

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 28 January 2019 (as amended))

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS AND DISTRIBUTION ANNOUNCEMENT FOR THE FIRST FINANCIAL HALF YEAR PERIOD FROM 1 JULY 2021 TO 31 DECEMBER 2021

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Introduction & Corporate information

Lendlease Global Commercial REIT (“LREIT”) is a Singapore-domiciled real estate investment trust constituted pursuant to the Trust Deed dated 28 January 2019 (as amended). It is principally regulated by the Securities and Futures Act 2001, the Code on Collective Investment Schemes issued by the MAS (“CIS Code”), including Appendix 6 of the CIS Code (the “Property Funds Appendix”), other relevant regulations and the Trust Deed. LREIT was listed on the Mainboard of Singapore Exchange Securities Trading Limited (“SGX-ST”) on 2 October 2019 (“Listing Date”).

The Sponsor, Lendlease Corporation Limited (“Sponsor” or “Lendlease Corporation”), is part of the Lendlease Group, comprising Lendlease Corporation, Lendlease Trust and their subsidiaries (the “Lendlease Group”, and the Sponsor and its subsidiaries, the “Sponsor Group”). Lendlease Group is a leading international property and infrastructure group with operations in Australia, Asia, Europe and the Americas and is listed on the Australian Securities Exchange.

Lendlease Global Commercial Trust Management Pte. Ltd. (the “Manager”) is an indirect wholly-owned subsidiary of the Sponsor.

The Trustee of LREIT is RBC Investor Services Trust Singapore Limited (the “Trustee”).

LREIT is established with the principal investment strategy of investing, directly or indirectly, in a diversified portfolio of stabilised income-producing real estate assets located globally, which are used primarily for retail and/or office purposes, as well as real estate-related assets in connection with the foregoing.

LREIT’s property portfolio comprises a leasehold interest in one retail mall located in Singapore and a freehold interest in three office buildings located in Milan, Italy (the “Properties”).

The details of each of these properties are as follows:

- (i) a 99-year leasehold¹ interest in 313@somerset, which is a retail mall located in Singapore (the “313@somerset”); and
- (ii) a freehold interest in Sky Complex, which comprises three office buildings located in Milan, Italy (the “Sky Complex”).

LREIT owns a 24.8% indirect interest in Lendlease Asian Retail Investment Fund 3 Limited (“ARIF3”)² and a 53.0% indirect interest in Lendlease Jem Partners Fund Limited (“LLJP”)². ARIF3 and LLJP hold a 75.0% indirect interest and a 25.0% indirect interest respectively in the property known as Jem. Jem is an integrated office and retail development located in Jurong Gateway, the commercial hub of the Jurong Lake District, Singapore.

Footnotes:

1. Commencing on 21 November 2006 and ending on 20 November 2105.

2. ARIF3 and LLJP are managed by an indirect wholly-owned subsidiary of the sponsor of LREIT. Management fees paid at the respective levels of ARIF3 and LLJP will not be double-counted towards the Manager’s fees.

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Distribution Policy

LREIT intends to make distributions to Unitholders semi-annually and will distribute at least 90.0% of its adjusted net cashflow from operations for each financial year. The actual level of distribution will be determined at the Manager's discretion.

The first distribution for FY2022 will be for the period from 1 July 2021 to 31 December 2021 and will be paid on or before 31 March 2022. LREIT intends to distribute at least 90.0% of LREIT's adjusted net cashflow from operations for the period.

Summary of Lendlease Global Commercial REIT Group Results

	GROUP		
	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020	Variance %
Gross Revenue (S\$'000)	39,190	41,608	(5.8)
Net Property Income (S\$'000)	29,643	30,393	(2.5)
Amount Distributable (S\$'000)			
- to Perpetual Securities holders	4,234	-	NM
- to Non-controlling interests	2,186	-	NM
- to Unitholders	28,602	27,546	3.8
Available Distribution per Unit ("DPU") (cents)	2.40	2.34	2.6

NM: Not meaningful

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1(a)(i) Condensed Interim Consolidated Statement of Profit or Loss and Distribution Statement

GROUP			
(S\$'000)			
Note	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020	Variance %
Gross revenue	39,190	41,608	(5.8)
Property operating expenses	(9,547)	(11,215)	14.9
Net property income	29,643	30,393	(2.5)
Manager's base fee	(2,085)	(1,970)	(5.8)
Manager's performance fee	(1,655)	(1,520)	(8.9)
Other management fees	(682)	(401)	(70.1)
Trustee's fee	(120)	(103)	(16.5)
Other trust expenses ¹	(1,130)	(1,440)	21.5
Net foreign exchange gain/(loss) ²	16,914	(14,633)	NM
Finance income	90	40	>100
Finance costs ³	(5,688)	(5,057)	(12.5)
Profit before tax, fair value change and share of profit	35,287	5,309	>100
Net change in fair value of equity instrument ⁴	330	-	NM
Share of profit of associates	7,419	-	NM
Net change in fair value of derivative financial instruments ⁵	2,804	(851)	NM
Profit/(Loss) before tax	45,840	4,458	>100
Tax expense	-	-	NM
Profit/(Loss) after tax	45,840	4,458	>100
Attributable to:			
Unitholders	39,420	4,458	>100
Non-controlling interests	2,186	-	NM
Perpetual securities holders ⁶	4,234	-	NM
Profit/(Loss) after tax	45,840	4,458	>100
Distribution Statement			
Profit attributable to Unitholders	39,420	4,458	>100
Add: Distribution adjustments ⁷	(10,818)	23,088	NM
Amount available for distribution to Unitholders (Note A)	28,602	27,546	3.8

NM: Not meaningful

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1(a)(i) Condensed Interim Consolidated Statement of Profit or Loss and Distribution Statement

Footnotes:

1. Other trust expenses include operating expenses such as annual listing fees, auditing and tax advisory fees, valuation costs, investor relations expenses, acquisition costs for equity instrument and other miscellaneous expenses.

2. Net foreign exchange gain/loss relates mainly to the translation difference of the Euro term loan to Singapore Dollars during the period. Due to the effect of natural hedging, there is a corresponding gain/loss recognised in the comprehensive income, resulting from the stronger/weaker €/S\$ exchange rate on the Euro-denominated investment.

3. Finance costs comprise mainly interest expense and amortisation of debt-related transaction costs.

4. Comprises net change in fair value of equity instrument through profit or loss. This is a non-tax chargeable/deductible item and therefore does not affect income available for distribution to Unitholders.

5. Comprises mainly net change in fair value of interest rate swaps, options and currency forwards which were entered to hedge interest rate and foreign exchange risks. This is a non-tax chargeable/deductible item and therefore does not affect income available for distribution to Unitholders.

6. On 4 June 2021, LREIT issued \$200 million of perpetual securities with no fixed final redemption date. The perpetual securities confer a right to its holders to receive distribution payments at a rate of 4.20% per annum, with the first distribution rate reset falling on 4 June 2026 and subsequent resets occurring every 5 years thereafter. Distributions are payable semi-annually in arrears on a discretionary basis and are non-cumulative in accordance with the terms and conditions of the perpetual securities.

7. Comprises Manager's base fee and performance fee paid/payable in units, property management fee paid/payable in units, net change in fair value of investment properties, investment property under development, equity instrument and derivative financial instruments, amortisation of debt-related transaction costs, incentive amounts, acquisition costs for equity instrument and other adjustments related to non-cash or timing differences in income and expenses.

Note A

Distribution from:

- Singapore

- Foreign source ¹

Total

GROUP			Variance %
(S\$'000)			
6 months ended 31 Dec 2021	6 months ended 31 Dec 2020		
18,226	18,162		0.4
10,376	9,384		10.6
28,602	27,546		3.8

Footnote:

1. Foreign source distribution mainly pertains to income from Sky Complex. Any income from this property that has not been distributed to LREIT by the date LREIT makes distribution to its Unitholders will constitute a capital distribution.

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1(a)(ii) Condensed Interim Consolidated Statement of Comprehensive Income

	GROUP		
	(S\$'000)		Variance %
	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020	
Profit/(Loss) after tax	45,840	4,458	>100
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Other comprehensive income:			
Net currency translation differences relating to financial statements of a foreign subsidiary	(17,115)	14,986	NM
Total comprehensive income	28,725	19,444	47.7

Total comprehensive income attributable to:

Unitholders	22,305	19,444	14.7
Non-controlling interests	2,186	-	NM
Perpetual securities holders	4,234	-	NM
	28,725	19,444	47.7

NM: Not meaningful

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1(b)(i) Condensed Interim Statement of Financial Position

	Note	GROUP 31 Dec 2021 (S\$'000)	GROUP 30 Jun 2021 (S\$'000)
Current assets			
Cash and cash equivalents	ii	47,529	249,264
Trade and other receivables		5,914	6,664
Other current assets		5,455	2,910
Derivative financial instruments ¹		1,108	-
		60,006	258,838
Non-current assets			
Investment properties	iii	1,404,317	1,419,857
Investment property under development	iv	6,789	5,521
Investment in associates	v	512,347	-
Equity instrument at fair value	vi	-	44,591
Other receivables		4,301	7,311
Other non current assets		1,350	869
Derivative financial instruments ¹		605	128
		1,929,709	1,478,277
Total assets		1,989,715	1,737,115
Current liabilities ²			
Trade and other payables		26,004	27,393
Loans and borrowings	vii	98,597	-
Lease liability ³		324	416
Derivative financial instruments ¹		1,197	207
		126,122	28,016
Non-current liabilities			
Trade and other payables		4,379	5,300
Lease liability ³		1,988	2,105
Loans and borrowings	vii	557,085	542,573
Derivative financial instruments ¹		113	2,322
		563,565	552,300
Total liabilities		689,687	580,316
Net assets		1,300,028	1,156,799
Represented by:			
Unitholders' funds		961,617	957,902
Non-controlling interests		139,492	-
Perpetual securities holders		198,919	198,897
		1,300,028	1,156,799
NAV per Unit (S\$) ⁴	viii	0.81	0.81

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1(b)(i) Condensed Interim Statement of Financial Position

Footnotes:

1. Derivative financial instruments reflect the fair value of interest rate swaps, options and currency forwards which were entered to hedge interest rate and foreign exchange risks.

2. The Group is in a net current liabilities position mainly due to a current portion of long-term borrowings taken to fund investment properties (long-term assets) that are maturing within the next 12 months. The Group has sufficient banking facilities available to refinance the portion of borrowings due payable within the next 12 months.

3. This relates to the lease liability recognised by the Group on its existing operating lease arrangements in accordance with the principles of IFRS 16.

4. Net asset value ("NAV") and net tangible asset ("NTA") backing per unit are based on issued units at the end of the period.

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1(b)(i) Condensed Interim Statement of Financial Position

	Note	LREIT 31 Dec 2021 (S\$'000)	LREIT 30 Jun 2021 (S\$'000)
Current assets			
Cash and cash equivalents	ii	22,648	232,768
Trade and other receivables		361	833
Other current assets		6,586	2,582
Derivative financial instruments ¹		1,108	-
		30,703	236,183
Non-current assets			
Investment properties	iii	983,930	983,000
Investment property under development	iv	6,789	5,521
Investment in subsidiaries		810,969	435,245
Equity instrument at fair value	vi	-	44,591
Other non current assets		1,350	869
Derivative financial instruments ¹		605	128
		1,803,643	1,469,354
Total assets		1,834,346	1,705,537
Current liabilities ²			
Trade and other payables		22,366	22,997
Loans and borrowings	vii	98,597	-
Lease liability ³		324	416
Derivative financial instruments ¹		1,197	207
		122,484	23,620
Non-current liabilities			
Trade and other payables		4,379	5,300
Lease liability ³		1,988	2,105
Loans and borrowings	vii	557,085	542,573
Derivative financial instruments ¹		113	2,322
		563,565	552,300
Total liabilities		686,049	575,920
Net assets		1,148,297	1,129,617
Represented by:			
Unitholders' funds		949,378	930,720
Perpetual securities holders		198,919	198,897
		1,148,297	1,129,617
NAV per Unit (S\$) ⁴	viii	0.80	0.79

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1(b)(i) Condensed Interim Statement of Financial Position

Footnotes:

1. Derivative financial instruments reflect the fair value of interest rate swaps, options and currency forwards which were entered to hedge interest rate and foreign exchange risks.

2. LREIT is in a net current liabilities position mainly due to a current portion of long-term borrowings taken to fund investment properties (long-term assets) that are maturing within the next 12 months. LREIT has sufficient banking facilities available to refinance the portion of borrowings due payable within the next 12 months.

3. This relates to the lease liability recognised by the Group on its existing operating lease arrangements in accordance with the principles of IFRS 16.

4. Net asset value ("NAV") and net tangible asset ("NTA") backing per unit are based on issued units at the end of the period.

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1(c) Condensed Interim Consolidated Statement of Cash Flow

	GROUP	
	6 months ended 31 Dec 2021 (S\$'000)	6 months ended 31 Dec 2020 (S\$'000)
Cash flows from operating activities		
Profit/(Loss) after tax	45,840	4,458
Adjustments for:		
Manager's fee paid/payable in units	3,740	3,945
Property manager's fee paid/payable in units	792	846
Transaction costs related to purchase of equity instrument	54	48
Finance income	(90)	(40)
Interest expense	2,698	2,463
Amortisation of debt-related transactions costs	2,941	2,594
Net unrealised foreign exchange (gain)/loss ¹	(17,090)	14,198
Share of profit of associates	(7,419)	-
Net change in fair value of equity instrument	(330)	-
Net change in fair value of derivatives financial instruments	(2,804)	851
Operating income before working capital changes	28,332	29,363
Changes in working capital:		
Trade and other receivables	3,820	2,352
Trade and other payables	(739)	(1,817)
Other current assets	(2,545)	1,044
Other non current assets	(481)	89
Net cash generated from/(used in) operating activities	28,387	31,031
Cash flows from investing activities		
Dividends received from associates	12,130	-
Interest received	90	40
Capital expenditure on investment properties	(1,876)	(352)
Capital expenditure on investment property under development	(1,343)	-
Purchase of equity instrument at fair value	-	(45,533)
Transaction costs related to purchase of equity instrument	129	(48)
Acquisition of investment in associate ²	(169,933)	-
Acquisition of subsidiary ²	(157,965)	-
Net cash generated from/(used in) investing activities	(318,768)	(45,893)
Cash flows from financing activities		
Payment of financing expenses	(2,701)	-
Proceeds from loans and borrowings	150,000	-
Repayment of loans and borrowings	(20,000)	-
Distribution to Unitholders	(27,576)	(20,600)
Distribution to perpetual securities holders	(4,212)	-
Distribution to non-controlling interests	(3,210)	-
Interest paid	(2,690)	(1,983)
Payment of lease liability	(231)	-
Net cash flows generated from/(used in) financing activities	89,380	(22,583)
Net movement in cash and cash equivalents	(201,001)	(37,445)
Cash and cash equivalents at beginning of the period	249,264	83,678
Effect of exchange rate changes on balances held in foreign currency	(734)	203
Cash and cash equivalents at end of the period	47,529	46,436

Footnotes:

1. Net unrealised foreign exchange gain/loss relates mainly to the translation difference of the Euro term loan to Singapore Dollar during the period. Due to the effect of natural hedging, there is a corresponding gain/loss in the comprehensive income, resulting from the stronger/weaker €/S\$ exchange rate on the Euro-denominated investment.

2. Refer to note v and note xii for details.

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1(d)(i) Condensed Interim Statements of Movements in Unitholders' Funds

	GROUP	GROUP
	6 months ended 31 Dec 2021 (S\$'000)	6 months ended 31 Dec 2020 (S\$'000)
Operations		
Balance as at the beginning of the period	(10,553)	(8,616)
Profit/(Loss) after tax attributable to Unitholders	39,420	4,458
Balance as at end of the period	28,867	(4,158)
Unitholders' transactions		
Balance as at the beginning of the period	948,232	989,648
Manager's base fee paid in units	1,963	967
Manager's performance fee paid in units	2,923	2,015
Manager's acquisition fee paid in units	3,275	455
Property manager's fee paid in units	825	476
Distributions	(27,576)	(20,600)
Balance as at end of the period	929,642	972,961
Foreign currency translation reserve		
Balance as at the beginning of the period	20,223	11,218
Translation differences relating to financial statements of a foreign subsidiary	(17,115)	14,986
Balance as at end of the period	3,108	26,204
Total Unitholders' funds as at end of the period	961,617	995,007
Perpetual securities holders		
Balance as at beginning of the period	198,897	-
Profit attributable to perpetual securities holders	4,234	-
Distributions	(4,212)	-
Balance at end of the period	198,919	-
NON-CONTROLLING INTERESTS		
Balance as at beginning of the period	-	-
Acquisition of subsidiary	140,516	-
Total return for the period attributable to non-controlling interests	2,186	-
Distribution to non-controlling interests	(3,210)	-
Balance at end of the period	139,492	-

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1(d)(i) Condensed Interim Statements of Movements in Unitholders' Funds

	LREIT	LREIT
	6 months ended 31 Dec 2021 (S\$'000)	6 months ended 31 Dec 2020 (S\$'000)
Operations		
Balance as at the beginning of the period	(17,512)	(34,253)
Profit/(Loss) after tax attributable to Unitholders	37,248	12,570
Balance as at end of the period	19,736	(21,683)
Unitholders' transactions		
Balance as at the beginning of the period	948,232	989,648
Manager's base fee paid in units	1,963	967
Manager's performance fee paid in units	2,923	2,015
Manager's acquisition fee paid in units	3,275	455
Property manager's fee paid in units	825	476
Distributions	(27,576)	(20,600)
Balance as at end of the period	929,642	972,961
Total Unitholders' funds as at end of the period	949,378	951,278
Perpetual securities holders		
Balance as at beginning of the period	198,897	-
Profit attributable to perpetual securities holders	4,234	-
Distributions	(4,212)	-
Balance at end of the period	198,919	-

1(d)(ii) Details of Any Change in Units

	6 months ended 31 Dec 2021 (Units)	6 months ended 31 Dec 2020 (Units)
Balance as at beginning of the period	1,180,996,040	1,171,795,224
<u>New units issued</u>		
Manager's base fee paid in units	2,439,193	1,320,113
Manager's performance fee paid in units	3,610,539	2,749,738
Manager's acquisition fee paid in units	3,683,816	631,431
Property Manager's fee paid in units	916,788	649,446
Total issued units as at end of the period ¹	1,191,646,376	1,177,145,952

Footnotes:

1. There were no convertible and treasury units held by LREIT and its subsidiaries as at 31 December 2021 and 31 December 2020.

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1(d)(iii) Notes to the Condensed Interim Financial Statements

Basis of Preparation

The condensed interim financial statements for the six-month period ended 31 December 2021 have been prepared in accordance with the IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 30 June 2021.

The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last audited financial statements for the year ended 30 June 2021.

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

The condensed interim financial statements are presented in Singapore dollars ("S\$"), which is the functional currency of LREIT. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

Any discrepancies in the tables included in this announcement between the listed amounts and the totals thereof are due to rounding.

New and amended standards adopted by the Group

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

Use of estimates and judgements

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

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 in any future periods affected.

Information about critical judgements and estimates made in applying the Group's accounting policies that have the most significant effect on the amounts recognised in the condensed interim financial statements are described in note iii – investment properties and note iv - investment property under development.

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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 Manager has overall responsibility for the appointment of external valuers, where necessary, and all significant fair value measurements and reports directly to the Board of Directors of the Manager.

When measuring the fair value of an asset or a liability, the Manager uses market observable 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 in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- 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 iii: Investment properties;
- Note iv: Investment property under development; and
- Note vi: Equity instrument at fair value

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Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Operating Decision Makers ("CODMs") which comprise mainly the Board of Directors including the Chief Executive Officer ("CEO") of the Manager to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Unallocated items mainly comprise fees, other trust expenses, foreign exchange gain/loss, finance cost, interest and other income, fair value of derivative financial instruments and income tax expense as these are centrally managed by the Group.

Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment, investment properties and investment property under development.

i Gross revenue and operating segment

Operating segment

For segment reporting purpose, the primary segment is by geography and it comprises Singapore and Italy. The Group's reportable operating segments are as follows:

- (i) Singapore – leasing of property retail mall in Singapore.
- (ii) Italy – leasing of three office buildings in Milan, Italy.

Segment information is presented in respect of the Group's geographical segments. The operations of each of the Group's geographical segments are separately managed because of different economic and regulatory environments in which they operate in. For the purpose of making resource allocation and the assessment of segment performance, the Group's CODMs have focused on its investment properties. For each of the reporting segments, the Manager reviews internal management reports on a monthly basis. This forms the basis of identifying the operating segments of the Group under IFRS 8 Operating Segments.

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i Gross revenue and operating segment

Operating segment

	Singapore (S\$'000)	Italy (S\$'000)	Group (S\$'000)
6 months ended 31 Dec 2021			
Gross revenue	26,230	12,960	39,190
Property operating expenses	(8,251)	(1,296)	(9,547)
Total segment net property income	17,979	11,664	29,643
<i>Unallocated items:</i>			
Manager's base fees			(2,085)
Manager's performance fees			(1,655)
Other management fees			(682)
Trustee's fee			(120)
Other trust expenses			(1,130)
Net foreign exchange gain/(loss)			16,914
Finance income			90
Finance costs			(5,688)
Profit/(Loss) before tax, change in fair value and share of profit			35,287
Share of profit/(losses) of associates	7,419	-	7,419
Fair value gains/(losses) of equity instrument	330	-	330
<i>Unallocated item:</i>			
Fair value gains/(losses) of derivative financial instruments			2,804
Profit/(Loss) before tax			45,840
Segment assets	1,543,681	446,034	1,989,715
Segment liabilities	686,329	3,358	689,687

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i Gross revenue and operating segment

Operating segment

	Singapore (S\$'000)	Italy (S\$'000)	Group (S\$'000)
6 months ended 31 Dec 2020			
Gross revenue	28,437	13,171	41,608
Property operating expenses	(9,895)	(1,320)	(11,215)
Total segment net property income	18,542	11,851	30,393
<i>Unallocated items:</i>			
Manager's base fees			(1,970)
Manager's performance fees			(1,520)
Other management fees			(401)
Trustee's fee			(103)
Other trust expenses			(1,440)
Net foreign exchange gain/(loss)			(14,633)
Finance income			40
Finance costs			(5,057)
Profit/(Loss) before tax and change in fair value			5,309
<i>Unallocated item:</i>			
Fair value gains/(losses) of derivative financial instruments			(851)
Profit/(Loss) before tax			4,458
Segment assets	1,095,013	482,510	1,577,523
Segment liabilities	578,980	3,536	582,516

Breakdown of gross revenue

	Group	
	(S\$'000)	
	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020
Rental income	36,909	39,370
Turnover rent ¹	565	815
Other property income	1,716	1,423
	39,190	41,608

Footnotes:

1. Turnover rent is contingent rent derived from operating leases.

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ii Cash and cash equivalents

	Group		LREIT	
	(S\$'000)		(S\$'000)	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
Cash at banks and on hand	45,829	49,264	20,948	32,768
Fixed deposits with financial institution	1,700	200,000	1,700	200,000
	47,529	249,264	22,648	232,768

The decrease in cash and cash equivalents is mainly due to the acquisition of investment in associates.

iii Investment properties

	GROUP	GROUP
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Property		
Singapore	983,930	983,000
Italy	420,387	436,857
Investment properties	1,404,317	1,419,857

	GROUP	GROUP
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Balance as at the beginning of the period	1,419,857	1,442,598
Capital expenditure	930	2,525
Currency translation difference	(16,470)	8,159
Change in fair value of investment properties	-	(33,425)
Balance as at the end of the period	1,404,317	1,419,857

	LREIT	LREIT
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Balance as at the beginning of the period	983,000	1,008,000
Capital expenditure	930	2,525
Change in fair value of investment properties	-	(27,525)
Balance as at the end of the period	983,930	983,000

The decrease in investment properties is mainly due to foreign exchange revaluation loss on a Euro-denominated investment property (Sky Complex) attributed to weaker €/S\$ exchange rate.

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iii Investment properties

Measurement of fair value

Fair value hierarchy

The carrying amounts of the investment properties as at 31 December 2021 were based on the valuations performed by independent professional valuers, CBRE Pte. Ltd. and Savills Advisory Services Limited, as at 30 June 2021, adjusted for capital expenditure incurred subsequent to the valuation date and currency translation differences. The Group has assessed that the carrying amounts of the investment properties as at 31 December 2021 approximates their fair values.

The fair value measurement for investment properties has been categorised as Level 3 fair values based on inputs to the valuation techniques used (see item 1(d)(iii)).

Valuation techniques

The fair values take into consideration the market values of the properties, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties have each acted knowledgeably, prudently and without compulsion. The specific condition and characteristics inherent in each of the properties are taken into consideration in arriving at the property valuation.

In determining the fair value, the external valuers have used valuation techniques which involve certain estimates. The key assumptions used to determine the fair value of investment properties include market rental growth rates, market-corroborated discount rate, terminal capitalisation rate and capitalisation rate. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions and the valuation reports are prepared in accordance with recognised appraisal and valuation standards.

The external valuers have considered valuation techniques including the income capitalisation method and discounted cash flow analysis in arriving at the open market value as at the reporting date. The external valuers have considered all available information as at 30 June 2021 relating to COVID-19 and have made necessary adjustments to the valuation. The valuation reports also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

The discounted cash flow analysis involves the estimation and projection of a net income stream over a period and discounting the net income stream with an internal rate of return to arrive at the market value. The discounted cash flow analysis requires the external valuers to assume a rental growth rate indicative of market and the selection of a target internal rate of return consistent with current market requirements. The capitalisation method is an investment approach whereby the estimated gross passing income (on both a passing and market rent basis) has been adjusted against anticipated operating costs to produce a net income on a fully leased basis. The adopted fully leased net income is capitalised at an appropriate investment yield. Thereafter, various adjustments including assumed vacancy allowance are made, where appropriate, for the capitalisation method.

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iii Investment properties

Key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Discounted cash flows analysis	<ul style="list-style-type: none"> Discount rate of 6.15% to 6.75% (2020: 6.00% to 6.75%) 	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	<ul style="list-style-type: none"> Terminal capitalisation rate of 4.40% to 5.25% (2020: 4.40% to 5.25%) 	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
	<ul style="list-style-type: none"> 10-year average market rental growth rate of 2.85% (2020: 2.80%) 	The estimated fair value would increase (decrease) if 10-year average market rental growth rate was higher (lower).
Capitalisation method	<ul style="list-style-type: none"> Capitalisation rate of 4.25% (2020: 4.25%) 	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).

iv Investment property under development

	GROUP	GROUP
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Balance as at the beginning of the period	5,521	-
Recognition of right-of-use-asset on initial application of IFRS 16	-	2,521
Development expenditure capitalised	1,476	859
Net change in fair value of investment property under development	-	2,141
Net change in fair value of right-of-use-asset	(208)	-
Balance as at the end of the period	6,789	5,521

	LREIT	LREIT
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Balance as at the beginning of the period	5,521	-
Recognition of right-of-use-asset on initial application of IFRS 16	-	2,521
Development expenditure capitalised	1,476	859
Net change in fair value of investment property under development	-	2,141
Net change in fair value of right-of-use-asset	(208)	-
Balance as at the end of the period	6,789	5,521

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iv Investment property under development

Investment property under development relates to the development of a site adjacent to 313@somerset into a multi-functional event space.

Measurement of fair value

Fair value hierarchy

The carrying amounts of the investment property under development as at 31 December 2021 was based on valuation performed by an independent professional valuer, CBRE Pte. Ltd. as at 30 June 2021, adjusted for development expenditure incurred subsequent to the valuation date and net change in fair value of right-of-use asset. The Group has assessed that the carrying amounts of the investment property under development as at 31 December 2021 approximates its fair value.

The fair value measurement for investment property under development has been categorised as a Level 3 fair values based on the inputs to the valuation techniques used (see item 1(d)(iii)).

Level 3 fair value measurement

Reconciliation of movements in Level 3 fair value measurement

The reconciliation of Level 3 fair value measurements for investment property under development is presented in the table above.

Valuation techniques

In determining the fair value of investment property under development, the valuers have adopted the residual method whereby the estimated development costs to be incurred and developer's profit are deducted from the gross development value to arrive at the residual value. The gross development value is the estimated value of the property assuming satisfactory completion of the development as at the date of valuation and is determined using the income capitalisation method and discounted cash flow analysis (see item 1(d)(iii)).

The key assumptions include the estimation of net income based on rental assumption which are considered in line with prevailing market conditions and general market practice within Singapore, a market-corroborated discount rate, terminal capitalisation rate, capitalisation rate and estimated development costs to be incurred.

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iv Investment property under development

Key unobservable inputs

The following table shows the key unobservable inputs used in the valuation models:

Valuation technique	Key unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Residual method	Discounted cash flow analysis	The estimated fair value would increase (decrease) if discount rate was lower (higher).
	• Discount rate of 8.50%	
	• Terminal capitalisation rate of 8.50%	The estimated fair value would increase (decrease) if terminal capitalisation rate was lower (higher).
	Capitalisation method	The estimated fair value would increase (decrease) if capitalisation rate was lower (higher).
	• Capitalisation rate of 8.50%	
	Estimated development costs to be incurred (including land costs)	The estimated fair value would increase (decrease) if the estimated development costs to be incurred (including land costs) were lower (higher).

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v Investment in associates

	Group		LREIT	
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Investment in associates	512,347	-	-	-

Investment in associates relates to LREIT's 24.8% indirect interest in ARIF3 and a 53.0% indirect interest in LLJP. ARIF3 and LLJP hold a 75.0% indirect interest and a 25.0% indirect interest respectively in the property known as Jem. Jem is an integrated office and retail development located in Jurong Gateway, the commercial hub of the Jurong Lake District, Singapore.

In September 2021, the Group's equity interest in ARIF3 increased from 5.0% to 24.8% and ARIF3 was reclassified as "investment in associates" from "equity instrument at fair value".

vi Equity instrument at fair value

	Group		LREIT	
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Balance as at the beginning of the period	44,591	-	44,591	-
Acquisition of equity instrument	-	45,533	-	45,533
Net change in fair value	330	(942)	330	(942)
Transfer to investment in associate	(44,921)	-	(44,921)	-
Balance as at the end of the period	-	44,591	-	44,591

Equity instrument at fair value relates to LREIT's 5.0% stake in ARIF3, prior to the reclassification to investment in associates.

In September 2021, the Group's equity interest in ARIF3 increased from 5.0% to 24.8% and ARIF3 was reclassified as "investment in associates" from "equity instrument at fair value".

The fair value of the investments represents approximately 3% of the Group's total assets as at 30 June 2021.

Equity instrument at fair value through profit and loss is calculated using the net asset value ("NAV") of the investee entity adjusted for the fair value of the underlying property. The estimated fair value would increase/(decrease) if the NAV was higher/(lower).

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vii Loans and Borrowings

	GROUP	GROUP
	31 Dec 2021 (S\$'000)	30 Jun 2021 (S\$'000)
Unsecured loans and borrowings		
Amount repayable within one year	99,297	-
Amount repayable after one year	567,264	553,692
Less: unamortised transaction costs	(10,879)	(11,119)
	655,682	542,573

Details of loans and borrowings

As at 31 December 2021, the Group and LREIT has in place:

- unsecured loan facilities comprising (i) a 4-year Euro term loan facility of €285.0 million (S\$437.3 million) and (ii) a 3-year Singapore dollar term loan facility of S\$99.3 million.
- unsecured loan facilities comprising of (i) a 4-year term loan facility of S\$90.0 million and (ii) a 4-year revolving credit loan facility of S\$30.0 million. As at 31 December 2021, both facilities were fully drawn.
- unsecured 4-year multicurrency revolving facility of S\$50.0 million-equivalent for general corporate funding purposes. As at 31 December 2021, S\$10.0 million of the revolving credit facility was drawn.

In addition, the Group and LREIT has aggregate uncommitted undrawn debt facilities of approximately S\$96.0 million¹ to fund its working capital. In aggregate, Group and LREIT has approximately S\$136.0 million of undrawn debt facilities.

The Group aggregate gearing stands at 33.5%² and has an interest coverage ratio of 9.7 times in accordance with the requirements under its loan facilities. The interest coverage ratio is 5.0 times in accordance with the Property Funds Appendix.

All of the Group's loans and borrowings are unsecured.

Footnote:

1. Comprising uncommitted undrawn multicurrency facilities of S\$50 million and €30 million.
2. Total assets include non-controlling interests' share of total assets.

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viii Net Asset Value ("NAV") and Net Tangible Asset ("NTA") Per Unit

	GROUP		LREIT	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
NAV/ NTA per unit (S\$) ¹	0.81	0.81	0.80	0.79
Adjusted NAV/ NTA per unit (excluding the amount distributable) (S\$)	0.78	0.79	0.77	0.76

Footnote:

1. NTA per unit is the same as NAV per unit as there was no intangible asset as at the statement of financial position date.

ix Earnings Per Unit ("EPU") and Distribution Per Unit ("DPU") for the financial period (Group)

In computing the EPU, the weighted average number of units as at the end of each period is used for the computation. The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020
Weighted average number of units in issue	1,183,890,153	1,173,004,307
Earnings per unit ("EPU") (cents) ¹	3.33	0.38

	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020
No. of units in issue at end of the period	1,191,646,376	1,177,145,952
Distribution per unit ("DPU")	2.40	2.34

Footnotes:

1. Includes unrealised foreign exchange, net change in fair value of derivatives, net change in fair value of equity instrument.

x Fair value of assets and liabilities

The following methods and assumptions are used to estimate fair values of the following significant classes of financial instruments:

(i) Derivative financial instruments

Interest rate derivatives are valued using valuation techniques with market observable inputs. The most frequently applied valuation techniques include forward pricing and swap models, using present valuation calculations. The models incorporate various inputs including the credit quality of counterparties, interest rate and forward rate curves.

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x Fair value of assets and liabilities

(ii) Non-derivatives financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted using the market rate of interest at the reporting date. The carrying amounts of loans and borrowings approximate their fair value as these loans and borrowings are interest-bearing at floating rates and reprice at an interval of one to twelve months.

(iii) Financial instruments that are not measured at fair value

Other non-derivative financial liabilities are measured at fair value at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date. Other non-derivative financial liabilities include loans and borrowings.

Interest rates used in determining fair values

The weighted average interest rates used to discount estimated cash flows, where applicable, are based on forward rates as at 31 December 2021 and 30 June 2021 plus a credit spread, and are as follows:

	GROUP		LREIT	
	31 Dec 2021	30 Jun 2021	31 Dec 2021	30 Jun 2021
	%	%	%	%
Unsecured interest-bearing term loans	0.70	0.52	0.70	0.52

(iv) Financial instruments for which fair value is equal to the carrying value

These financial instruments include cash and cash equivalents, trade and other receivables, other current assets, other non-current assets and trade and other payables. The carrying amounts of these financial instruments are approximations of their fair values because they are either short term in nature or effect of discounting is immaterial.

(v) Equity instrument at fair value

The fair value measurement for equity instrument at fair value has been categorised as Level 3 fair value based on inputs to the valuation techniques used.

The fair value of the equity instrument is calculated using the net asset value of the unquoted entity adjusted for the fair value of the underlying property. The estimated fair value would increase/(decrease) if the net asset value was higher/(lower).

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statements of financial position, are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

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x Fair value of assets and liabilities

	Carrying amount				Fair value			
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
31 Dec 2021	\$'000							
Group								
Financial assets not measured at fair value								
Trade and other receivables ¹	123	-	-	123				
Other non-current assets	1,350	-	-	1,350				
Cash and cash equivalents	47,529	-	-	47,529				
Other current assets ²	2,311	-	-	2,311				
	51,313	-	-	51,313				
Financial assets measured at fair value								
Derivative financial asset	-	1,713	-	1,713	-	1,713	-	1,713
	-	1,713	-	1,713				
Financial liabilities not measured at fair value								
Trade and other payables ³	-	-	(26,542)	(26,542)				
Loans and borrowings	-	-	(655,682)	(655,682)	-	(678,255)	-	(678,255)
Lease liability	-	-	(2,312)	(2,312)				
	-	-	(684,536)	(684,536)				
Financial liabilities measured at fair value								
Derivative financial liabilities	-	(1,310)	-	(1,310)	-	(1,310)	-	(1,310)

Footnotes:

1. Excludes net GST/VAT receivables.
2. Excludes deposits and prepayments.
3. Excludes rental received in advance.

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x Fair value of assets and liabilities

	Carrying amount				Fair value			
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
30 June 2021	\$'000							
Group								
Financial assets not measured at fair value								
Trade and other receivables ¹	861	-	-	861				
Other non-current assets	869	-	-	869				
Cash and cash equivalents	249,264	-	-	249,264				
Other current assets ²	1,766	-	-	1,766				
	252,760	-	-	252,760				
Financial assets measured at fair value								
Equity instrument at fair value	-	44,591	-	44,591	-	-	44,591	44,591
Derivative financial asset	-	128	-	128	-	128	-	128
	-	44,719	-	44,719				
Financial liabilities not measured at fair value								
Trade and other payables ³	-	-	(26,844)	(26,844)				
Loans and borrowings	-	-	(542,573)	(542,573)	-	(555,926)	-	(555,926)
Lease liability	-	-	(2,521)	(2,521)				
	-	-	(571,938)	(571,938)				
Financial liabilities measured at fair value								
Derivative financial liabilities	-	(2,529)	-	(2,529)	-	(2,529)	-	(2,529)

Footnotes:

1. Excludes grant receivables and net VAT receivables.

2. Excludes deposits and prepayments.

3. Excludes rental received in advance, grant payables and net GST payables.

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x Fair value of assets and liabilities

	Carrying amount				Fair value			
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
31 Dec 2021	\$'000							
LREIT								
Financial assets not measured at fair value								
Trade and other receivables ¹	120	-	-	120				
Other non-current assets	1,350	-	-	1,350				
Cash and cash equivalents	22,648	-	-	22,648				
Other current assets ²	2,311	-	-	2,311				
	26,429	-	-	26,429				
Financial assets measured at fair value								
Derivative financial asset	-	1,713	-	1,713	-	1,713	-	1,713
	-	1,713	-	1,713				
Financial liabilities not measured at fair value								
Trade and other payables ³	-	-	(26,105)	(26,105)				
Loans and borrowings	-	-	(655,682)	(655,682)	-	(678,255)	-	(678,255)
Lease liability	-	-	(2,312)	(2,312)				
	-	-	(684,099)	(684,099)				
Financial liabilities measured at fair value								
Derivative financial liabilities	-	(1,310)	-	(1,310)	-	(1,310)	-	(1,310)

Footnotes:

1. Excludes net GST receivables.
2. Excludes deposits and prepayments.
3. Excludes rental received in advance.

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x Fair value of assets and liabilities

	Carrying amount			Fair value				
	At amortised cost	FVTPL	Other financial liabilities	Total carrying amount	Level 1	Level 2	Level 3	Total
30 June 2021	\$'000							
LREIT								
Financial assets not measured at fair value								
Trade and other receivables ¹	811	-	-	811				
Other non-current assets	869	-	-	869				
Cash and cash equivalents	232,768	-	-	232,768				
Other current assets ²	1,766	-	-	1,766				
	236,214	-	-	236,214				
Financial assets measured at fair value								
Equity instrument at fair value	-	44,591	-	44,591	-	-	44,591	44,591
Derivative financial asset	-	128	-	128	-	128	-	128
	-	44,719	-	44,719				
Financial liabilities not measured at fair value								
Trade and other payables ³	-	-	(25,695)	(25,695)				
Loans and borrowings	-	-	(542,573)	(542,573)	-	(555,926)	-	(555,926)
Lease liability	-	-	(2,521)	(2,521)				
	-	-	(570,789)	(570,789)				
Financial liabilities measured at fair value								
Derivative financial liabilities	-	(2,529)	-	(2,529)	-	(2,529)	-	(2,529)

1. Excludes grant receivables.

2. Excludes deposits and prepayments.

3. Excludes rental received in advance, grant payables and net GST payables.

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xi Capital commitments

As at 31 December 2021, the Group had approximately \$2.1 million of capital expenditure contracted but not provided for in the unaudited condensed interim financial statements.

xii Acquisition of subsidiary

On 4 August 2021, LREIT acquired 53.0% of the shares in LLJP which holds 25.0% indirect interest in Jem with a purchase consideration of approximately S\$158 million after completion adjustment. The purchase consideration was settled through cash. Units were issued to the Manager for the payment of acquisition fee amounting to approximately S\$1.6 million. The cash outflow for the acquisition of subsidiary, net of cash acquired of S\$0.9 million, is approximately S\$158 million.

2 The condensed interim financial statements and distribution announcement for the first financial half year period from 1 July 2021 to 31 December 2021 including the explanatory notes have not been audited or reviewed.

3 Review of Performance

	GROUP		
	(S\$'000)		Variance %
	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020	
<u>Consolidated Statement of Profit or Loss</u>			
Gross revenue	39,190	41,608	(5.8)
Property operating expenses	(9,547)	(11,215)	14.9
Net property income	29,643	30,393	(2.5)
Manager's base fee	(2,085)	(1,970)	(5.8)
Manager's performance fee	(1,655)	(1,520)	(8.9)
Other management fees	(682)	(401)	(70.1)
Trustee's fee	(120)	(103)	(16.5)
Other trust expense	(1,130)	(1,440)	21.5
Net foreign exchange gain/(loss)	16,914	(14,633)	NM
Finance income	90	40	>100
Finance costs	(5,688)	(5,057)	(12.5)
Profit/(Loss) before tax and change in fair value	35,287	5,309	>100
Amount available for distribution to Unitholders	28,602	27,546	3.8
Available distribution per unit (cents)	2.40	2.34	2.6

NM: Not meaningful

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3 Review of Performance

6 months ended: 31 Dec 2021 vs 31 Dec 2020

Gross revenue of S\$39.2 million for the period was S\$2.4 million or 5.8% lower than the 6 months ended 31 December 2020. The lower revenue was attributed to lower rental reversion at 313@somerset and lower revenue from Sky Complex due to foreign exchange.

Property operating expenses were S\$9.5 million for the period, S\$1.7 million or 14.9% lower than the 6 months ended 31 December 2020. The lower expenses were mainly attributed to the absence of net provision for doubtful debts of \$1.5 million and lower expenses contributed from marketing, insurances, salary & related expenses and operating expenses.

Consequently, net property income for the period was S\$29.6 million or 2.5% lower than the 6 months ended 31 December 2020.

After accounting for distribution adjustments such as unrealised foreign exchange gain/loss, net change in fair value of derivatives, amortisation of debt-related transaction costs, management fees paid in units, the amount distributable to Unitholders was S\$28.6 million, translating to a DPU of 2.40 cents, which is 2.6% higher than the 6 months ended 31 December 2020.

4 Variance between Actual and Forecast Results

LREIT has not disclosed any forecast to the market.

5 Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Based on the latest report from the International Monetary Fund, global growth projection remains unchanged at 4.9%¹ for 2022 as most developed countries are expected to get back on their pre-pandemic path in 2022. Beyond 2022, global growth is projected to moderate to about 3.3%¹ over the medium term.

Headline inflation rates have increased rapidly in the United States and in some emerging market and developing economies. In addition, the majority of the Federal Open Market Committee members are expecting three² interest rate hikes in 2022. These have led investors to be cautious on the inflation projections, which primarily stemmed from the path of the pandemic, the duration of supply disruptions and how inflation expectations may evolve in this environment.

Singapore

Based on the advance estimates by the Ministry of Trade and Industry, the Singapore economy grew by 5.9%³ year-on-year (“YoY”) in the fourth quarter of 2021, moderating from the 7.1%³ growth in the previous quarter. For the whole of 2021, the economy grew by 7.2%³, rebounding from the 5.4%³ contraction in 2020.

¹ International Monetary Fund, World Economic Outlook, October 2021: Recovery During a Pandemic

² Transcript of Chair Powell's Press Conference, 15 December 2021

³ Singapore's GDP Grew by 5.9 Per Cent in the Fourth Quarter of 2021 and by 7.2 Per Cent in 2021

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5 Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

On the retail front, retail sales (excluding motor vehicles) grew by 4.1%⁴ YoY in November 2021, compared to the YoY 11.5%⁴ increase in October 2021. The larger YoY increase in October 2021 was partly attributed to the Computer & Telecommunications Equipment industry recording higher mobile phone sales due to new product launches. The estimated total retail sales value in November 2021 was S\$3.7 billion⁴.

As of 4 January 2022, Singapore has one of the world's highest vaccination rates, with more than 90%⁵ of its total eligible population fully inoculated and booster shots administered to more than 40%⁵. The Manager is confident that the higher vaccination rates and an easing in severity of new COVID variants could imply a faster reopening of Singapore's borders.

On office market, vacancy rates in the core CBD and fringe CBD submarkets stood at 6.7%⁶ quarter-on-quarter respectively in Q4 2021. Decentralised submarket improved 0.4 percentage points to 4.9%⁶. Healthy demand compounded by a tight supply situation has led to an overall increase in office rents islandwide. Grade A core CBD rents maintained a steady growth of 1.4% from the preceding quarter to \$10.80 per square foot ("psf") per month⁶ and Grade B core CBD rents rose 0.6% to \$7.80 psf per month⁶ in Q4 2021.

The demand for office space in the suburban market are likely to remain resilient in the near to long term due to the decentralisation trend as more offices look to the suburban areas to save on rental costs and adopting a flex and core strategy.

Milan

According to the preliminary estimates by the Italian National Institute of Statistics, the consumer price index in December 2021 increased 3.9%⁷ YoY and 0.4%⁷ month-on-month. Business and consumer confidence continued to remain stable at 113.1⁸ and 117.7⁸, respectively, in December.

As at 3Q 2021, the Milan office market recorded a year-to-date take up of 260,000 sqm⁹ and is expected to reach a volume higher than the average of the last ten years, returning to the healthy values of the 2017-2019 period. The Periphery area, where Sky Complex is located, accounted for 25%⁹ of Q1-Q3 absorption.

Office vacancy rates in Milan inched up slightly to 10.2%⁹ in 3Q 2021 and the average office rental in Milan stood at €600 per sqm per annum⁹.

⁴ Department of Statistics, Retail Sales Index, November 2021

⁵ [Ministry of Health, COVID-19 Vaccination](#)

⁶ CBRE Research, Singapore Figures Q4 2021, 14 January 2022

⁷ Italian National Institute of Statistics, Consumer Prices, 5 January 2022

⁸ Italian National Institute of Statistics, Consumer and Business Confidence, 23 December 2021

⁹ Cushman & Wakefield, Milan Office Q3 2021

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5 **Commentary on the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

With the new health and safety requirements and the increasing focus on employees' wellbeing, most companies are expected to move to high quality buildings. This has resulted in an absorption of more than 70%⁹ for Grade A spaces in the various submarkets, including the Periphery market, of which most are green certified⁸.

Looking ahead

Singapore's recovery accelerated in the final three months of 2021, with strong manufacturing growth helping to push the economy to its fastest full-year growth in more than a decade. This will continue to drive Singapore's economic recovery and the high vaccination rates will likely prompt the government to further ease measures. The Manager sees this as an encouraging sign for 2022's growth outlook as the Omicron setback is deemed to be temporary and reopening is inevitable.

For 313@somerset, the Manager continues to prioritise maintaining occupancy levels, active management to ensure the mall stays relevant and keeping ongoing communications with tenants to understand their needs. It will also continue to shape the future of the retail landscape to create a seamless chain between online and on-site shopping, leveraging on Lendlease Plus to collaborate with tenants to extend their reach to shoppers.

On LREIT's office assets in Milan, the increase in the number of vaccinated people and the slowdown of the infection rate is leading to a gradual return of employees to office. While most companies may likely adopt a hybrid scheme and change the configuration of their offices, the Manager does not foresee it will involve reducing the occupied area, but rather the dedication of more space to services and wellness.

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6 Distributions

(a) Current financial period

Any distributions declared for the current financial period? Yes

Name of distribution: 5th distribution for the period from 1 July 2021 to 31 December 2021

Distribution type: Income

Distribution rate: Taxable Income – 1.3748 cents per unit
Tax-Exempt Income – 1.0254 cents per unit

Par value of units: Not meaningful

Tax rate: Taxable Income Distribution
Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession in which case, such distributions are not exempt from tax and the individual must declare the gross distribution received as income in their Singapore tax returns.

Qualifying foreign non-individual investors and qualifying non-resident funds will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Tax-Exempt Income Distribution

Tax-Exempt Income Distribution is exempt from tax in the hands of all Unitholders.

(b) Record date: 15 Feb 2022

(c) Date payable: 14 Mar 2022

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6 Distributions

(d) Corresponding period of the preceding financial period

Any distributions declared for the current financial period? Yes

Name of distribution: 3rd distribution for the period from 1 July 2020 to 31 December 2020

Distribution type: Income

Distribution rate: Taxable Income – 1.543 cents per unit
Tax-Exempt Income – 0.797 cents per unit

Par value of units: Not meaningful

Tax rate: Taxable Income Distribution
Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession in which case, such distributions are not exempt from tax and the individual must declare the gross distribution received as income in their Singapore tax returns.

Qualifying foreign non-individual investors and qualifying non-resident funds will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Tax-Exempt Income Distribution
Tax-Exempt Income Distribution is exempt from tax in the hands of all Unitholders.

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7 If no distribution has been declared / recommended, a statement to that effect

Not applicable.

8 General mandate from Unitholders for Interested Person Transactions

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

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

Please refer to section 1 & 3 for review of actual performance.

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

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

11 Negative Confirmation Pursuant to Rule 705(5) of The Listing Manual

We, on the behalf of the board of directors of the Manager confirmed that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Manager which may render unaudited financial results of LREIT for the period from 1 July 2021 to 31 December 2021 to be false or misleading in any material aspect.

For and on behalf of the Manager
Lendlease Global Commercial Trust Management Pte. Ltd.

Ng Hsueh Ling
Chairperson and Non-Independent
Non-Executive Director

Tsui Kai Chong
Lead Independent
Non-Executive Director

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

By Order of the Board
Ms Amy Chiang
Company Secretary
Lendlease Global Commercial Trust Management Pte. Ltd.
(Company Registration No. 201902535N)
As Manager of Lendlease Global Commercial REIT

4 February 2022