



**ELITE COMMERCIAL REIT**

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

**Unaudited Condensed Interim Consolidated Financial Statements and  
Dividend Announcement for the year ended 31 December 2022**



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## (I) Unaudited Condensed Interim Consolidated Financial Statements

### A. Condensed interim statements of financial position

	Note	Group		Trust	
		31/12/2022 £'000	31/12/2021 £'000	31/12/2022 £'000	31/12/2021 £'000
<b>Non-current assets</b>					
Investment properties	5	459,975	501,347	-	-
Investments in subsidiaries		-	-	36,797	78,505
Financial derivatives		67	508	-	-
Notes receivable	6	-	-	89,382	201,133
		<b>460,042</b>	<b>501,855</b>	<b>126,179</b>	<b>279,638</b>
<b>Current assets</b>					
Notes receivable	6	-	-	111,751	-
Prepayment for capital expenditure	5	7,437	-	-	-
Trade and other receivables	7	11,872	12,030	7,903	5,082
Cash and cash equivalents	8	7,444	19,479	2,028	4,915
		<b>26,753</b>	<b>31,509</b>	<b>121,682</b>	<b>9,997</b>
<b>Total assets</b>		<b>486,795</b>	<b>533,364</b>	<b>247,861</b>	<b>289,635</b>
<b>Non-current liabilities</b>					
Loans and borrowings	9	213,070	217,254	-	-
Lease liabilities		1,229	1,237	-	-
Deferred tax liabilities	11	2,169	3,799	-	-
		<b>216,468</b>	<b>222,290</b>	-	-
<b>Current liabilities</b>					
Loans and borrowings	9	7,200	6,600	-	-
Lease liabilities		7	7	-	-
Trade and other payables	10	4,819	5,625	265	616
Deferred income		8,774	8,705	-	-
Current tax liabilities		1,626	1,118	-	-
		<b>22,426</b>	<b>22,055</b>	<b>265</b>	<b>616</b>
<b>Total liabilities</b>		<b>238,894</b>	<b>244,345</b>	<b>265</b>	<b>616</b>
<b>Net assets</b>		<b>247,901</b>	<b>289,019</b>	<b>247,596</b>	<b>289,019</b>
<b>Represented by:</b>					
Units in issue and to be issued	12	307,611	304,794	307,611	304,794
Unit issue costs		(5,903)	(5,903)	(5,903)	(5,903)
Accumulated losses		(53,807)	(9,872)	(54,112)	(9,872)
<b>Unitholders' funds</b>		<b>247,901</b>	<b>289,019</b>	<b>247,596</b>	<b>289,019</b>
<b>Number of Units in issue and to be issued ('000)</b>	12	<b>481,128</b>	<b>476,506</b>	<b>481,128</b>	<b>476,506</b>
<b>Net asset value per Unit attributable to unitholders (£)</b>	13	<b>0.52</b>	<b>0.61</b>	<b>0.51</b>	<b>0.61</b>



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**B. Condensed interim consolidated statement of comprehensive income**

	Note	6 months ended 31/12/2022 £'000	6 months ended 31/12/2021 £'000	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000
Revenue	14	18,367	18,835	37,075	34,731
Property operating expenses		(728)	(494)	(1,334)	(1,004)
<b>Net property income</b>		<b>17,639</b>	<b>18,341</b>	<b>35,741</b>	<b>33,727</b>
Manager's management fee		(1,086)	(1,337)	(2,310)	(2,453)
Trustee's fee		(55)	(50)	(106)	(99)
Other trust expenses		(605)	(1,155)	(1,373)	(1,983)
Finance income		-	548	-	508
Finance costs		(4,950)	(2,737)	(7,417)	(4,854)
Net finance costs		(4,950)	(2,189)	(7,417)	(4,346)
Net change in fair value of investment properties	5	(51,584)	(15,110)	(41,372)	(28,217)
<b>Loss before tax</b>	15	<b>(40,641)</b>	<b>(1,500)</b>	<b>(16,837)</b>	<b>(3,371)</b>
Tax credit/(expense)	16	2,253	2,188	(1,495)	(1,370)
<b>(Loss)/Profit after tax</b>		<b>(38,388)</b>	<b>688</b>	<b>(18,332)</b>	<b>(4,741)</b>
<b>Earnings per Unit (pence)</b>					
Basic	17	(8.00)	0.15	(3.83)	(1.06)
Diluted	17	(8.00)	0.14	(3.83)	(1.06)



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**C. Condensed interim statement of movements in unitholders' funds**

Group	Units in issue and to be issued £'000	Unit issue costs £'000	Accumulated losses £'000	Total £'000
At 1 January 2022	304,794	(5,903)	(9,872)	289,019
<b>Total comprehensive income for the year</b>				
Loss for the year	-	-	(18,332)	(18,332)
<b>Total comprehensive income for the year</b>	-	-	<b>(18,332)</b>	<b>(18,332)</b>
<b><u>Transactions with unitholders, recognised directly in unitholders' funds</u></b>				
Units issued under distribution reinvestment plan	2,817	-	-	2,817
Distribution to unitholders	-	-	(25,603)	(25,603)
<b>Total transactions with unitholders for the year</b>	<b>2,817</b>	<b>-</b>	<b>(25,603)</b>	<b>(22,786)</b>
At 31 December 2022	<b>307,611</b>	<b>(5,903)</b>	<b>(53,807)</b>	<b>247,901</b>

Group	Units in issue and to be issued £'000	Unit issue costs £'000	Retained earnings/ (Accumulated losses) £'000	Total £'000
At 1 January 2021	208,689	(5,903)	14,372	217,158
<b>Total comprehensive income for the year</b>				
Loss for the year	-	-	(4,741)	(4,741)
<b>Total comprehensive income for the year</b>	-	-	<b>(4,741)</b>	<b>(4,741)</b>
<b><u>Transactions with unitholders, recognised directly in unitholders' funds</u></b>				
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)
<b>Total transactions with unitholders for the year</b>	<b>96,105</b>	<b>-</b>	<b>(19,503)</b>	<b>76,602</b>
At 31 December 2021	<b>304,794</b>	<b>(5,903)</b>	<b>(9,872)</b>	<b>289,019</b>



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

Trust	Units in issue and to be issued £'000	Unit issue costs £'000	Accumulated losses £'000	Total £'000
At 1 January 2022	304,794	(5,903)	(9,872)	289,019
<b><u>Total comprehensive income for the year</u></b>				
Loss for the year	-	-	(18,637)	(18,637)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(18,637)</b>	<b>(18,637)</b>
<b><u>Transactions with unitholders, recognised directly in unitholders' funds</u></b>				
Units issued under distribution reinvestment plan	2,817	-	-	2,817
Distribution to unitholders	-	-	(25,603)	(25,603)
<b>Total transactions with unitholders for the year</b>	<b>2,817</b>	<b>-</b>	<b>(25,603)</b>	<b>(22,786)</b>
<b>At 31 December 2022</b>	<b>307,611</b>	<b>(5,903)</b>	<b>(54,112)</b>	<b>247,596</b>

Trust	Units in issue and to be issued £'000	Unit issue costs £'000	Retained earnings/ (Accumulated losses) £'000	Total £'000
At 1 January 2021	208,689	(5,903)	6,489	209,275
<b><u>Total comprehensive income for the year</u></b>				
Profit for the year	-	-	3,142	3,142
<b>Total comprehensive income for the period</b>	<b>-</b>	<b>-</b>	<b>3,142</b>	<b>3,142</b>
<b><u>Transactions with unitholders, recognised directly in unitholders' funds</u></b>				
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)
<b>Total transactions with unitholders for the year</b>	<b>96,105</b>	<b>-</b>	<b>(19,503)</b>	<b>76,602</b>
<b>At 31 December 2021</b>	<b>304,794</b>	<b>(5,903)</b>	<b>(9,872)</b>	<b>289,019</b>



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**D Condensed interim consolidated statement of cash flows**

	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000
<b>Cash flows from operating activities</b>		
Loss before tax	(16,837)	(3,371)
<b>Adjustments for:</b>		
Finance income	-	(508)
Finance costs	7,417	4,854
Management fee paid/payable in Units	-	2,453
Lease management fee paid/payable in Units	-	232
Net change in fair value of investment properties	41,372	28,217
Unrealised foreign exchange loss/(gain)	7	(9)
<b>Operating income before working capital changes</b>	<b>31,959</b>	<b>31,868</b>
<b>Changes in:</b>		
Trade and other receivables	(42)	(10,926)
Trade and other payables	(1,707)	2,060
Deferred income	69	2,608
<b>Cash generated from operating activities</b>	<b>30,279</b>	<b>25,610</b>
Tax paid	(2,417)	(2,921)
<b>Net cash generated from operating activities</b>	<b>27,862</b>	<b>22,689</b>
<b>Cash flows from investing activities</b>		
Prepayment for capital expenditure on investment properties	(7,437)	-
Acquisition of subsidiaries, net of cash acquired	-	(9,399)
<b>Net cash used in investing activities</b>	<b>(7,437)</b>	<b>(9,399)</b>
<b>Cash flows from financing activities</b>		
Interest paid	(5,276)	(3,571)
Proceeds from bank loans	-	30,800
Repayment of bank loans	(3,400)	(22,236)
Payment of transaction costs related to loans and borrowings	(990)	(1,361)
Distribution to unitholders	(22,786)	(17,590)
Payment of lease liabilities	(8)	(6)
Increase in restricted cash	(692)	(131)
<b>Net cash used in financing activities</b>	<b>(33,152)</b>	<b>(14,095)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(12,727)</b>	<b>(805)</b>
Cash and cash equivalents at beginning of the period	18,171	18,976
<b>Cash and cash equivalents at 31 December</b>	<b>5,444</b>	<b>18,171</b>



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## **D Condensed interim consolidated statement of cash flows (cont'd)**

### **Significant non-cash transactions**

For the year ended 31 December 2022, there were the following significant non-cash transactions:

- (i) approximately 950,000 Units, amounting to approximately £631,000, were issued to the Manager as satisfaction of the management fee paid to the Manager.
- (ii) approximately 88,000 Units, amounting to approximately £58,000, were issued to the Manager as satisfaction of the lease management fee paid to the Manager.
- (iii) approximately 4,622,000 Units, amounting to approximately £2,817,000, were issued as payment for distributions under the distribution reinvestment plan.

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

- (i) 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.
- (ii) 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.
- (iii) approximately 2,966,000 Units, amounting to approximately £1,913,000, were issued as payment for distributions under the distribution reinvestment plan.
- (iv) 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.
- (v) 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.





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## **E Notes to the unaudited condensed interim consolidated financial statements**

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

### **1. Entity information**

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

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

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

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

### **2. Basis of preparation**

The condensed interim financial statements for the year ended 31 December 2022 have been prepared in accordance with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2021. The condensed interim financial statements do not include all the information required for complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2021.

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

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

#### **2.1 New and amended standards adopted by the Group**

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

In relation to new and amendments to standards that are effective for the annual periods beginning after 1 January 2022, for which early application is permitted, the Group has early adopted amendment to IAS 1 *Classification of Liabilities as Current or Non-current* in advance of its effective date.

Under the IAS 1 amendments, a liability is classified as non-current liability at the reporting date when the entity has a right to defer settlement of the liability and the right has substance and exist at the end of the reporting period. Additionally, only covenants within the loan agreement with which an entity must comply on or before the reporting date affect the classification of a liability as current or non-current. Covenants with which the entity must comply after the reporting date (future covenants) do not affect a liability's classification at that date. When non-current liabilities are subject to future covenants, information on the risk that the non-current liabilities could become repayable within 12 months after the reporting date is to be disclosed.

The adoption of the above amendment does not have a material effect on the financial statements.



**2. Basis of preparation (cont'd)**

**2.2 Use of estimates and judgements**

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

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2021.

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

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

**Measurement of fair values**

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

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

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

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

**3. Seasonal operations**

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

**4. Segment reporting**

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

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

**5. Investment properties**

	Group	
	31/12/2022 £'000	31/12/2021 £'000
As at 1 January	501,347	311,855
Acquisition of subsidiaries (including acquisition costs) <sup>(1)</sup>	-	217,709
Net change in fair value recognised in profit or loss	(41,372)	(28,217)
As at 31 December	459,975	501,347

<sup>(1)</sup> The acquired subsidiaries, Elite Amphora Limited and Elite Cask Limited, held 58 properties located across the United Kingdom.



## 5. Investment properties (cont'd)

### Fair value hierarchy

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

	Group	
	31/12/2022	31/12/2021
	£'000	£'000
Fair value of investment properties (based on valuation reports)	466,175	500,103
Less: Prepayment for capital expenditure on investment properties <sup>(1)</sup>	(7,437)	-
Add: Carrying amount of lease liabilities	1,237	1,244
Carrying amount of investment properties	459,975	501,347

<sup>(1)</sup> As announced during the financial year ended 31 December 2022, the Group has agreed to make a Sustainability Contribution to its tenants, the Department for Work and Pensions and UK Government's Ministry of Defence. The prepayment relates to the amount disbursed by the Group during the year and has been considered by the valuer in arriving at the valuations of the investment properties as at 31 December 2022.

### Measurement of fair value

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

The carrying values of the investment properties as at 31 December 2022 and 31 December 2021 were based on independent professional valuations undertaken by Knight Frank UK LLP.

The independent professional valuations were based on the investment method (also known as income capitalisation method). The valuation method used in determining the fair value involve certain estimates including 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 judgment and is satisfied that the valuation method and estimates used are reflective of market conditions prevailing at the end of the financial period.

Recognising the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, the 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.

### Security

As at 31 December 2022, 58 properties with a carrying value of £178.3 million (31 December 2021: £197.2 million) were pledged as security to secure a credit facility (Note 9).

## 6. Notes receivable

Notes receivable relates to loan notes issued by a subsidiary, Elite UK Commercial Holdings Limited ("EUKCH"), subscribed by the Trust.

£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% (2021: 5%) per annum.

Under the terms of the loan notes, the Trust, as a noteholder, has the right, at its sole discretion, to require the EUKCH to purchase all of its notes on specified put option exercise dates, being 16 November 2021 and 16 November 2022 for the £111.7 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.



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**7. Trade and other receivables**

	Group		Trust	
	31/12/2022 £'000	31/12/2021 £'000	31/12/2022 £'000	31/12/2021 £'000
Trade receivables	11,039	11,299	-	-
Other receivables	268	37	-	-
Amount due from subsidiaries	-	-	7,501	4,906
	11,307	11,336	7,501	4,906
VAT & GST receivables	178	307	178	173
Tax receivables	-	200	-	-
Prepayments	387	187	224	3
	11,872	12,030	7,903	5,082

Trade receivables of the Group as at the reporting date 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. Included in prepayments as at 31 December 2022 are approximately £220,000 transaction costs incurred by the Trust on its green revolving credit facility and multicurrency debt issuance programme during 2022 (note 9).

**8. Cash and cash equivalents**

	Group		Trust	
	31/12/2022 £'000	31/12/2021 £'000	31/12/2022 £'000	31/12/2021 £'000
Cash at banks	7,444	19,479	2,028	4,915
Restricted cash	(2,000)	(1,308)	-	-
Cash and cash equivalents in the statement of cash flows	5,444	18,171	2,028	4,915

The restricted cash relates to the reserve funds required to be maintained with banks in accordance to the terms of the secured bank loans.

**9. Loans and borrowings**

	Group	
	31/12/2022 £'000	31/12/2021 £'000
Secured bank loans	222,200	225,600
Less: Unamortised transaction costs	(1,930)	(1,746)
As at 31 December	220,270	223,854
Current	7,200	6,600
Non-current	213,070	217,254
Total	220,270	223,854

The Group has the following loan facilities:

£140.0 million term loan and bridge loan facilities

- A £125.0 million (31 December 2021: £125.0 million) secured term loan facility. At the reporting date, £125.0 million (31 December 2021: £125.0 million) was drawn down and is due for repayment in November 2024.
- An uncommitted £15.0 million (31 December 2021: £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 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, £3.2 million (31 December 2021: £6.6 million) was drawn down and is due for repayment in March 2023.
- The shares of a subsidiary, Elite Gemstones Properties Limited, which holds 97 properties with carrying values amounting to £281.6 million as at 31 December 2022 (31 December 2021: £304.1 million), were pledged to secure the facilities.



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## 9. Loans and borrowings (cont'd)

### £94.0 million term loan and revolving credit facilities

- A £76.0 million (31 December 2021: £80.0 million) secured term loan facility. At the reporting date, £76.0 million (31 December 2021: £80.0 million) was drawn down and is due for repayment in January 2025.
- A £18.0 million (31 December 2021: £14.0 million) revolving credit facility. At the reporting date, £18.0 million (31 December 2021: £14.0 million) was drawn down. £4.0 million is due for repayment in April 2023, with the remaining drawn down amount due for repayment in January 2025.
- The shares of Elite Amphora Limited and Elite Cask Limited and the 58 properties held by these entities with carrying values amounting to £178.3 million as 31 December 2022 (31 December 2021: £197.2 million), were pledged to secure the facilities (Note 5).

### £15.0 million revolving credit facilities

- A £15.0 million (31 December 2021: £Nil) green revolving credit facility, which was obtained in November 2022. At the reporting date, the facility was unutilised.

### S\$300.0 million multicurrency debt issuance programme

- The Trust has in place a S\$300.0 million multicurrency debt issuance programme (the 'Programme'), which was set up in October 2022 for the issuance of notes and/or perpetual securities. At the reporting date, there were no issuances made under the Programme.

## 10. Trade and other payables

	Group		Trust	
	31/12/2022 £'000	31/12/2021 £'000	31/12/2022 £'000	31/12/2021 £'000
Trade payables	27	194	4	9
Bank interest payable	1,276	558	-	-
Accrued operating expenses	1,804	2,010	261	607
Other payables	1,712	2,863	-	-
	<u>4,819</u>	<u>5,625</u>	<u>265</u>	<u>616</u>

Other payables comprise mainly Value Added Tax ("VAT") payable to His Majesty's Revenue and Customs ("HMRC") for the following quarter, predominantly on the Group's rental receipts.

## 11. Deferred tax liabilities

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

Group	At 31/12/2020	Recognised	At	Recognised	At
	£'000	in profit or loss (Note 16) £'000	31/12/2021 £'000	in profit or loss (Note 16) £'000	31/12/2022 £'000
<b>Deferred tax liabilities</b>					
Investment properties	5,920	(2,121)	3,799	(1,630)	2,169



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**12. Units in issue and to be issued**

	31/12/2022		31/12/2021	
	Number of Units '000	£'000	Number of Units '000	£'000
<b>Group and Trust</b>				
<b>Units issued</b>				
At beginning of the year	475,468	304,105	334,134	208,208
- 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	950	631	3,376	2,244
- Lease management fees paid in Units	88	58	349	233
- Distribution reinvestment plan	4,622	2,817	2,966	1,913
Total issued Units	481,128	307,611	475,468	304,105
<b>Units to be issued</b>				
- Manager's management fees payable in Units	-	-	950	631
- Lease management fees payable in Units	-	-	88	58
Total issuable Units	-	-	1,038	689
Total issued and issuable Units as at 31 December	481,128	307,611	476,506	304,794

The Group and the Trust do not hold any treasury units as at 31 December 2022 and 31 December 2021.

**13. Net asset value per Unit**

	Group		Trust	
	31/12/2022 £'000	31/12/2021 £'000	31/12/2022 £'000	31/12/2021 £'000
Net asset value per Unit is based on:				
Net assets attributable to unitholders	247,901	289,019	247,596	289,019
Total issued and to be issued Units as at 31 December ('000) (Note 12)	481,128	476,506	481,128	476,506
Net asset value per Unit (£)	0.52	0.61	0.51	0.61

**14. Revenue**

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

Over 99% (2021: 99%) of the contracted rental income under the current leases is derived from the UK Government via various government departments and agencies including The Secretary of State for Housing, Communities and Local Government.

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**15. Loss before tax**

The following items have been included in arriving at loss before tax for the year:

	<b>6 months ended 31/12/2022 £'000</b>	<b>6 months ended 31/12/2021 £'000</b>	<b>Year ended 31/12/2022 £'000</b>	<b>Year ended 31/12/2021 £'000</b>
Net foreign exchange gain	8	10	20	17
Finance income:-				
- Fair value gain on financial derivative	-	548	-	508
Finance costs:-				
- Fair value loss on financial derivative	886	-	441	-
- Amortisation of transaction costs relating to loans and borrowings	618	525	1,140	909
- Commitment fee	(158)	-	(158)	28
- Interest expense on lease liabilities	16	20	38	31
- Interest expense on loans and borrowings	3,588	2,192	5,956	3,886
	<u>4,950</u>	<u>2,737</u>	<u>7,417</u>	<u>4,854</u>

**16. Tax (credit)/expense**

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

	<b>6 months ended 31/12/2022 £'000</b>	<b>6 months ended 31/12/2021 £'000</b>	<b>Year ended 31/12/2022 £'000</b>	<b>Year ended 31/12/2021 £'000</b>
Current income tax expense	2	609	2	2,385
Withholding tax expense	1,648	1,106	3,123	1,106
Deferred tax expense relating to origination and reversal of temporary differences	(3,903)	(3,903)	(1,630)	(2,121)
	<u>(2,253)</u>	<u>(2,188)</u>	<u>1,495</u>	<u>1,370</u>



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## 17. 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.

	6 months ended 31/12/2022 £'000	6 months ended 31/12/2021 £'000	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000
Loss for the year attributable to unitholders	(38,388)	688	(18,332)	(4,741)
	'000	'000	'000	'000
Weighted average number of Units:				
- Units issued at the beginning of the year	476,506	334,858	476,506	334,858
- Effect of Units issued in satisfaction of part of the purchase consideration for subsidiaries acquired	-	131,444	-	107,316
- Effect of Units issued as payment of Manager's acquisition fee	-	3,199	-	2,611
- Effect of Units issued and to be issued as payment of Manager's management fee payable in Units	-	2,225	-	1,295
- Effect of Units issued and to be issued as payment of lease management fee payable in Units	-	219	-	132
- Effect of Units issued under distribution reinvestment plan	3,628	1,596	2,438	806
Weighted average number of Units	480,134	473,541	478,944	447,018

### Diluted earnings per Unit

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

	6 months ended 31/12/2022 £'000	6 months ended 31/12/2021 £'000	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000
Loss for the year attributable to unitholders	(38,388)	688	(18,332)	(4,741)
	'000	'000	'000	'000
Weighted average number of Units:				
- Weighted average number of Units (basic)	480,134	473,541	478,944	447,018
- Effect of Units issued and to be issued as payment of Manager's management fee payable in Units	-	1,465	-	-
- Effect of Units issued and to be issued as payment of lease management fee payable in Units	-	130	-	-
Weighted average number of Units (diluted)	480,134	475,136	478,944	447,018

For 6 months ended 31 December 2022 and year ended 31 December 2022, the diluted earnings per Unit is the same as the basic earnings per Unit as there are no outstanding dilutive Units at the end of the reporting periods. For the year ended 31 December 2021, the diluted earnings per Unit is the same as the basic earnings per Unit as the Units to be issued as payment of Manager's management fee and lease management fee payable in Units were anti-dilutive.





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18. Amount available for distribution

	6 months ended 31/12/2022 £'000	6 months ended 31/12/2021 £'000	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000
Amount available for distribution at beginning of the period	12,266	8,151	13,364	8,342
(Loss)/Profit for the period	(38,388)	688	(18,332)	(4,741)
Distribution adjustments (Note A)	49,240	12,676	41,428	29,266
	10,852	13,364	23,096	24,525
<b>Amount available for distribution to unitholders</b>	<b>23,118</b>	<b>21,515</b>	<b>36,460</b>	<b>32,867</b>
Distributions to unitholders:				
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)	-	(8,151)
Distribution of GBP 2.80 pence for the period from 1 July 2021 to 31 December 2021	-	-	(13,342)	-
Distribution of GBP 2.56 pence for the period from 1 January 2022 to 30 June 2022	(12,261)	-	(12,261)	-
	(12,261)	(8,151)	(25,603)	(19,503)
<b>Amount available for distribution to unitholders at end of the period</b>	<b>10,857</b>	<b>13,364</b>	<b>10,857</b>	<b>13,364</b>
<b>Distribution per Unit (pence)</b>	<b>2.25</b>	<b>2.80</b>	<b>4.81</b>	<b>5.43</b>

**Note A**

Distribution adjustments relate to the following items:

Management fee payable in units	-	1,337	-	2,453
Lease management fees payable in units	-	117	-	232
Trustee's fee	55	50	106	99
Amortisation of transaction costs relating to loans and borrowings	618	525	1,140	909
Fair value loss/(gain) on financial derivative	886	(548)	441	(508)
Net change in fair value of investment properties	51,584	15,110	41,372	28,217
Deferred tax expense	(3,903)	(3,903)	(1,630)	(2,121)
Others	-	(12)	(1)	(15)
<b>Distribution adjustments</b>	<b>49,240</b>	<b>12,676</b>	<b>41,428</b>	<b>29,266</b>

19. Related party transactions

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

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

	6 months ended 31/12/2022 £'000	6 months ended 31/12/2021 £'000	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000
Acquisition of subsidiaries from related corporations of the Manager	-	-	-	98,988
Property management fee paid/payable to a related corporation of the Manager	119	143	261	231
Lease management fee paid/payable to the Manager	116	117	231	232
Lease commission fee paid to the Manager	2	13	2	13



**20. Financial assets and financial liabilities**

*Accounting classifications and fair values*

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

Group	Carrying amount				Fair value			
	Financial assets at amortised cost £'000	At fair value through profit or loss ("FVTPL") £'000	Other financial liabilities £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>31 December 2022</b>								
<b>Financial asset measured at fair value</b>								
Financial derivatives	-	67	-	67	-	67	-	67
<b>Financial assets not measured at fair value</b>								
Trade and other receivables*	11,307	-	-	11,307				
Cash and cash equivalents	7,444	-	-	7,444				
	<u>18,751</u>	<u>-</u>	<u>-</u>	<u>18,751</u>				
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables <sup>^</sup>	-	-	(3,111)	(3,111)				
Loans and borrowings	-	-	(220,270)	(220,270)	-	(208,429)	-	(208,429)
	<u>-</u>	<u>-</u>	<u>(223,381)</u>	<u>(223,381)</u>				
<b>31 December 2021</b>								
<b>Financial asset measured at fair value</b>								
Financial derivatives	-	508	-	508	-	508	-	508
<b>Financial assets not measured at fair value</b>								
Trade and other receivables*	11,336	-	-	11,336				
Cash and cash equivalents	19,479	-	-	19,479				
	<u>30,815</u>	<u>-</u>	<u>-</u>	<u>30,815</u>				
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables <sup>^</sup>	-	-	(2,831)	(2,831)				
Loans and borrowings	-	-	(223,854)	(223,854)	-	(216,743)	-	(216,743)
	<u>-</u>	<u>-</u>	<u>(226,685)</u>	<u>(226,685)</u>				

\* Excluding VAT & GST receivables, prepayments and tax receivables

<sup>^</sup> Excluding VAT payables



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

	Carrying amount				Fair value			
	Financial assets at amortised cost £'000	At fair value through profit or loss ("FVTPL") £'000	Other financial liabilities £'000	Total carrying amount £'000	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
<b>Trust</b>								
<b>31 December 2022</b>								
<b>Financial assets not measured at fair value</b>								
Notes receivable	201,133	-	-	201,133	-	189,830	-	189,830
Trade and other receivables*	7,501	-	-	7,501				
Cash and cash equivalents	2,028	-	-	2,028				
	<u>210,662</u>	<u>-</u>	<u>-</u>	<u>210,662</u>				
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables	-	-	(265)	(265)				
<b>31 December 2021</b>								
<b>Financial assets not measured at fair value</b>								
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				
	<u>210,954</u>	<u>-</u>	<u>-</u>	<u>210,954</u>				
<b>Financial liabilities not measured at fair value</b>								
Trade and other payables	-	-	(616)	(616)				

\* Excluding VAT & GST receivables, prepayments and tax receivables

**Measurement of fair value**

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

Type	Valuation technique
Loans and borrowings, and Notes receivable	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.



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21. Financial ratios

	Group	
	31/12/2022 £'000	31/12/2021 £'000
Leverage ratio (%)	45.8%	42.4%
Interest coverage ratio (times)	4.6	6.0

The interest coverage ratio is computed based on the financial information for the year ended 31 December 2022 and 31 December 2021, 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.

22. 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
Loan and borrowings	(113,836)
Amounts due to ex-shareholder	(39,428)
Lease liabilities	(1,250)
Trade and other payables	(659)
Deferred income	(733)
Current tax liabilities	(477)
<b>Net assets</b>	<b>59,560</b>

Cash flows relating to the acquisition

	£'000
Total consideration for 100% equity interest acquired	59,560
Add: Amounts due to ex-shareholder assumed	39,428
Add: Acquisition-related costs	3,919
	<b>102,907</b>
Less: Consideration paid in Units	(89,382)
Less: Acquisition fee paid in units	(2,125)
Less: Cash acquired	(2,001)
<b>Net cash outflow</b>	<b>9,399</b>

23. Commitments

At the reporting date, the Group had the following commitment:

	Group	
	31/12/2022 £'000	31/12/2021 £'000
Capital expenditure on investment properties	7,337	-



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## (II) Other Information Required By Listing Rule Appendix 7.2

### 1. Overview

The condensed interim consolidated financial statements comprise the condensed interim statement of financial position of Elite Commercial REIT and its subsidiaries (“the Group”) and statement of financial position of Elite Commercial REIT (“the Trust”) as at 31 December 2022 and the related condensed interim consolidated statement of comprehensive income, condensed interim consolidated statement of movements in unitholders’ funds and condensed consolidated interim statement of cash flows for the year then ended and certain explanatory notes.

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

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

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

As at the Listing Date, the Group’s portfolio comprised of 97 commercial buildings (the “Initial Portfolio”) located across the UK with over 99.0% of the Group’s revenue derived from the current leases with the UK Government via The Secretary of State for Housing, Communities and Local Government (with the Department for Work and Pensions (“DWP”) occupying each Property under a group sharing arrangement).

On 9 March 2021, the Group completed its acquisition of 58 properties located across the United Kingdom (the “New Properties”).

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

On 28 February 2022, the Group announced that it will invest £12.5 million over three years towards asset enhancement works to improve sustainability and energy efficiency credentials of properties in its portfolio that are currently occupied by DWP. This is in line with UK Government’s commitment to achieve net zero carbon emissions by 2050 and marks the Group first collaboration with the DWP to boost sustainability and energy efficiency of their occupied estate. On 11 March 2022, the Group committed another £2.17 million toward the sustainability contribution. On 14 April 2022, the Group announced that it will invest £0.1 million towards similar sustainability-linked asset enhancement works of a property that is currently occupied by the UK Government’s Ministry of Defence (“MOD”). This brings the aggregate Sustainability Contribution by the Group to £14.77 million.

On 14 October 2022, the Group announced that the Trust has established a S\$300.0 million multicurrency debt issuance programme (the “Programme”), under which the issuer may issue notes and/or perpetual securities from time to time. The net proceeds arising from the issue of the Programme (after deducting issue expenses) will be used for general corporate purposes of the Group, including finance or refinancing potential acquisitions, finance general working capital, capital expenditure and investments of the Group and refinancing of existing bank borrowings of the Group, or such other purposes as may be specified.

On 30 November 2022, the Group announced that the Trust has secured a green revolving credit facility of £15.0 million (the “Facility”). The Facility was raised under the Trust’s newly established Sustainable and Sustainability-Linked Finance Framework. The proceeds of the Facility will be used to fund agreed upon sustainability-related asset enhancement initiatives and eligible green projects, including existing and new projects in the future. As of 31 December 2022, no loan has been drawn down from the Facility.



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2. Review of performance of the Group

2.1 Year ended 31 December 2022 vs Year ended 31 December 2021

	Note	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000	Variance Favourable/ (unfavourable) %
Revenue	(a)	37,075	34,731	6.7
Property operating expenses	(b)	(1,344)	(1,004)	(32.9)
<b>Net property income</b>		<b>35,741</b>	<b>33,727</b>	<b>6.0</b>
Manager's management fee	(c)	(2,310)	(2,453)	5.8
Trustee's fee		(106)	(99)	(7.1)
Other trust expenses	(d)	(1,373)	(1,983)	30.8
Finance income		-	508	(100.0)
Finance costs		(7,417)	(4,854)	(52.8)
Net finance costs	(e)	(7,417)	(4,346)	(70.7)
Net change in fair value of investment properties	(f)	(41,372)	(28,217)	(46.6)
<b>Loss before tax</b>		<b>(16,837)</b>	<b>(3,371)</b>	<b>(399.5)</b>
Tax expense	(g)	(1,495)	(1,370)	(9.1)
<b>Loss after tax</b>		<b>(18,332)</b>	<b>(4,741)</b>	<b>(286.7)</b>
<b>Income available for distribution to unitholders</b>		<b>23,096</b>	<b>24,525</b>	<b>(5.8)</b>
<b>Distribution per Unit (pence)</b>		<b>4.81</b>	<b>5.43</b>	<b>(11.4)</b>

(a) Revenue

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

The Group enjoyed the full period revenue from the New Properties it acquired on 9 March 2021, which boosted total revenue for year ended 31 December 2022 by 6.7% when compared to prior financial year, despite some vacancy within the Portfolio.

(b) Property operating expenses

Property operating expenses includes the following items:

	Year ended 31/12/2022 £'000	Year ended 31/12/2021 £'000	Variance Favourable/ (unfavourable) %
Property management fee	669	590	(13.4)
Lease management fee	231	232	0.4
Property insurance expenses	242	180	(34.4)
Other property expenses	192	2	n.m.
	<b>1,334</b>	<b>1,004</b>	<b>(32.9)</b>

*n.m. denotes not meaningful*

The increase in property operating expenses in line with the increase of revenue due to the acquisition of the New Properties on 9 March 2021. The Group bore the full year property operating expenses for the New Properties as compared to the prior financial year.

Property management fee is the fee payable to the Property Manager of the Group. The property manager of the Initial Portfolio is Jones Lang LaSalle Limited while the New Properties are currently managed by Elite Real Estate Services UK Limited ("ERESUK"), a related corporation of the Manager.



Property management fee incurred by the Initial Portfolio's properties includes the following:

- a property management fee to be paid either directly (by the Trustee) or indirectly (by the entity which is held by the Trust) out of the Deposited Assets (as defined in the Trust Deed).

Property management fee incurred by the New Properties includes the following:

- a property management fee of 2.0% per annum of the gross revenue income of the New Properties
- a lease management fee of 1.0% per annum of the gross revenue income of the New Properties
- market services commissions for procuring or renewing leases, which range from 0.5 to 2.0 months' gross revenue income of the New Properties if there is no third party agent involvement; and
- a property management services fee for the development or redevelopment of the New Properties, which ranges from 1.5% to 3.0% of the construction cost.

Included in other property expenses is maintenance costs of the vacant properties which was previously borne by the tenant, and now borne by the Group.

**(c) *Manager's management fee***

Manager's management fee relates to the base fee which is calculated based on 10% of the income available for distribution. The decrease in manager's management fee was in line with the decreased income available for distribution to unitholders.

**(d) *Other trust expenses***

Other trust expenses consist mainly statutory fees such as audit fees, tax agent fees and corporate secretarial fees, valuation expenses and other trust related expenses. Savings relates to lease restructuring fees incurred in 2021 and professional fees incurred in relation to the Group's listing on TISE in 2H2021 that did not recur in 2022.

**(e) *Net finance costs***

Net finance costs consist of amortisation of transaction costs relating to loans and borrowings, commitment fee, net change in fair value of financial derivative, interest expense on lease liabilities, and interest expense on borrowings. Increased net finance costs was in line with the increased borrowings from the New Properties for the full year of 2022 and increased interest costs on borrowings.

**(f) *Net change in fair value of investment properties***

Fair value loss on investment properties for the year of £41.4 million arose from the valuation conducted for the Group's investment properties at 31 December 2022 and relates to fair value loss on certain properties in the Group's portfolio.

**(g) *Tax expenses***

The increase in tax expenses for the financial year of 2022 when compared to the prior financial year was mainly due to a lower deferred tax credit attained in 2022. The deferred tax credit in 2022 arose from a decrease in the fair value of investment properties, which led to the reversal of deferred tax previously provided on fair value gains for certain properties. In contrast, the deferred tax credit in 2021 was mainly due to the full reversal of deferred tax liability on investment properties upon ECHL's entry into the UK REIT regime on 26 August 2021, whose impact was partly offset by the deferred tax liability on the fair value gains on certain properties during the year.

The increase in tax expenses was offset slightly by a saving in tax rate from 19% to 15% once the Group was successfully listed on TISE.



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2.2 6 months ended 31 December 2022 (“2H2022”) vs 6 months ended 31 December 2021 (“2H2021”)

	2H2022 £'000	2H2021 £'000	Variance Favourable/ (unfavourable) %
Revenue	18,367	18,835	(2.5)
Property operating expenses	(728)	(494)	(47.4)
<b>Net property income</b>	<b>17,639</b>	<b>18,341</b>	<b>(3.8)</b>
Manager's management fee	(1,086)	(1,337)	18.8
Trustee's fee	(55)	(50)	(10.0)
Other trust expenses	(605)	(1,155)	47.6
Finance income	-	548	(100.0)
Finance costs	(4,950)	(2,737)	(80.9)
Net finance costs	(4,950)	(2,189)	(126.1)
Net change in fair value of investment properties	(51,584)	(15,110)	(241.4)
<b>Loss before tax</b>	<b>(40,641)</b>	<b>(1,500)</b>	<b>n.m.</b>
Tax credit	2,253	2,188	3.0
<b>(Loss)/Profit after tax</b>	<b>(38,388)</b>	<b>688</b>	<b>n.m.</b>
<b>Income available for distribution to unitholders</b>	<b>10,852</b>	<b>13,364</b>	<b>(18.8)</b>
<b>Distribution per Unit (pence)</b>	<b>2.25</b>	<b>2.80</b>	<b>(19.6)</b>

*n.m. denotes not meaningful*

**Review of performance (2H2022 vs 2H2021)**

Revenue and net property income decreased by 2.5% and 3.8% respectively for 2H2022 when compared to 2H2021 as a result of two vacant investment properties in 2H2022. Property operating expenses correspondingly increased due to maintenance costs of the vacant properties which was previously borne by the tenant, now being borne by the Group.

In line with the decrease in income available for distribution to unitholders, manager's management fee decreased by 18.8% as compared to prior period.

Other trust expenses of £0.6 million was lower when compared to 2H2021 due to the absence of lease restructuring related costs incurred in 2H2021 and some professional fees incurred by the Group in connection with the listing of ECHL on TISE in August 2021.

Increased interest costs on borrowings, arising from higher interest rates, has resulted in an increased in net finance costs of approximately £2.8 million when compared to the prior period.

There was a decrease in fair value of investment properties for 2H2022 when compared to the mid-year valuation as at 30 June 2022. As a result of the decrease in fair value of investment properties, deferred tax liability previously provided on fair value gains for certain properties were reversed in 2H2022.

The Group reported a Distribution per Unit of 2.25 pence in 2H2022, 0.55 pence lower than 2H2021 Distribution per Unit of 2.80 pence.





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### 2.3 Review of statement of financial position

Investment properties for the Group decreased to £460.0 million from £501.3 million in 31 December 2021, due to lower market valuation on investment properties as at 31 December 2022, which is aligned with the worsened general macroeconomic environment in the UK as at the financial year end. This is despite a valuation gain attained during the mid-year valuation, which was mainly contributed by the removal of lease break options from 109 properties announced during the financial period, where the underlying leases run till March 2028.

Included in trade and other receivables as at 31 December 2022 of £11.9 million (31 December 2021: £12.0 million) are mainly i) rental collected in advance by property manager on behalf of the Group of £11.0 million (31 December 2021: £11.3 million) which have been subsequently transferred to the Group after year-end, and ii) total transaction costs of approximately £0.2 million incurred by the Trust for setting up a green revolving credit facility and multicurrency debt issuance programme during the financial year, which have been included as prepayments.

During 2H2022, the Group partially repaid £3.4 million of its bridge loan. The Group set up a new revolving credit facility during the financial year. There was no drawdown from the new facility as at 31 December 2022. As a result, loan and borrowings as at 31 December 2022 amounted to £220.3 million after the partial repayment of the bridge loan (31 December 2021: £223.9 million).

Included in trade and other payables of £4.8 million as at 31 December 2022 (31 December 2021: £5.6 million) are mainly i) bank interest payable amounting £1.3 million (31 December 2021: £0.6 million), ii) accrued operating expenses of £1.8 million (31 December 2021: £2.0 million) and iii) other payables of £1.7 million (31 December 2021: £2.9 million), which mainly consist of VAT payable to HMRC.

Deferred tax liabilities, which is mainly due to deferred tax provision on the fair value gains on certain properties during the financial year, decreased from £3.8 million as at 31 December 2021 to £2.2 million as at 31 December 2022. The decrease was in line with the overall decrease in fair value of investment properties as of 31 December 2022.

### 2.4 Review of statement of cashflows

Net cash generated from operating activities for year ended 31 December 2022 amounted to £27.9 million, being £5.2 million higher when compared to £22.7 million for the year ended 31 December 2021. This was predominantly driven by higher rental receipts as the Group enjoyed the full period revenue from the New Properties it acquired on 9 March 2021.

Net cash used in investing activities for year ended 31 December 2022 of £7.4 million was mainly from partial disbursement of the total agreed Sustainability Contribution to the DWP and the MOD as announced during the financial year. In 2021, net cash used in investing activities of £9.4 million was for the acquisition of subsidiaries Elite Amphora Limited and Elite Cask Limited.

Included in net cash used in financing activities of £33.2 million were (i) a total of £22.8 million distribution to unitholders for 2H21 and 1H22, which were both paid in 2022, (ii) partial repayment of bridging loan of £3.4 million, and (iii) payment of bank loans interest of £5.3 million.

### 2.5 Variance between actual results and projection statement

There was no forecast or prospect statement previously disclosed to shareholders for the financial year ended 31 December 2022.



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### 3. Commentary on the significant trends and competitive conditions of the industry in which the Group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

As at 31 December 2022, the portfolio is 97.9% occupied, with the majority of the leases signed directly with the UK Government's Secretary of State<sup>1</sup>, thereby providing credit stability and income certainty. The Group collected 100% of the rent in advance for the three-month period of January 2023 to March 2023, within seven days of the due date.

Following the favourable outcome from the major Lease Re-gearing exercise where the March 2023 lease break clause was removed from the leases of 109 assets occupied by the DWP and MOD, a total of 134 assets in the portfolio will benefit from its built-in inflation-linked rental escalation effective from April 2023. Out of these 134 assets, 11 assets would be subjected to rental reductions following the rental uplifts. The estimated range of rental escalation for the 134 assets is between 11.0% and 15.4%.

In the next 12 months, 10 assets are expected to be vacating. Including John Street, Sunderland and Sidlaw House, Dundee, which vacated on 1 April 2022 and 29 June 2022 respectively, there is a total of 12 assets which are vacant and vacating. The Manager expects vacancy holding costs to increase while the Manager actively markets these assets to potential occupiers.

Taking into account the rental escalation of the 134 assets, coupled with rental reduction of 11 assets following the uplift and the impact of portfolio vacancies, the revenue and net property income for the business will continue to be stable.

The REIT Manager's asset management strategy remains focused on actively formulating the appropriate asset management strategy for each asset, with a view to maximising value outcomes and minimising holding costs. These strategies include negotiating for reasonable dilapidation settlement outcomes, appraising a variety of options including potential re-letting as an office or other uses, disposal with vacant possession or following re-letting and seeking consent for alternative uses (conversion or redevelopment) where those offer the best outcomes. Further updates will be provided at the appropriate time.

Bank of England's ("BoE") MPC has set its monetary policy to meet the 2% inflation target to help sustain growth and employment and voted in February 2023 to raise interest rates again, by 0.5 percentage points, to 4.0%<sup>2</sup>. The Manager expects borrowing costs for the REIT to remain elevated in the next 12 months until a time when there are signs that BoE would reduce interest rates. The REIT is largely insulated from rising interest costs, with approximately 69% of its interest rate exposure fixed.

The valuation of Elite Commercial REIT's portfolio of 155 properties stood at £466.2 million as at 31 December 2022. This represents a 9.9% decline when compared to £517.7 million portfolio valuation that was reported as at 30 June 2022. The decline is mainly attributed to widely reported market factors including the impact of rising interest rates on financing cost, which has resulted in weaker demand for real estate investment and declining transaction volumes. The impact of rising construction costs on refurbishment and redevelopment projects has caused values for vacant and vacating assets to be impacted as well.

The Manager is cognisant of the risks of the ongoing macroeconomic uncertainty and remains committed to providing stable income to Elite Commercial REIT's unitholders through various initiatives. Opportunities made available to the REIT through the right of first refusal ("ROFR") pipeline from sponsors and open market supply will be evaluated carefully.

#### **Macro Environment**

2022 was a challenging year for the UK, affected by global geopolitical events that have added more pressure to the inflationary backdrop. Coupled by domestic political events that dominated the UK scene, the country was faced with economic pressures.

UK's economy is estimated to have fallen by 0.5% in December 2022 on a monthly basis, but in the three months to December 2022, gross domestic product ("GDP") was flat<sup>3</sup>.

On an annual basis, UK's GDP is estimated to have grown by 4.1% in 2022<sup>3</sup>. In the BoE's February 2023 Monetary Policy Committee's ("MPC") central projection, GDP is projected to fall slightly throughout 2023 and Q1 2024, as still-high energy prices and the path of market interest rates weigh on spending<sup>2</sup>.

UK's unemployment rate rose by 0.2 percentage points to 3.7% in the three months to November 2022<sup>4</sup>. Despite six consecutive quarterly falls, the number of vacancies remains at historically high levels<sup>4</sup>. The fall in the number of vacancies

<sup>1</sup> 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.

<sup>2</sup> Bank of England, Monetary Policy Report, Monetary Policy Committee, February 2023.

<sup>3</sup> Office for National Statistics, GDP monthly estimate, UK: December 2022, 10 February 2023.

<sup>4</sup> Office for National Statistics, Labour market overview, UK: January 2023, 17 January 2023.



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reflects uncertainty across industries, as respondents continue to cite economic pressures as a factor in holding back on recruitment<sup>4</sup>.

Claimant count for people claiming unemployment-related benefits from DWP in December 2022 stood at 1.56 million, 16.2% lower from a year ago<sup>5</sup>. Despite the falling numbers, claimant count remains above pre-pandemic levels, and DWP's services remain essential to the UK social fabric.

<sup>5</sup> Office for National Statistics, Claimant Count, 17 January 2023.



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**4. Distribution information**

**4(a) Current financial period**

Any distribution declared for the current period? Yes.

Name of distribution: Interim distribution for the period from 1 July 2022 to 31 December 2022

Distribution type: Tax-exempt income

Distribution rate: 2.25 pence per Unit

Tax Rate: Tax exempt income distribution

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

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

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

**4(c) Notice of Record Date:** 22 February 2023

**4(d) Date Payable:** 30 March 2023

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

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

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

Tan Hai Peng Micheal and Victor Song Chern Chean, Non-Independent Non-Executive Directors, on behalf of the board of directors of the Manager, confirm that the Manager has procured undertakings from all its directors and executive officers in the form as set out in Appendix 7.7 under Rule 720(1) of the Listing Manual.

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

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



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

**By Order of the Board**

Shaldine Wang  
Chief Executive Officer

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

14 February 2023