



SPH REIT FINANCIAL STATEMENT ANNOUNCEMENT *

FOR THE PERIOD ENDED 31 AUGUST 2019

Constituted in the Republic of Singapore pursuant to a Trust Deed dated 9 July 2013.

Introduction

The investment strategy of SPH REIT is to invest, directly or indirectly, in a portfolio of income-producing real estate which is used primarily for retail purposes in Asia Pacific, as well as real estate-related assets.

The portfolio of SPH REIT comprises the following four quality and well located commercial properties in Singapore and Australia:

- * Paragon, a premier upscale retail mall and medical suite/office property, well known for its upscale mall housing many luxury brands, located in the heart of Orchard Road; and
- * The Clementi Mall, a mid-market suburban mall located in the centre of Clementi town, an established residential estate in the west of Singapore.
- * The Rail Mall, a unique cluster of shop units with established F&B offerings along Upper Bukit Timah Road, nestled in an affluent residential catchment.
- * SPH REIT holds a 85.0% stake in Figtree Grove Shopping Centre, an established sub-regional shopping centre in Wollongong, New South Wales, Australia.

Review by auditors

The financial information as set out in this announcement for the year ended 31 August 2019 has been extracted from the audited* financial statements for the year ended 31 August 2019, in accordance with the Statement of Recommended Accounting Practice (“RAP”) 7 “Reporting Framework for Unit Trusts”, the Code on Collective Investment Schemes (the “CIS Code”) and the provisions of the Trust Deed.

* *Please refer to the attached audit report.*

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For The Year Ended 31 August 2019

1(a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year

1(a)(i) Statement of Total Return

	<u>Group</u>					
	4Q 2019	4Q 2018	Change	FY 2019	FY 2018	Change
	S\$'000	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	58,374	52,962	10.2	228,635	211,802	7.9
Property operating expenses	(12,565)	(11,983)	4.9	(48,856)	(45,806)	6.7
Net property income	45,809	40,979	11.8	179,779	165,996	8.3
Income support ¹	-	436	NM	-	624	NM
Amortisation of intangible asset	-	(436)	NM	-	(624)	NM
Write down of intangible asset	-	(876)	NM	-	(876)	NM
Manager's management fees	(4,542)	(4,205)	8.0	(17,790)	(16,688)	6.6
Investment management Fee ²	(205)	-	NM	(542)	-	NM
Trust expenses ³	(435)	(409)	6.4	(1,995)	(1,620)	23.1
Finance income	187	173	8.1	765	778	(1.7)
Finance costs	(8,276)	(6,453)	28.3	(30,480)	(24,506)	24.4
Net income	32,538	29,209	11.4	129,737	123,084	5.4
Fair value change on investment properties ⁴	34,300	14,772	NM	19,443	14,772	31.6
Total return before taxes and distribution	66,838	43,981	52.0	149,180	137,856	8.2
Less: income tax ⁵	(50)	-	NM	(359)	-	NM
Total return after taxes and before distribution	66,788	43,981	51.9	148,821	137,856	8.0
Attributable to:						
Unitholders	66,461	43,981	51.1	149,898	137,856	8.7
Perpetual securities holders ⁶	34	-	NM	34	-	NM
Non-controlling interests	293	-	NM	(1,111)	-	NM
Total return for the period	66,788	43,981	51.9	148,821	137,856	8.0

NM Not Meaningful

For The Year Ended 31 August 2019

1(a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

1(a)(i) Statement of Total Return (Cont'd)

Notes:

1. Income support relates to the top-up payment from the vendors of The Clementi Mall pursuant to the Deed of Income Support. The income support had ended on 23 July 2018, five years from listing date on 24 July 2013.
2. This relates to investment management fee paid to the investment manager of SPH REIT Moelis Australia Trust.
3. Includes recurring trust expenses such as trustee's fees, valuation fees, audit and tax adviser's fees, legal & others professional fees, cost associated with the preparation of annual reports, and investor communication costs.
4. This relates to the fair value change on the investment properties as at 31 August 2019 and 31 August 2018, based on independent valuations conducted by Edmund Tie & Company (SEA) Pte Ltd and M3property Pty Ltd for investment properties in Singapore and Australia respectively.

In FY2019, the Group recognised a net gain of \$19.4 million. This comprises a fair value gain of \$33.8 million contributed by the investment properties in Singapore, offset against a fair value loss of \$14.4 million which relates mainly to the acquisition costs of Figtree Grove Shopping Centre.

5. This relates to withholding tax payable for Australia.
6. On 30 August 2019, the Trust issued S\$300.0 million of subordinated perpetual securities (the 'Perpetual Securities') at a rate of 4.10% per annum, with the first distribution rate reset falling on 30 August 2024 and subsequent resets occurring every five years thereafter. The Perpetual Securities have no fixed redemption date and redemption is at the option of the Trust in accordance with the terms of issue of the securities. The distribution is payable semi-annually at the discretion of the Trust and is non-cumulative.

For The Year Ended 31 August 2019

1(a) An income statement together with a comparative statement for the corresponding period of the immediately preceding financial year (cont'd)

1(a)(ii) Distribution Statement

			<u>Group</u>			
	4Q 2019 S\$'000	4Q 2018 S\$'000	Change %	FY 2019 S\$'000	FY 2018 S\$'000	Change %
Total return for the period attributable to Unitholders and perpetual securities holders	66,495	43,981	51.2	149,932	137,856	8.8
Less: Amount reserved for distribution to perpetual securities holders	(34)	-	NM	(34)	-	NM
Add: Non-tax deductible items ¹	(31,093)	(9,405)	NM	(4,864)	4,454	NM
Income available for distribution	35,368	34,576	2.3	145,034	142,310	1.9
Distribution to Unitholders²	37,795	36,778	2.8	144,790	142,310	1.7

NM Not Meaningful

Notes:

1. Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, straight-line rental adjustments, amortisation of income support, amortisation of debt issuance costs, fair value change on investment properties and net income from subsidiary.
2. Distribution for 4Q 2019 and 4Q 2018 includes income available for distribution retained earlier in the year.

For The Year Ended 31 August 2019

1(b)(i) A balance sheet together with a comparative statement as at the end of the immediately preceding financial year

Statements of Financial Position

	Group		Trust	
	As at 31 Aug 19 S\$'000	As at 31 Aug 18 S\$'000	As at 31 Aug 19 S\$'000	As at 31 Aug 18 S\$'000
Non-current assets				
Plant and equipment	630	682	630	682
Investment properties ¹	3,597,756	3,368,300	3,405,800	3,368,300
Investment in subsidiary	-	-	981	-
Trade and other receivables	-	-	97,149	-
Derivative financial instruments ²	1,865	-	1,865	-
	3,600,251	3,368,982	3,506,425	3,368,982
Current assets				
Trade and other receivables ³	5,494	3,087	2,603	3,087
Cash and cash equivalents	342,657	35,965	336,761	35,965
	348,151	39,052	339,364	39,052
Total assets	3,948,402	3,408,034	3,845,789	3,408,034
Non-current liabilities				
Borrowings	811,514	683,261	713,739	683,261
Derivative financial instruments ²	1,243	2,814	1,243	2,814
Trade and other payables ³	34,764	32,622	34,764	32,622
	847,521	718,697	749,746	718,697
Current liabilities				
Borrowings	279,625	209,813	279,625	209,813
Derivative financial instruments ²	1,561	-	1,561	-
Trade and other payables ⁴	48,258	40,577	45,156	40,577
	329,444	250,390	326,342	250,390
Total liabilities	1,176,965	969,087	1,076,088	969,087
Net assets	2,771,437	2,438,947	2,769,701	2,438,947
Represented by:				
Unitholders' funds	2,458,864	2,438,947	2,471,777	2,438,947
Perpetual securities holders' funds ⁵	297,924	-	297,924	-
Non-controlling interests	14,649	-	-	-
Total Equity	2,771,437	2,438,947	2,769,701	2,438,947

Notes:

- The fair value of Paragon, The Clementi Mall, The Rail Mall and Figtree Grove as at 31 August 2019 was S\$2,745 million, S\$597 million, S\$64 million and S\$192 million respectively. The fair value of the investment properties were based on independent valuations conducted by Edmund Tie & Company (SEA) Pte Ltd for Paragon, The Clementi Mall and The Rail Mall, and M3 Property Pty Ltd for Figtree Grove.
- Derivative financial instruments represent the fair value of the interest rate swap and cross currency interest rate swap contracts.
- Trade and other receivables comprised mainly rental receivable and trade amount due from related parties.
- Trade and other payables comprised mainly rental deposit, accrued interest and other payables.
- On 30 August 2019, the Trust issued S\$300.0 million of fixed rate Perpetual Securities. The Perpetual Securities, net of issuance costs, are classified as equity instruments and recorded as equity in the Statement of Changes in Unitholders' Funds.

For The Year Ended 31 August 2019

(b)(ii) Borrowings

Secured borrowings

	<u>Group</u>		<u>Trust</u>	
	As at 31 Aug 19 S\$'000	As at 31 Aug 18 S\$'000	As at 31 Aug 19 S\$'000	As at 31 Aug 18 S\$'000
Amount repayable within one year	279,625	209,813	279,625	209,813
Amount repayable after one year	811,514	683,261	713,739	683,261
Total	1,091,139	893,074	993,364	893,074

Details of collateral

The Group's secured term loans amounted to S\$1.1 billion. These consist of a term loan of S\$995 million secured by way of a legal mortgage on Paragon and a term loan of A\$105 million secured by way of a legal mortgage on Figtree Grove Shopping Centre.

The loan tranche of S\$210 million that matured in July 2019 was refinanced as follows:

- S\$95 million as a four year loan tranche; and
- S\$115 million as five year loan tranche.

For The Year Ended 31 August 2019

1(c) A cash flow statement together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Cash Flows

	<u>Group</u>			
	4Q 2019 S\$'000	4Q 2018 S\$'000	FY 2019 S\$'000	FY 2018 S\$'000
Cash flows from operating activities				
Net income	66,788	43,981	148,821	137,856
Adjustments for:				
Fair value change on investment properties	(34,300)	(14,772)	(19,443)	(14,772)
Manager's fee paid/payable in units	3,542	4,205	16,791	16,688
Depreciation of plant and equipment	48	50	187	212
Finance income	(187)	(173)	(765)	(778)
Finance costs	8,276	6,453	30,480	24,506
Amortisation of intangible asset	-	436	-	624
Write down of intangible asset	-	876	-	876
Straight-line rental adjustments	(43)	181	64	(251)
Operating cash flow before working capital changes	44,124	41,237	176,135	164,961
Changes in operating assets and liabilities				
Trade and other receivables	(135)	(18)	(2,468)	478
Trade and other payables	8,118	2,039	6,804	(599)
Net cash from operating activities	52,107	43,258	180,471	164,840
Cash flows from investing activities				
Acquisition of investment properties	-	(60,027)	(207,670)	(65,081)
Additions to investment properties	(6,495)	(2,349)	(7,869)	(6,911)
Purchase of plant and equipment	(25)	-	(71)	(24)
Interest received	170	225	762	817
Net cash used in investing activities	(6,350)	(62,151)	(214,848)	(71,199)

For The Year Ended 31 August 2019

1(c) A cash flow statement together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of Cash Flows (Cont'd)

	<u>Group</u>			
	4Q 2019 S\$'000	4Q 2018 S\$'000	FY 2019 S\$'000	FY 2018 S\$'000
Cash flows from financing activities				
Proceeds from issue of units to non-controlling interest	-	-	16,834	-
Proceeds from bank loan (net of transaction costs) ¹	-	44,933	200,115	44,933
Proceeds from issuance of perpetual securities ²	300,000	-	300,000	-
Issue costs paid in relation to perpetual securities ³	(2,110)	-	(2,110)	-
Distribution to unitholders	(35,953)	(35,205)	(143,773)	(141,829)
Distribution to non-controlling interests of a subsidiary	(255)	-	(450)	-
Payment of transaction costs related to borrowings ⁴	(478)	(374)	(478)	(860)
Interest paid	(7,605)	(5,917)	(28,879)	(22,925)
Net cash from/(used in) financing activities	253,599	3,437	341,259	(120,681)
Net increase/(decrease) in cash and cash equivalents	299,356	(15,456)	306,882	(27,040)
Effect of exchange rate fluctuations on cash and cash equivalents held	(150)	-	(190)	-
Cash and cash equivalents at beginning of the period	43,451	51,421	35,965	63,005
Cash and cash equivalents at end of the period	342,657	35,965	342,657	35,965

Notes:

1. The net proceeds from bank loan had been used to acquire Figtree Grove Shopping Centre and the acquisition was completed on 21 December 2018.
2. This represents the proceeds from the Perpetual Securities issued on 30 August 2019.
3. This represents professional fees and other costs incurred in relation to the issuance of the Perpetual Securities.
4. This relates to upfront fees incurred for refinancing the loan tranches that matured in July 2019 and March 2018.

For The Year Ended 31 August 2019

1(d)(i) Statement of Changes in Unitholders' Funds

	<u>Group</u>			
	4Q 2019 S\$'000	4Q 2018 S\$'000	FY 2019 S\$'000	FY 2018 S\$'000
<u>Unitholders' Funds</u>				
Balance as at beginning of period	2,426,079	2,426,518	2,438,947	2,421,060
<u>Operations</u>				
Total return for the period after tax, attributable to Unitholders and perpetual securities holders	66,495	43,981	149,932	137,856
Less: Total return for the period after tax, attributable to perpetual securities holders	(34)	-	(34)	-
Net increase in assets from operations	66,461	43,981	149,898	137,856
<u>Hedging reserve</u>				
Effective portion of changes in fair value of cash flow hedges ¹	(206)	(552)	(1,746)	5,172
Translation differences from financial statements of foreign entities	(1,059)	-	(1,253)	-
<u>Unitholders' transactions</u>				
Distribution to unitholders	(35,953)	(35,205)	(143,773)	(141,829)
Manager's fee paid/payable in units ²	3,542	4,205	16,791	16,688
	(32,411)	(31,000)	(126,982)	(125,141)
Unitholders' funds as at end of period	2,458,864	2,438,947	2,458,864	2,438,947
<u>Perpetual Securities Holders' Funds</u>				
Balance as at beginning of period	-	-	-	-
Issue of perpetual securities	300,000	-	300,000	-
Issuance costs	(2,110)	-	(2,110)	-
Total return attributable to perpetual securities holders	34	-	34	-
Balance as at end of period	297,924	-	297,924	-

Notes:

1. This relates to interest rate swap and cross currency interest rate swap arrangements.
2. Please refer to paragraph 1(d)(ii) Details of Changes in Issued and Issuable Units.

For The Year Ended 31 August 2019

1(d)(i) Statement of Changes in Unitholders' Funds (Cont'd)

	4Q 2019 S\$'000	4Q 2018 S\$'000	<u>Trust</u> FY 2019 S\$'000	FY 2018 S\$'000
<u>Unitholders' Funds</u>				
Balance as at beginning of period	2,438,289	2,426,518	2,438,947	2,421,060
<u>Operations</u>				
Total return for the period	66,139	43,981	161,592	137,856
Less: Total return for the period after tax, attributable to perpetual securities holders	(34)	-	(34)	-
Net increase in assets from operations	66,105	43,981	161,558	137,856
<u>Hedging reserve</u>				
Effective portion of changes in fair value of cash flow hedges ¹	(206)	(552)	(1,746)	5,172
<u>Unitholders' transactions</u>				
Distribution to unitholders	(35,953)	(35,205)	(143,773)	(141,829)
Manager's fee paid/payable in units ²	3,542	4,205	16,791	16,688
	(32,411)	(31,000)	(126,982)	(125,141)
Unitholders' funds as at end of period	2,471,777	2,438,947	2,471,777	2,438,947
<u>Perpetual Securities Holders' Funds</u>				
Balance as at beginning of period	-	-	-	-
Issue of perpetual securities	300,000	-	300,000	-
Issuance costs	(2,110)	-	(2,110)	-
Total return attributable to perpetual securities holders	34	-	34	-
Balance as at end of period	297,924	-	297,924	-

Notes:

1. This relates to interest rate swap and cross currency interest rate swap arrangements.
2. Please refer to paragraph 1(d)(ii) Details of Changes in Issued and Issuable Units.

For The Year Ended 31 August 2019

1(d)(ii) Details of Changes in Issued and Issuable Units

	<u>Group and Trust</u>			
	4Q 2019	4Q 2018	FY 2019	FY 2018
	No. of units '000	No. of units '000	No. of units '000	No. of units '000
Issued units as at beginning of period	2,586,531	2,569,733	2,571,845	2,556,106
Manager's fee paid in units ^{1,3}	2,170	2,112	16,856	15,739
	2,588,701	2,571,845	2,588,701	2,571,845
Issuable units:				
Manager's fee payable in units ^{2,3}	9,785	10,381	9,785	10,381
Total issued and issuable units as at end of period	2,598,486	2,582,226	2,598,486	2,582,226

Notes:

In accordance with the amendments to the Trust Deed and new requirement by the Monetary Authority of Singapore, the performance fee for FY2017 and thereafter will be paid on an annual basis, after Board's approval of the audited annual accounts.

- For 4Q 2019 and 4Q 2018, the issued units relate to base management fee for Q3 2019 and Q3 2018 respectively.

For FY2019, the issued units relate to performance management fees for FY2018, partial satisfaction of base management fee for Q4 2019 and base management fee for YTD 3Q 2019.

For FY2018, the issued units relate to performance management fees for FY2017, partial satisfaction of base management fee for Q4 2018 and base management fee for YTD 3Q 2018.

- The units issuable to the REIT Manager were in full satisfaction of management fee for respective quarters.
- The number of units is calculated based on volume weighted average traded price for the last 10 business days for the respective quarters, as provided in the Trust Deed.

1(d)(iii) To show the total number of issued units excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

As at 31 August 2019, SPH REIT had 2,588,701,358 units (31 August 2018: 2,571,845,315 units).

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable.

2. Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures for the year have been audited. The auditors' report on the financial statements of SPH REIT was not subject to any modification.

For The Year Ended 31 August 2019

3. **Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Please refer to the attached auditor's audit report.

4. **Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 August 2018.

5. **If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group has adopted new Financial Reporting Standards in Singapore ("FRSs") and interpretations effective for the financial period beginning 1 September 2018 as follows:

(i) FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met.

There is no significant impact to the financial statements of the Group for the current and comparative financial period arising from the adoption of FRS 115.

(ii) FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting.

There is no change in measurement basis arising from the adoption of the new classification and measurement model. In assessing for impairment losses on financial assets, the Group has adopted the simplified approach by applying lifetime expected credit losses on its loans and receivables (if applicable). There is no significant impact to the financial statements of the Trust for the current and comparative financial period arising from the adoption of FRS 109.

The Group's existing hedges that are designated in effective hedging relationships continue to qualify for hedge accounting under FRS 109.

For The Year Ended 31 August 2019

6. Earnings per unit (“EPU”) and Distribution per unit (“DPU”)

	Group			
	4Q 2019	4Q 2018	FY 2019	FY 2018
<u>Earnings per unit</u>				
Weighted average number of units ¹ (‘000)	2,595,269	2,578,057	2,588,756	2,571,862
Total return for the period after tax attributable to unitholders (S\$’000)	66,461	43,981	149,898	137,856
EPU ² (basic and diluted) (cents)	2.56	1.71	5.79	5.36
EPU (cents), excluding fair value change and write down of intangible asset	1.24	1.17	4.97	4.82
<u>Distribution per unit</u>				
Total number of units in issue at end of period	2,588,701	2,571,845	2,588,701	2,571,845
Distribution to Unitholders ³ (S\$’000)	37,795	36,778	144,790	142,310
DPU ⁴ (cents)	1.46	1.43	5.60	5.54

Notes:

1. The weighted average number of units was based on the number of units in issue and issuable units to the Manager.
2. Included the effects of fair value change on investment properties and write down of intangible asset for the respective periods/year.
3. As shown in 1(a)(ii) Distribution Statement.
4. The DPU was computed based on the number of units entitled to distribution.

7. Net Asset Value (“NAV”) per unit and Net Tangible Asset (“NTA”) per unit

	<u>Group</u>		<u>Trust</u>	
	As at 31 Aug 19	As at 31 Aug 18	As at 31 Aug 19	As at 31 Aug 18
NAV / NTA per unit ¹ (S\$)	0.95	0.95	0.95	0.95

Note:

1. The NAV per unit and NTA per unit were computed based on the net assets attributable to Unitholders. Number of units used to compute NAV and NTA was based on number of units in issue as at balance sheet date.

For The Year Ended 31 August 2019

8. Review of Performance

Review of Results for the Fourth Quarter ended 31 August 2019 (“4Q 2019”) compared with the Fourth Quarter ended 31 August 2018 (“4Q 2018”)

Gross revenue for 4Q 2019 grew by S\$5.4 million (10.2%) to S\$58.4 million. The increase was mainly due to contributions from The Rail Mail and Figtree Grove Shopping Centre which were acquired on 28 June 2018 and 21 December 2018 respectively.

Property operating expenses increased S\$0.6 million (4.9%) to S\$12.6 million for 4Q 2019 largely contributed by both acquisitions.

Net property income (“NPI”) of S\$45.8 million for 4Q 2019 was S\$4.8 million (11.8%) higher than 4Q 2018.

Net income of S\$32.5 million for 4Q 2019 was S\$3.3 million (11.4%) higher than 4Q 2019.

Income available for distribution for the quarter was S\$35.4 million, which was S\$0.8 million (2.3%) higher as compared to 4Q 2018.

Review of Results for the Full year ended 31 August 2019 (“FY2019”) compared with the Full year ended 31 August 2018 (“FY2018”)

Gross revenue for FY2019 was S\$228.6 million, an increase of S\$16.8 million (7.9%) from FY2018. The increase was mainly due to contributions from acquisitions of The Rail Mail and Figtree Grove Shopping Centre which were completed on 28 June 2018 and 21 December 2018 respectively.

Property operating expenses were S\$48.9 million, an increase of S\$3.1 million (6.7%) from FY2018 mainly due to property operating expenses from the acquisitions.

NPI of S\$179.8 million for FY2019, was higher by S\$13.8 million (8.3%) against the corresponding period last year.

Finance cost increased by S\$6.0 million (24.4%) to S\$30.5 million for FY2019. This was mainly due to additional interest expense from the new loans to finance the acquisition of Figtree Grove Shopping Centre. The average cost of debt was 2.91% p.a. for FY2019.

After taking into account the fair value change of S\$19.4 million, total return for FY2019 was S\$149.2 million. Excluding Figtree Grove Shopping Centre, the portfolio was valued at S\$3.406 billion as at 31 August 2019 by Edmund Tie & Company (SEA) Pte Ltd., an increase of 1.1% from the valuation of S\$3.368 billion as at 31 August 2018.

In FY2019, the Group recognised a net gain of \$19.4 million. This comprises a fair value gain of \$33.8 million contributed by the investment properties in Singapore, offset against a fair value loss of \$14.4 million which relates mainly to the acquisition costs of Figtree Grove Shopping Centre.

Income available for distribution for FY2019 was S\$145.0 million, an increase of S\$2.7 million (1.9%) compared to FY2018.

For The Year Ended 31 August 2019

9. Variance from Prospect Statement

No forecast was made previously.

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

According to the Ministry of Trade and Industry (MTI), the Singapore economy grew marginally by 0.1% on a year-on-year basis (“y-o-y”) in second quarter of 2019, moderating from 1.1% growth in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy contracted by 3.3%, a reversal from the 3.8% growth in the first quarter.

Since the previous quarter, the global growth outlook has weakened further with uncertainties and downside risks have increased. Taking into account the global and domestic economic environment, as well as the performance of the Singapore economy in the first half of the year, the GDP growth forecast for 2019 is downgraded to “0.0% to 1.0%” from “1.5% to 2.5%”, with growth expected at around the mid-point of the forecast range.

Based on figures released by the Singapore Department of Statistics (DOS), the retail sales (excluding motor vehicles) declined by 2.7% y-o-y in June 2019 as compared to June 2018.

Singapore Tourism Board (STB) reported that international visitor arrivals grew by 1.35% y-o-y during January 2019 to June 2019. Tourism receipts reached S\$6.5 billion in first quarter of 2019, a decline of 4.8% y-o-y.

According to the Reserve Bank of Australia (RBA), the year-end GDP growth is expected to be 2.5% over 2019, 2.75% over 2020 and 3% over 2021.

Based on figures released by the Australian Bureau of Statistics (ABS), the seasonally adjusted retail turnover rose by 0.4% in June 2019. In volume terms, the seasonally adjusted estimate for the second quarter of 2019 rose 0.2%.

Moving into FY2020, SPH REIT will continue to explore growth; both organic and inorganic.

For The Year Ended 31 August 2019

11. Distribution

(a) Current Financial Period

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

Name of distribution:	Distribution for the period from 1 June 2019 to 31 August 2019
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.46 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. 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. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

For The Year Ended 31 August 2019

11. Distribution (Cont'd)

(b) Corresponding Period of the Immediately Preceding Financial Year

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

Name of distribution:	Distribution for the period from 1 June 2018 to 31 August 2018
Distribution Type:	Taxable Income
Distribution rate per unit (cents):	1.43 cents per unit
Par value of units:	Not applicable.
Tax rate:	<p>Taxable Income Distribution:</p> <p>Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distribution. 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. Such individual unitholders, i.e. to whom the exemption will not apply, must declare the distribution received as income in their tax returns.</p> <p>Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%. This is based on the existing income tax concession for listed REITs on distributions made to non-resident non-individual investors during the period from 18 February 2005 to 31 March 2020.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p>

(c) Date payable

The date the distribution is payable: Wednesday, 20 November 2019.

(d) Record date

The Transfer Books and Register of Unitholders of SPH REIT will be closed at 5.00pm on 18 October 2019 for purposes of determining each Unitholder's entitlement to SPH REIT distribution.

12. If no distribution has been declared (recommended), a statement to that effect

Not applicable.

For The Year Ended 31 August 2019

13. Segment Results

	<u>Group</u>					
	4Q 2019 S\$'000	4Q 2018 S\$'000	Change %	FY 2019 S\$'000	FY 2018 S\$'000	Change %
<u>Gross Revenue</u>						
<u>Singapore</u>						
Paragon	42,553	41,697	2.1	170,397	169,461	0.6
The Clementi Mall	10,531	10,423	1.0	41,849	41,499	0.8
The Rail Mall	1,227	842	45.7	4,942	842	NM
	54,311	52,962	2.5	217,188	211,802	2.5
<u>Australia</u>						
Figtree Grove Shopping Centre	4,063	-	NM	11,447	-	NM
Total	58,374	52,962	10.2	228,635	211,802	7.9
<u>Net Property Income</u>						
<u>Singapore</u>						
Paragon	34,214	33,097	3.4	136,024	135,023	0.7
The Clementi Mall	7,708	7,196	7.1	31,340	30,287	3.5
The Rail Mall	916	686	33.5	3,871	686	NM
	42,838	40,979	4.5	171,235	165,996	3.2
<u>Australia</u>						
Figtree Grove Shopping Centre	2,971	-	NM	8,544	-	NM
Total	45,809	40,979	11.8	179,779	165,996	8.3

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

Please refer to paragraph 8 on page 15.

15. Breakdown of Gross revenue and Net Income

	<u>Group</u>		
	FY2019 S\$'000	FY2018 S\$'000	Change %
<u>1 September to 28 February</u> <u>(First half year)</u>			
Gross revenue	111,928	107,071	4.5
Net income	64,335	63,710	1.0
<u>1 March to 31 August</u> <u>(Second half year)</u>			
Gross revenue	116,707	104,731	11.4
Net income	65,402	59,374	10.2

For The Year Ended 31 August 2019

16. Breakdown of Total Distributions

	FY2019	FY2018
	S\$'000	S\$'000
1 September 2017 to 30 November 2017	-	34,380
1 December 2017 to 28 February 2018	-	35,947
1 March 2018 to 31 May 2018	-	35,205
1 June 2018 to 31 August 2018	-	36,778
1 September 2018 to 30 November 2018	34,602	-
1 December 2018 to 28 February 2019	36,440	-
1 March 2019 to 31 May 2019	35,953	-
1 June 2019 to 31 August 2019 ¹	37,795	-
	144,790	142,310

Notes:

1. Please refer to paragraph 11(a) on page 17.

17. If the group has obtained a general mandate from shareholders for Interested Person Transactions, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

SPH REIT has not obtained a general mandate from unitholders for Interested Person Transactions.

18. Confirmation By the Manager Pursuant to Rule 720(1) of the SGX Listing Manual.

The Manager confirms that it has procured undertakings from all its Directors and Executive Officers in the format set out in Appendix 7.7 pursuant to Rule 720(1) of the SGX Listing Manual.

19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704 (13). If there are no such persons, the issuer must make an appropriate negative statement.

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, SPH REIT Management Pte. Ltd. (the "Company"), as manager of SPH REIT, confirms that there is no person occupying a managerial position in the Company who is related to a director, chief executive officer, substantial shareholder of the Company or substantial unitholder of SPH REIT.

For The Year Ended 31 August 2019

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. Investors are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of SPH REIT Management Pte. Ltd. (as the manager of SPH REIT) on future events.

BY ORDER OF THE BOARD

Lim Wai Pun
Sheryl Cher Ya Li

Company Secretaries

Singapore,
10 October 2019



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Independent auditors' report

To the Unitholders of SPH REIT
(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 9 July 2013)

Report on the audit of the financial statements

Opinion

We have audited the financial statements of SPH REIT (the "Trust") and its subsidiaries (the "Group"), which comprise the Statements of Financial Position and Portfolio Statements of the Group and the Trust as at 31 August 2019, and the Statements of Total Return, Distribution Statements, Statements of Changes in Unitholders' Funds of the Group and the Trust and the Statement of Cash Flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages FS1 to FS62.

In our opinion, the accompanying consolidated financial statements of the Group and the Statements of Financial Position, Portfolio Statements, Statements of Total Return, Distribution Statement and Statements of Changes in Unitholders' Funds of the Trust present fairly, in all material respects, the consolidated financial position and the consolidated portfolio holdings of the Group and the financial position and the portfolio holdings of the Trust as at 31 August 2019 and the consolidated total return, consolidated distributable income, consolidated changes in unitholders' funds and consolidated cash flows of the Group and the total return, distributable income and changes in Unitholders' funds of the Trust for the year then ended on that date in accordance with the recommendations of Statement of Recommended Accounting Practice 7 *Reporting Framework for Unit Trusts* ("RAP 7") issued by the Institute of Singapore Chartered Accountants.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' responsibilities for the audit of the financial statements* section of our report. We are independent of the Trust in accordance with the Accounting and Corporate Regulatory Authority *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



Valuation of investment properties

(Refer to Note 5 and 24(h) to the financial statements)

Risk:

Investment properties represent the single largest category of assets on the Statements of Financial Position, at S\$3.6 billion as at 31 August 2019.

These investment properties are stated at their fair values based on independent external valuations.

The valuation process involves significant judgement in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied i.e. a small change in the assumptions can have a significant impact to the valuation.

Our response:

We evaluated the qualifications and competence of the external valuers. We also read the terms of engagement of the valuers with the Group to determine whether there were any matters that might have affected their objectivity or limited the scope of their work.

We considered the valuation methodologies used against those applied by other valuers for similar property types. We tested the integrity of inputs of the projected cash flows used in the valuation to supporting leases and other documents. We challenged the key assumptions used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors.

We also assessed whether the disclosures in the financial statements appropriately described the inherent degree of subjectivity and key assumptions in the valuations.

Our findings:

The valuers are members of recognised professional bodies for valuers and have confirmed their own independence in carrying out their work.

The valuation methodologies adopted by the valuers are in line with generally accepted market practices and the key assumptions used are within range of available market data. The disclosures in the financial statements are appropriate in their description of the inherent subjectivity and estimation involved.



Other information

SPH REIT Management Pte Ltd, the Manager of the Trust ("Manager") is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon. We have obtained all other information prior to the date of this auditors' report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the recommendations of RAP 7 issued by the Institute of Singapore Chartered Accountants, and for such internal control as the Manager determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Manager is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to terminate the Group or to cease operations of the Group, or has no realistic alternative but to do so.

The Manager's responsibilities include overseeing the Group's financial reporting process.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.



As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that we identify during our audit.

We also provide the Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.



From the matters communicated with the Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless the law or regulations preclude public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditors' report is Lim Jek.

A handwritten signature in black ink, appearing to read 'Lim Jek', with a stylized flourish at the end.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
10 October 2019