

FINANCIAL REVIEW

CONSOLIDATED STATEMENT OF NET INCOME AND DISTRIBUTION FOR THE FINANCIAL YEAR ENDED 31 AUGUST

	2021 S\$'000	2020 S\$'000	Change %
Gross revenue ¹	277,179	241,463	14.8
Property operating expenses	(74,552)	(59,520)	25.3
Net property income	202,627	181,943	11.4
Manager's management fees	(20,434)	(19,245)	6.2
Investment management fees	(2,950)	(2,143)	37.7
Trust expenses ²	(1,995)	(2,282)	(12.6)
Impairment loss on trade receivables ³	(2,823)	(8,100)	(65.1)
Finance income	200	1,775	(88.7)
Finance costs	(23,994)	(32,905)	(27.1)
Grant income ⁴	2,903	24,774	(88.3)
Grant expense ⁴	(2,903)	(24,774)	(88.3)
Net income	150,631	119,043	26.5
Fair value change on investment properties ⁵	3,421	(179,939)	NM
Net foreign currency exchange differences ⁶	(567)	917	NM
Total return/(loss) before taxes and distribution	153,485	(59,979)	NM
Less: income tax ⁷	(1,397)	(4,045)	(65.5)
Total return/(loss) after taxes and before distribution	152,088	(64,024)	NM

NM Not Meaningful

- 1 The gross revenue includes rental reliefs granted by landlord to eligible tenants in Singapore affected by COVID-19.
- 2 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.
- 3 The impairment loss on trade receivables comprises relief and rental arrear allowances for the properties in Singapore and Australia.
- 4 Grant income relates to property tax rebates and cash grants from Singapore government as part of the COVID-19 relief measures. Grant expense relates to the property tax rebates and cash grants being passed on to eligible tenants in the form of rental reliefs in FY2020 and FY2021.
- 5 This relates to the fair value change on the investment properties as at 31 August 2021, based on independent valuations conducted by Savills Valuation & Professional Services (S) Pte Ltd (2020: Edmund Tie & Company (SEA) Pte Ltd) for investment properties in Singapore, CBRE Valuation Pty Ltd and Jones Lang LaSalle Advisory Services Pty Ltd (2020: Urbis Valuations Pty Ltd and Jones Lang LaSalle Advisory Services Pty Ltd) for investment properties in Australia.
In FY2021, the Group recognised a fair value gain of S\$3.4 million from its investment properties.
- 6 The net foreign currency exchange differences relate mainly to unrealised foreign exchange (loss)/gain from revaluing of the monetary assets and liabilities that were denominated in Australian dollars.
- 7 This relates mainly to withholding tax payable for Australia income and deferred tax.



	2021 S\$'000	2020 S\$'000	Change %
Attributable to:			
Unitholders	137,348	(74,907)	NM
Perpetual securities holders ⁸	12,300	12,333	(0.3)
Non-controlling interests	2,440	(1,450)	NM
Total return/(loss) for the year	152,088	(64,024)	NM
Total return/(loss) for the year attributable to Unitholders	137,348	(74,907)	NM
Add: Non-tax deductible items ⁹	14,306	167,133	(91.4)
Income available for distribution	151,654	92,226	64.4
Add: Tax-exempt income ¹⁰	6,149	-	NM
Distributable income to Unitholders	157,803	92,226	71.1
Distribution to Unitholders¹¹	150,160	72,851	>100
Distribution per unit (cents) ("DPU")	5.40	2.72	98.5

8 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.

9 Non-tax deductible items refer to the Manager's management fees paid/payable in units, trustee's fees, straight-line rental adjustments, amortisation of debt issuance costs, fair value change on investment properties, capital allowance and net income from subsidiaries.

10 This relates to the distribution of tax-exempt income from Australia subsidiaries.

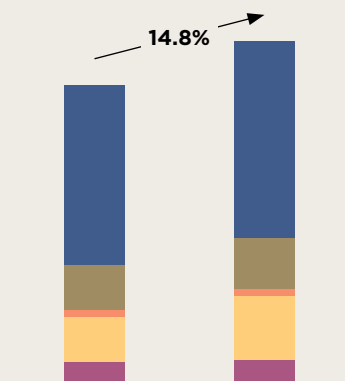
11 The distribution to unitholders for FY2021 includes S\$14.5 million of FY2020 distributable income deferred as allowed under COVID-19 relief measures.

FINANCIAL REVIEW

GROSS REVENUE

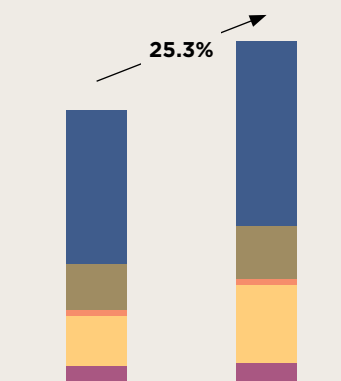
Gross revenue for FY2021 was S\$277.2 million, an increase of S\$35.7 million (14.8%) from FY2020.

FY2021 saw a full year contribution from Westfield Marion which was acquired in the prior year with an incremental gross revenue of S\$15.5 million.



PROPERTY OPERATING EXPENSES

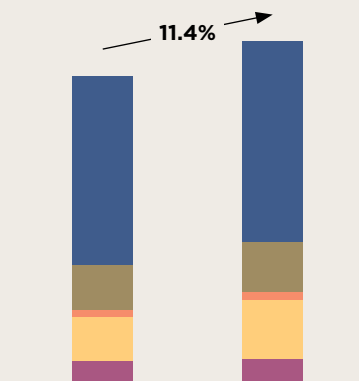
Property operating expenses were S\$74.6 million, an increase of S\$15.1 million (25.3%) from FY2020.



NET PROPERTY INCOME

Net property income ("NPI") of S\$202.6 million, was higher by S\$20.7 million (11.4%) against FY2020.

FY2021 saw a full year contribution from Westfield Marion which was acquired in the prior year with an incremental NPI of S\$9.3 million.



(S\$ million)	2020	2021	2020	2021	2020	2021
■ Paragon	146.5	159.9	33.8	40.5	112.7	119.4
■ The Clementi Mall	36.6	41.4	10.0	11.5	26.5	29.9
■ The Rail Mall	5.0	5.7	1.1	1.3	3.9	4.4
■ Westfield Marion	37.5	53.0	11.2	17.4	26.3	35.6
■ Figtree Grove	15.9	17.2	3.4	3.9	12.5	13.3



DISTRIBUTABLE INCOME TO UNITHOLDERS

With the overall decrease in the interest rate environment and having re-financed the loans which were due in FY2021 at a lower interest rate, finance cost decreased by S\$8.9 million (27.1%) to S\$24.0 million for FY2021. The average cost of debt for FY2021 was 1.84% p.a.

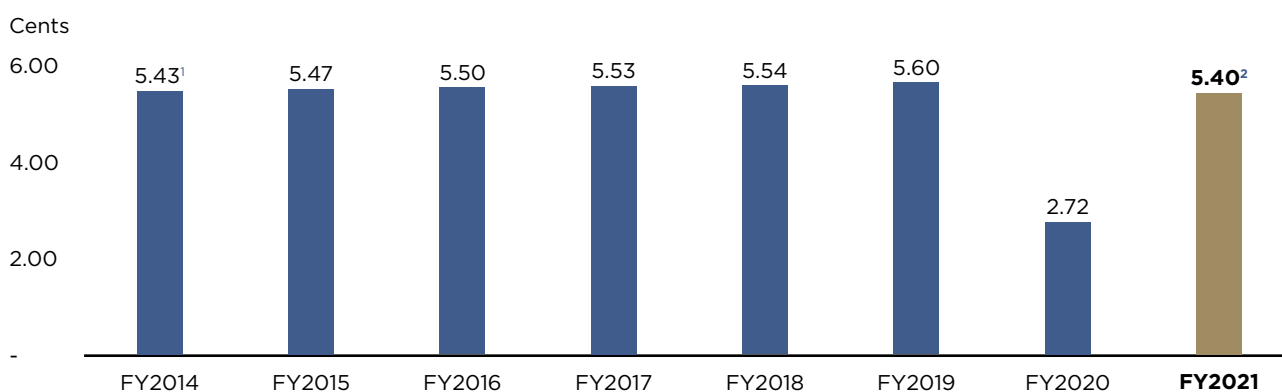
In FY2021, the Group recognised a fair value gain of S\$3.4 million from its investment properties.

Total return for FY2021 amounting to S\$152.1 million was higher than the loss of S\$64.0 million incurred in FY2020.

Distributable income to Unitholders for FY2021 was S\$157.8 million, an increase of S\$65.6 million (71.1%) compared to FY2020.

DISTRIBUTION

Quarter Ended	2021 (cents)	2020 (cents)	Change %
1Q	1.20	1.38	-13.0
2Q	1.24	0.30	313.3
3Q	1.38	0.50	176.0
4Q	1.58	0.54	192.6
Total	5.40	2.72	98.5



The aggregate distribution per unit (“DPU”) of 5.40 cents for FY2021 was 98.5% higher than last year. This translated to a distribution yield of 5.93%, based on the closing price of S\$0.91 as at 31 August 2021.

1 Does not include the distribution of 0.56 cents from 24 July 2013 (listing date) to 31 August 2013.

2 Includes 0.52 cents FY2020 income deferred as allowed under COVID-19 relief measures announced by IRAS.

FINANCIAL REVIEW

VALUATION OF PROPERTIES

As at 31 August 2021, the portfolio was valued at S\$4.123 billion.

The valuations were performed by Savills Valuation And Professional Services (S) Pte Ltd for investment properties in Singapore, CBRE Valuations Pty Ltd and Jones Lang LaSalle Advisory Services Pty Ltd for investment properties in Australia.

Net asset per unit as at 31 August 2021 remained at S\$0.91.

Property	Valuation (S\$ million) As at 31 August			Capitalisation Rate (%) As at 31 August	
	2021	2020	Change	2021	2020
Paragon	2,640.0	2,640.0	0%	Retail 4.50%	Retail 4.50%
				Medical suite/ office 3.75%	Medical suite/ office 3.75%
The Clementi Mall	594.0	584.0	1.7%	4.50%	4.50%
The Rail Mall	62.2	62.2	0%	6.00%	6.00%
Westfield Marion	630.1	648.6	-2.9%	5.50%	5.50%
Figtree Grove	196.7	190.6	3.2%	6.00%	6.25%
SPH REIT Portfolio	4,123.0	4,125.4	-0.1%		

Representing:

Additions	6.2
Fair value change	3.4
Translation difference and others	(12.0)

CASH FLOWS AND LIQUIDITY

As at 31 August 2021, SPH REIT's cash and cash equivalents amounted to S\$111.7 million.

Net cash generated from operating activities for FY2021 was S\$202.5 million. Net cash used in investing activities was S\$13.1 million, mainly for the capital expenditures and upgrading of equipment. Net cash used in financing activities was S\$158.3 million, mainly for distribution to unitholders and interest settlements.

CAPITAL MANAGEMENT

SPH REIT and its subsidiaries (the “Group”) have secured term loans amounting to S\$1.3 billion. Details are as follows:

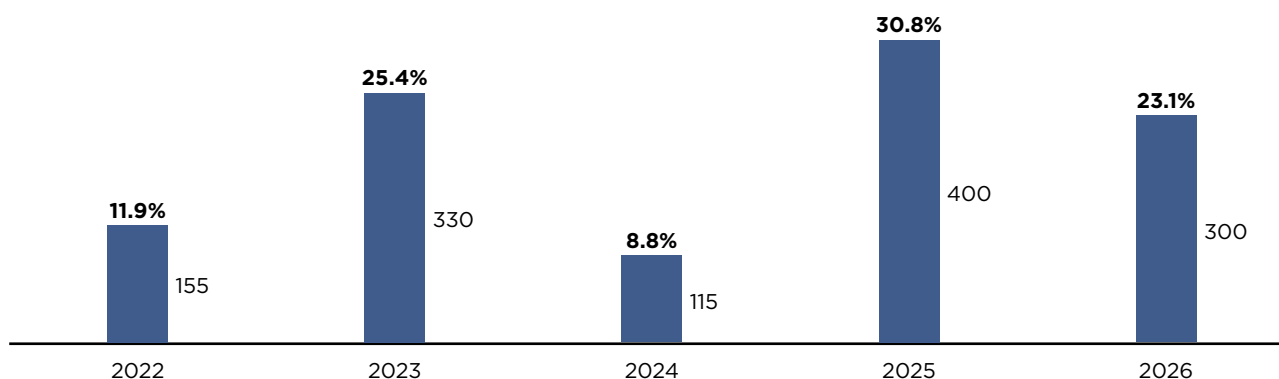
- term loan of S\$995 million secured, inter alia, by way of a first legal mortgage on Paragon, fixed and floating charges by way of debenture over the existing and future assets of Paragon (other than the excluded accounts), first legal charge over the tenancy account and sales proceeds account for Paragon, and an assignment of certain insurances taken in relation to Paragon;
- term loan of A\$200 million secured by way of a legal mortgage on Westfield Marion Shopping Centre.
- term loan of A\$105 million secured by way of a legal mortgage on Figtree Grove Shopping Centre; and

The debt maturity profile is well staggered, without major concentration of debts maturing in any single year. The average term to maturity was 2.9 years and gearing remained low at 30.3%. The average cost of debt was 1.84% p.a. for FY2021.

DEBT MATURITY PROFILE

S\$ million

% of Total Debt



KEY INDICATORS AS AT 31 AUGUST

	2021	2020
Gearing ratio	30.3%	30.5%
Interest coverage ratio	7.3 times	4.7 times
Weighted average term to maturity	2.9 years	2.9 years
Percentage of fixed loan	76.1%	49.7%
Annualised average all-in interest rate	1.84%	2.66%
Derivative financial instrument ¹ as % of NAV	0.15%	0.36%

Note

The derivative financial instruments refer to the fair value of interest rate swap, cross currency interest rate swaps and cross currency swaps contracts as at balance sheet date.