE**

This Annual Report is for information only and does not constitute or form part of an offer, invitation or solicitation of any offer to purchase or subscribe for units in Elite Commercial REIT ("**Units**") in Singapore or any other jurisdiction nor should it or any part of it form the basis of, or be relied upon in connection with, any contract or commitment whatsoever.

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by Elite Commercial REIT, the Manager or any of their respective affiliates. An investment in the Units is subject to investment risks, including the possible loss of the principal amount invested. The Unitholders 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 the SGX-ST. Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units.

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**elitecreit.com**