

# **KEPPEL REIT** **FULL YEAR 2013 FINANCIAL STATEMENTS ANNOUNCEMENT**

## **UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013**

### **TABLE OF CONTENTS**

	Page
- SUMMARY OF KEPPEL REIT RESULTS	2
- INTRODUCTION	3
1(a)(i) STATEMENT OF TOTAL RETURN AND DISTRIBUTION STATEMENT	4
1(a)(ii) STATEMENT OF COMPREHENSIVE INCOME	7
1(b)(i) BALANCE SHEETS	8
1(b)(ii) AGGREGATE AMOUNT OF BORROWINGS AND DEBT SECURITIES	10
1(c) CONSOLIDATED STATEMENT OF CASH FLOWS	11
1(d)(i) STATEMENTS OF MOVEMENTS IN UNITHOLDERS' FUNDS	12
1(d)(ii) DETAILS OF CHANGES IN THE UNITS	14
1(d)(iii) TOTAL NUMBER OF ISSUED UNITS	14
1(d)(iv) SALES, TRANSFERS, DISPOSAL, CANCELLATION AND/OR USE OF TREASURY UNITS	14
2 AUDIT	14
3 AUDITORS' REPORT	14
4 ACCOUNTING POLICIES	15
5 CHANGES IN ACCOUNTING POLICIES	15
6 CONSOLIDATED EARNINGS PER UNIT AND DISTRIBUTION PER UNIT	15
7 NET ASSET VALUE	15
8 REVIEW OF PERFORMANCE	16
9 VARIANCE FROM FORECAST STATEMENT	17
10 PROSPECTS	18
11 RISK FACTORS AND RISK MANAGEMENT	19
12 DISTRIBUTIONS	20
13 DISTRIBUTION STATEMENT	21
14, 15 SEGMENTAL INFORMATION	22
16 BREAKDOWN OF SALES	23
17 INTERESTED PERSON TRANSACTIONS	23
18 BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION	24
19 DISCLOSURE OF PERSON OCCUPYING A MANAGERIAL POSITION	24
Appendix QUARTERLY BREAKDOWN	25

**SUMMARY OF KEPPEL REIT RESULTS  
FOR THE YEAR ENDED 31 DECEMBER 2013**

	GROUP			
	4Q2013 \$'000	FY2013 \$'000	FY2012 \$'000	+/(-) %
Property Income	47,492	174,043	156,870	10.9
Net Property Income	37,350	138,294	124,660	10.9
Share of Results of Associates	15,764	62,134	46,844	32.6
Total Return before Net Change in Fair Value of Investment Properties and Tax	46,660	162,561	131,077	24.0
Income Available for Distribution	54,920	214,043	201,899	6.0
Distribution to Unitholders <sup>1</sup>	54,920	214,043	201,899	6.0
<b>Distribution per Unit ("DPU") (cents)</b>				
<b>For the Period/Year</b>	<b>1.97</b>	<b>7.88</b> <sup>2</sup>	<b>7.77</b>	<b>1.4</b>
Distribution Yield %	6.6% <sup>3</sup>	6.6% <sup>3</sup>	6.0% <sup>4</sup>	

**Notes:**

- (1) Distribution to Unitholders is based on 100% of the taxable income available for distribution.
- (2) Total DPU for FY2013 is 7.88 cents, based on 1.97 cents, 1.97 cents, 1.97 cents and 1.97 cents reported in 1Q2013, 2Q2013, 3Q2013 and 4Q2013 results announcements respectively.
- (3) The yield is based on the market closing price per unit of \$1.185 as at the last trading day, 31 December 2013.
- (4) The yield is based on the market closing price per unit of \$1.295 as at the last trading day, 31 December 2012.

Distribution	1 October 2013 to 31 December 2013
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution Rate	(a) Taxable income distribution - 0.86 cents per unit (b) Tax-exempt income distribution - 0.70 cents per unit (c) Capital distribution - 0.41 cents per unit
Books Closure Date	28 January 2014
Payment Date	28 February 2014

## INTRODUCTION

Listed by way of an introduction on 28 April 2006, K-REIT Asia was renamed Keppel REIT on 15 October 2012. Keppel REIT is currently one of the largest real estate investment trusts listed on the Singapore Exchange Securities Trading Limited.

Keppel REIT's objective is to generate stable income and long-term growth for Unitholders by owning and investing in a portfolio of quality income-producing commercial real estate and real estate-related assets pan-Asia.

As at 31 December 2013, Keppel REIT has an asset size of approximately \$7.2 billion comprising ten premium commercial assets strategically located in the central business districts of Singapore, and Sydney, Melbourne, Brisbane and Perth in Australia.

In Singapore, Keppel REIT owns a 99.9% interest in Ocean Financial Centre, a one-third interest in Marina Bay Financial Centre Towers 1 and 2 and Marina Bay Link Mall, a one-third interest in One Raffles Quay, a 92.8% interest in Prudential Tower, and Bugis Junction Towers.

Keppel REIT now owns five premium commercial assets in Australia: a 50% interest in 8 Chifley Square and the office tower at 77 King Street, both in Sydney, a 50% interest in the office building at 8 Exhibition Street in Melbourne, a 50% interest in 275 George Street in Brisbane as well as a 50% interest in the new office tower to be built on the site of the Old Treasury Building in Perth.

Keppel REIT is sponsored by Keppel Land Limited ("Keppel Land"), one of Asia's leading property developers, and is managed by Keppel REIT Management Limited, a wholly-owned subsidiary of Keppel Land.

# 1. UNAUDITED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

The Directors of Keppel REIT Management Limited, as manager of Keppel REIT, announce the following unaudited results of Keppel REIT for the year ended 31 December 2013:

## 1(a)(i) Statement of total return and distribution statement, together with a comparative statement for the corresponding period of the immediately preceding financial year

### Statement of Total Return

		<u>Group</u>					
		4Q2013	4Q2012	+/( -)	FY2013	FY2012	+/( -)
	Note	\$'000	\$'000	%	\$'000	\$'000	%
Gross rent		45,115	39,929	13.0	169,201	153,779	10.0
Car park income		685	347	97.4	1,823	1,366	33.5
Other income		1,692	521	224.8	3,019	1,725	75.0
<b>Property income</b>		<b>47,492</b>	<b>40,797</b>	<b>16.4</b>	<b>174,043</b>	<b>156,870</b>	<b>10.9</b>
Property tax		(3,583)	(2,308)	55.2	(10,882)	(10,723)	1.5
Other property expenses	1	(4,778)	(3,976)	20.2	(17,890)	(14,895)	20.1
Property management fee		(1,122)	(1,067)	5.2	(4,373)	(4,000)	9.3
Maintenance and sinking fund contributions		(659)	(647)	1.9	(2,604)	(2,592)	0.5
<b>Property expenses</b>		<b>(10,142)</b>	<b>(7,998)</b>	<b>26.8</b>	<b>(35,749)</b>	<b>(32,210)</b>	<b>11.0</b>
<b>Net property income</b>		<b>37,350</b>	<b>32,799</b>	<b>13.9</b>	<b>138,294</b>	<b>124,660</b>	<b>10.9</b>
Rental support	2	17,759	17,481	1.6	72,873	86,510	(15.8)
Interest income	3	9,782	7,792	25.5	36,953	29,157	26.7
Share of results of associates	4	15,764	12,043	30.9	62,134	46,844	32.6
Share of results of joint ventures	5	687	(30)	NM	2,103	(28)	NM
Amortisation expenses	6	(5,633)	(16,759)	(66.4)	(44,860)	(64,963)	(30.9)
Borrowing costs	7	(14,524)	(12,413)	17.0	(55,178)	(46,791)	17.9
Manager's management fees	8	(11,418)	(10,272)	11.2	(42,931)	(39,438)	8.9
Trust expenses		(3,107)	(658)	372.2	(6,827)	(4,874)	40.1
<b>Net income</b>		<b>46,660</b>	<b>29,983</b>	<b>55.6</b>	<b>162,561</b>	<b>131,077</b>	<b>24.0</b>
Net change in fair value of investment properties	9	389,141	216,801	79.5	389,141	216,801	79.5
<b>Total return before tax</b>		<b>435,801</b>	<b>246,784</b>	<b>76.6</b>	<b>551,702</b>	<b>347,878</b>	<b>58.6</b>
Income tax expense	10	(7,462)	(3,499)	113.3	(16,774)	(14,881)	12.7
<b>Total return after tax</b>		<b>428,339</b>	<b>243,285</b>	<b>76.1</b>	<b>534,928</b>	<b>332,997</b>	<b>60.6</b>
<b>Attributable to:</b>							
Unitholders		428,142	243,186	76.1	534,681	329,679	62.2
Non-controlling interest		197	99	99.0	247	3,318	(92.6)
		<b>428,339</b>	<b>243,285</b>	<b>76.1</b>	<b>534,928</b>	<b>332,997</b>	<b>60.6</b>
<b>Distribution Statement</b>							
<b>Total return for the period attributable to Unitholders</b>		<b>428,142</b>	<b>243,186</b>	<b>76.1</b>	<b>534,681</b>	<b>329,679</b>	<b>62.2</b>
Net tax adjustments	11	(373,222)	(191,327)	95.1	(320,638)	(127,780)	150.9
<b>Income available for distribution</b>		<b>54,920</b>	<b>51,859</b>	<b>5.9</b>	<b>214,043</b>	<b>201,899</b>	<b>6.0</b>
<b>Distribution to Unitholders</b>	12	<b>54,920</b>	<b>51,859</b>	<b>5.9</b>	<b>214,043</b>	<b>201,899</b>	<b>6.0</b>
<b>Distribution per unit (cents)</b>							
For the period		1.97	1.97	-	7.88	7.77	1.4

**Notes:**

NM – Not meaningful

- (1) Included in other property expenses are the following:

	<u>Group</u>			
	4Q2013	4Q2012	FY2013	FY2012
	\$'000	\$'000	\$'000	\$'000
Marketing expenses	217	88	1,497	527
Utilities	1,003	1,716	5,144	5,559
Repair and maintenance	2,475	1,542	8,075	6,158
Property management reimbursements	543	277	1,937	1,681
Other property expenses	540	353	1,237	970
	<u>4,778</u>	<u>3,976</u>	<u>17,890</u>	<u>14,895</u>

- (2) This relates to the rental support top-up payments received by Keppel REIT for the additional 29% and 19.4% interests in Prudential Tower acquired on 2 November 2009 and 3 May 2011 respectively, the one-third interest in BFC Development LLP ("BFCDLLP") which holds Marina Bay Financial Centre Towers 1 and 2 and Marina Bay Link Mall, the office tower at 77 King Street, Sydney, and the approximate 99.9% interest in Ocean Properties LLP ("OPLLP") which holds Ocean Financial Centre ("OFC"). In the prior year, the rental support top-up payments received by Keppel REIT also included its one-third interest in One Raffles Quay Pte Ltd ("ORQPL").

- (3) Interest income comprises the following:

	<u>Group</u>			
	4Q2013	4Q2012	FY2013	FY2012
	\$'000	\$'000	\$'000	\$'000
Interest income from fixed deposits and current accounts	164	181	724	986
Interest income from shareholder's loans to ORQPL and BFCDLLP	5,334	5,657	21,416	22,519
Interest income from convertible notes in Mirvac 8 Chifley Trust and Mirvac (Old Treasury) Trust	4,284	1,954	14,813	5,652
	<u>9,782</u>	<u>7,792</u>	<u>36,953</u>	<u>29,157</u>

- (4) Share of results of associates for the current period relates to Keppel REIT's one-third interests in (i) ORQPL's net profit after tax and before net change in fair value of investment property, and (ii) BFCDLLP's partnership profit, before net change in fair value of investment property. Share of results of associates for the comparative period relates to Keppel REIT's one-third interests in (i) ORQPL's net profit after tax and before net change in fair value of investment property, (ii) BFC Development Pte Ltd's ("BFCDDL") net profit after tax from 1 January 2012 till 14 June 2012 and before net change in fair value of investment property, and (iii) BFCDLLP's partnership profit from 15 June 2012, before net change in fair value of investment property.

- (5) Share of results of joint ventures relates to Keppel REIT's 50% interests in Mirvac 8 Chifley Trust's ("M8CT") and Mirvac (Old Treasury) Trust's ("MOTT") net profit after tax and before net change in fair value of investment properties.

- (6) Please refer to paragraph 1(b)(i), note 4.

- (7) Borrowing costs comprise the following:

	<u>Group</u>			
	4Q2013	4Q2012	FY2013	FY2012
	\$'000	\$'000	\$'000	\$'000
Interest expense on term loans	13,522	10,129	48,378	38,396
Interest expense on revolving loans	334	1,962	4,374	7,137
Amortisation of capitalised transaction costs	668	322	2,426	1,258
	<u>14,524</u>	<u>12,413</u>	<u>55,178</u>	<u>46,791</u>

- (8) The Manager has elected to receive 100% of its management fees earned in respect of the approximate 87.5% interest in OPLLP and the 50% interest in 8 Exhibition Street as well as 50% of its management fee earned for the approximate 12.4% interest in OPLLP and the rest of the properties in units of Keppel REIT for FY2013 and FY2012.
- (9) The net change in fair value on investment properties is analysed as follows:

	<u>Group</u>			
	4Q2013	4Q2012	FY2013	FY2012
	\$'000	\$'000	\$'000	\$'000
Investment properties held directly by the Trust	254,595	150,072	254,595	150,072
Investment properties held directly by associates	120,040	77,765	120,040	77,765
Investment properties held directly by joint ventures	22,993	6,325	22,993	6,325
Effects of recognising rental income on a straight line basis over the lease term	(8,487)	(17,361)	(8,487)	(17,361)
	<u>389,141</u>	<u>216,801</u>	<u>389,141</u>	<u>216,801</u>

- (10) Income tax expense comprises (i) tax of 17% (2012: 17%) on the rental support top-up payments received by Keppel REIT for its interests in ORQPL, BFCDLLP and OPLLP, net of deductible interest expense, (ii) withholding tax expense in relation to the income from the Group's investments in Australia, and (iii) deferred tax on valuation gain of Australian investment properties.

- (11) Included in the net tax adjustments are the following:

	<u>Group</u>			
	4Q2013	4Q2012	FY2013	FY2012
	\$'000	\$'000	\$'000	\$'000
Management fees paid and/or payable in units	7,793	6,850	28,657	26,490
Trustee's fees	274	246	1,018	939
Net change in fair value of investment properties (net of non-controlling interest)	(388,960)	(216,719)	(388,960)	(216,719)
Amortisation of intangible asset and capitalised transaction costs	6,301	17,081	47,286	66,221
Temporary differences and other tax adjustments	1,370	1,215	(8,639)	(4,711)
	<u>(373,222)</u>	<u>(191,327)</u>	<u>(320,638)</u>	<u>(127,780)</u>

Included in temporary differences and other tax adjustments are share of results of associates and joint ventures, dividend and distributions income, effect of recognising rental income on a straight line basis over the lease terms, non-taxable income and non-deductible expenses.

- (12) Keppel REIT has been distributing 100% of its taxable income available for distribution to Unitholders. The distribution to Unitholders is based on 100% of the taxable income available for distribution to Unitholders.

**1(a)(ii) Statement of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Statement of Comprehensive Income**

	<b>Group</b>					
	<b>4Q2013</b>	<b>4Q2012</b>	<b>+ / (-)</b>	<b>FY2013</b>	<b>FY2012</b>	<b>+ / (-)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b>Total return after tax</b>	<b>428,339</b>	<b>243,285</b>	<b>76.1</b>	<b>534,928</b>	<b>332,997</b>	<b>60.6</b>
<b>Other comprehensive income:</b>						
Foreign currency translation	(21,373)	(5,698)	275.1	(90,690)	(15,494)	485.3
<u>Cashflow hedges:</u>						
Net change in fair value of cash flow hedges	(7,334)	(3,264)	124.7	(162)	(12,135)	(98.7)
Share of net change in fair value of cash flow hedges of an associate	(526)	(484)	8.7	760	(1,719)	NM
<b>Other comprehensive income for the period/year</b>	<b>(29,233)</b>	<b>(9,446)</b>	<b>209.5</b>	<b>(90,092)</b>	<b>(29,348)</b>	<b>207.0</b>
<b>Total comprehensive income for the period/year</b>	<b>399,106</b>	<b>233,839</b>	<b>70.7</b>	<b>444,836</b>	<b>303,649</b>	<b>46.5</b>
<b>Attributable to:</b>						
Unitholders	398,912	233,824	70.6	444,587	300,331	48.0
Non-controlling interest	194	15	>500	249	3,318	(92.5)
	<b>399,106</b>	<b>233,839</b>	<b>70.7</b>	<b>444,836</b>	<b>303,649</b>	<b>46.5</b>

NM – Not meaningful

**1(b)(i) Balance sheets, together with a comparative statement of the end of the immediately preceding financial year**

**Balance Sheets**

	Note	Group			Trust		
		31/12/2013	31/12/2012	+/(−)	31/12/2013	31/12/2012	+/(−)
		\$'000	\$'000	%	\$'000	\$'000	%
<b>Non-current assets</b>							
Investment properties	1	4,015,094	3,614,744	11.1	994,760	942,034	5.6
Investment in subsidiaries		-	-	-	1,837,852	1,839,552	(0.1)
Investment in associates	2	2,269,185	2,155,050	5.3	1,979,167	1,978,145	0.1
Investment in joint ventures	3	315,310	140,079	125.1	-	-	-
Amount owing by subsidiary		-	-	-	798,648	496,862	60.7
Fixed assets		23	38	(39.5)	-	-	-
Intangible asset	4	47,356	92,371	(48.7)	1,094	5,241	(79.1)
Derivative financial instruments	5	2,738	-	NM	-	-	-
<b>Total non-current assets</b>		<b>6,649,706</b>	<b>6,002,282</b>	<b>10.8</b>	<b>5,611,521</b>	<b>5,261,834</b>	<b>6.6</b>
<b>Current assets</b>							
Trade and other receivables	6	33,865	28,669	18.1	40,128	43,631	(8.0)
Prepaid expenses		1,010	1,130	(10.6)	22	637	(96.5)
Cash and bank balances		90,611	101,930	(11.1)	61,782	59,091	4.6
Derivative financial instruments	7	347	5,461	(93.6)	347	5,461	(93.6)
<b>Total current assets</b>		<b>125,833</b>	<b>137,190</b>	<b>(8.3)</b>	<b>102,279</b>	<b>108,820</b>	<b>(6.0)</b>
<b>Total assets</b>		<b>6,775,539</b>	<b>6,139,472</b>	<b>10.4</b>	<b>5,713,800</b>	<b>5,370,654</b>	<b>6.4</b>
<b>Current liabilities</b>							
Trade and other payables		94,258	139,605	(32.5)	43,095	45,176	(4.6)
Income received in advance		1,621	2,415	(32.9)	239	249	(4.0)
Short term borrowings	8	281,953	154,964	81.9	281,953	99,964	182.1
Current portion of security deposits		3,927	3,544	10.8	852	3,544	(76.0)
Derivative financial instruments	9	6,559	760	>500	6,559	760	>500
Provision for taxation		10,858	14,577	(25.5)	10,998	13,614	(19.2)
<b>Total current liabilities</b>		<b>399,176</b>	<b>315,865</b>	<b>26.4</b>	<b>343,696</b>	<b>163,307</b>	<b>110.5</b>
<b>Non-current liabilities</b>							
Income received in advance		19,585	30,551	(35.9)	17,907	27,860	(35.7)
Long term borrowings	8	2,400,905	2,267,723	5.9	1,944,642	1,898,328	2.4
Derivative financial instruments	9	21,966	29,978	(26.7)	20,332	29,829	(31.8)
Non-current portion of security deposits		30,183	29,387	2.7	9,281	7,137	30.0
Deferred tax liabilities	10	4,753	-	NM	-	-	-
<b>Total non-current liabilities</b>		<b>2,477,392</b>	<b>2,357,639</b>	<b>5.1</b>	<b>1,992,162</b>	<b>1,963,154</b>	<b>1.5</b>
<b>Total liabilities</b>		<b>2,876,568</b>	<b>2,673,504</b>	<b>7.6</b>	<b>2,335,858</b>	<b>2,126,461</b>	<b>9.8</b>
<b>Net assets</b>		<b>3,898,971</b>	<b>3,465,968</b>	<b>12.5</b>	<b>3,377,942</b>	<b>3,244,193</b>	<b>4.1</b>
Represented by:							
<b>Unitholders' funds</b>		<b>3,896,993</b>	<b>3,464,157</b>	<b>12.5</b>	<b>3,377,942</b>	<b>3,244,193</b>	<b>4.1</b>
<b>Non-controlling interest</b>		<b>1,978</b>	<b>1,811</b>	<b>9.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
		<b>3,898,971</b>	<b>3,465,968</b>	<b>12.5</b>	<b>3,377,942</b>	<b>3,244,193</b>	<b>4.1</b>
Net asset value per unit (\$)		1.40	1.32		1.21	1.23	
Gross borrowings / Value of deposited properties (%)	11	42.1	42.9				



**Notes:**

NM – Not meaningful

- (1) The increase in investment properties is due mainly to the revaluation of investment properties and capital expenditure, acquisition of the 50% interest in 8 Exhibition Street, offset by translation differences arising from the Australian properties. The valuations were conducted by independent valuers. The valuations of the properties as at 31 December 2013 were:

<u>Property</u>	<u>Tenure</u>	<u>Date of valuation</u>	<u>Valuation</u> \$'000
Prudential Tower	99 years from 15 January 1996	31 December 2013	490,000
Bugis Junction Towers	99 years from 10 September 1990	31 December 2013	504,760
Ocean Financial Centre	99 years from 14 December 2011	31 December 2013	2,464,064
77 King Street	Freehold	31 December 2013	143,000
275 George Street	Freehold	31 December 2013	219,648 *
8 Exhibition Street	Freehold	31 December 2013	193,622 *
			<b>4,015,094</b>

\* Based on the Group's proportionate share of 50% interest.

- (2) This relates to the one-third equity interests in ORQPL and BFCDLLP, advances to these associates and the Group's share of post-acquisition results of these associates.
- (3) This relates to the 50% interest in M8CT and Mirvac 8 Chifley Pty Limited; and 50% interest in MOTT and Mirvac (Old Treasury) Pty Limited acquired on 28 March 2013. It also includes convertible notes held in and advances to these joint ventures. The properties held through M8CT and MOTT are 8 Chifley Square (which received its Certificate of Practical Completion in July 2013) and the new office tower to be built on the Old Treasury Building site respectively.
- (4) This relates to the unamortised aggregate rental support top-up payments receivable by the Group for its one-third interest in BFCDLLP, 100% interest in the office tower at 77 King Street, Sydney, the additional 19.4% interest in Prudential Tower, and the approximate 99.9% interest in OPLL. The intangible asset is amortised over the remaining rental support periods for the respective properties.
- (5) This relates to the fair value of interest rate swaps entered into by the Group.
- (6) Included in the balances are receivables for rental support top-up payments of \$20.8 million as at 31 December 2013 (31 December 2012: \$20.5 million).
- (7) This relates to the fair value of the foreign currency forward contracts entered into in relation to the net income from the Australian properties.
- (8) This relates mainly to bank borrowings taken up to finance the acquisition of one-third equity interest in associates, ORQPL and BFCDLLP, the additional 19.4% interest in Prudential Tower, the 50% interest in M8CT, the approximate 99.9% interest in OPLL, 50% interest in MOTT and 50% interest in 8 Exhibition Street. The Group's balance also includes OPLL's bank borrowings.
- (9) This relates to the fair value of the foreign currency forward contracts entered into in relation to the investments in MOTT and M8CT, and fair value of interest rate swaps entered into by the Group.
- (10) This relates to provision for deferred tax on valuation gain of Australian investment properties.
- (11) This is based on the total amount of gross borrowings and valuation of deposited properties (held directly and indirectly) of \$7.2 billion as at 31 December 2013 (31 December 2012: \$6.5 billion).

**1(b)(ii) Aggregate Amount of Borrowings and Debt Securities**

	<u>Group</u>	
	<b>As at 31/12/13</b>	<b>As at 31/12/12</b>
	\$'000	\$'000
<b>Secured borrowings</b>		
Amount repayable after one year	886,954	853,780
Less: Unamortised portion of fees	(4,312)	(5,594)
	<b>882,642</b>	<b>848,186</b>
<b>Unsecured borrowings</b>		
Amount repayable within one year	282,039	155,000
Amount repayable after one year	1,522,884	1,422,147
Less: Unamortised portion of fees	(4,707)	(2,646)
	<b>1,800,216</b>	<b>1,574,501</b>
<b>Total borrowings</b>	<b>2,682,858</b>	<b>2,422,687</b>

**Details of Collaterals**

As a security for the 5-year term loan facilities of \$425 million, the Group mortgaged its Bugis Junction Towers and a 73.4% interest in Prudential Tower. In addition, Keppel REIT granted the lender the following:

- (i) an assignment of the rights, title and interest of the Trust and the insurances effected over Bugis Junction Towers;
- (ii) an assignment of all the rights, benefits, title and interest of the Trust in and to the property sale agreement and tenancy agreements relating to Bugis Junction Towers; and
- (iii) a debenture creating fixed and floating charges over all assets of the Trust relating to Bugis Junction Towers.

For the 5-year term loan facility of \$505 million, the Group granted the lenders securities of up to an aggregate principal amount of \$900 million comprising of a mortgage against OFC and the following:

- (i) an assignment of construction contracts and construction guarantees; and
- (ii) an assignment of rental and insurance proceeds derived from OFC.

As at 31 December 2013, the Group had total borrowings of approximately \$2,691.9 million and an unutilised \$735.7 million of facilities available to meet its future obligations. The all-in interest rate for all borrowings for 4Q2013 stood at 2.15% per annum.

# 1(c) Consolidated Statement of Cash Flows

		<u>Group</u>			
		<b>4Q2013</b>	<b>4Q2012</b>	<b>FY2013</b>	<b>FY2012</b>
	<i>Note</i>	\$'000	\$'000	\$'000	\$'000
<b>Operating activities</b>					
Total return before tax		435,801	246,784	551,702	347,878
Adjustments for:					
Interest income		(9,782)	(7,792)	(36,953)	(29,157)
Amortisation expense		5,633	16,759	44,860	64,963
Share of results of associates		(15,764)	(12,043)	(62,134)	(46,844)
Share of results of joint ventures		(687)	30	(2,103)	28
Borrowing costs		14,524	12,413	55,178	46,791
Management fees paid and/or payable in units		7,793	6,850	28,657	26,490
Net change in fair value of investment properties		(389,141)	(216,801)	(389,141)	(216,801)
Depreciation		3	3	15	15
Rental support income		(17,759)	(17,481)	(72,873)	(86,510)
Translation differences		1,662	(1,465)	3,728	(924)
<b>Operating cash flows before changes in working capital</b>		<b>32,283</b>	<b>27,257</b>	<b>120,936</b>	<b>105,929</b>
(Increase)/Decrease in receivables		(5,164)	(135)	(5,544)	3,625
Increase/(Decrease) in payables		1,268	12,723	(40,898)	(3,630)
Increase in security deposits		826	943	1,179	4,998
Cash flows from operations		29,213	40,788	75,673	110,922
Income taxes paid		(4,440)	(1,682)	(15,418)	(6,097)
<b>Net cash flows generated from operating activities</b>		<b>24,773</b>	<b>39,106</b>	<b>60,255</b>	<b>104,825</b>
<b>Investing activities</b>					
Purchase of investment property		-	-	(187,184)	-
Improvement in investment properties		(24)	(1,406)	(17,805)	(4,715)
Interest received		7,449	7,446	34,422	28,011
Rental support received		18,701	19,156	72,644	83,288
Investment in joint ventures		(22,180)	(20,332)	(189,479)	(100,220)
Investment in associates		(1,735)	-	(1,735)	-
Distribution received from a joint venture		293	-	856	-
Dividend income/distribution received from associates		32,190	27,189	64,593	52,028
<b>Net cash flows generated from/(used in) investing activities</b>		<b>34,694</b>	<b>32,053</b>	<b>(223,688)</b>	<b>58,392</b>
<b>Financing activities</b>					
Distribution to Unitholders	1	(34,495)	(51,459)	(211,268)	(212,170)
Loans drawdown		392,360	532,391	968,834	789,050
Repayment of loan drawdown		(360,000)	(528,780)	(707,883)	(528,780)
Upfront debt arrangement costs		(371)	(4,700)	(3,206)	(4,800)
Proceeds from placement		-	-	172,900	-
Acquisition of non-controlling interest		-	(141)	-	(157,207)
Partnership distribution to non-controlling interest		(27)	(15)	(76)	(3,168)
Interest paid		(18,866)	(18,260)	(52,603)	(46,259)
Issue expenses		-	-	(2,190)	-
<b>Net cash flows (used in)/generated from financing activities</b>		<b>(21,399)</b>	<b>(70,964)</b>	<b>164,508</b>	<b>(163,334)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>38,068</b>	<b>195</b>	<b>1,075</b>	<b>(117)</b>
Cash and cash equivalents at the beginning of period		33,447	71,696	71,766	72,419
Effect of exchange rate changes on cash and cash equivalents		(375)	(125)	(1,701)	(536)
<b>Cash and cash equivalents at the end of period</b>		<b>71,140</b>	<b>71,766</b>	<b>71,140</b>	<b>71,766</b>
Cash and bank balances		90,611	101,930	90,611	101,930
Less: Rental support received in advance held in escrow accounts	2	(19,471)	(30,164)	(19,471)	(30,164)
<b>Cash and cash equivalents per Consolidated Statement of Cash Flows</b>		<b>71,140</b>	<b>71,766</b>	<b>71,140</b>	<b>71,766</b>

## Note:

(1) Distribution for FY2013 is for the period of 1 October 2012 to 31 December 2012, paid on 27 February 2013; 1 January 2013 to 3 March 2013, paid on 12 April 2013; 4 March 2013 to 31 March 2013, paid on 28 May 2013; 1 April 2013 to 30 June 2013, paid on 28 August 2013; 1 July 2013 to 5 August 2013, paid on 20 September 2013; and 6 August 2013 to 30 September 2013, paid on 28 November 2013.

Distribution for FY2012 is for the period 1 July 2011 to 31 December 2011, paid on 24 February 2012; 1 January 2012 to 30 June 2012, paid on 27 August 2012; and 1 July 2012 to 30 September 2012, paid on 27 November 2012.

(2) This relates to the rental support top-up payments received in advance by Keppel REIT held in escrow accounts for the additional 29% and 19.4% interests in Prudential Tower, the 12.39% interest in OPLLP and the office tower at 77 King Street.

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

<u>Group</u>	<u>Note</u>	<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Foreign Currency Translation Reserve</u>	<u>Hedging Reserve</u>	<u>Discount on Acquisition of Non-Controlling Interest</u>	<u>Unitholders' Funds</u>	<u>Non-Controlling Interest</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2013</b>		<b>2,771,684</b>	<b>722,957</b>	<b>(4,138)</b>	<b>(28,599)</b>	<b>2,253</b>	<b>3,464,157</b>	<b>1,811</b>	<b>3,465,968</b>
Return for the period		-	534,681	-	-	-	534,681	247	534,928
Other comprehensive income	1	-	-	(90,690)	596	-	(90,094)	2	(90,092)
Total comprehensive income		-	534,681	(90,690)	596	-	444,587	249	444,836
Issue of units for payment of management fees	2	27,838	-	-	-	-	27,838	-	27,838
Issue of placement units	3	172,900	-	-	-	-	172,900	-	172,900
Issue expenses	4	(2,190)	-	-	-	-	(2,190)	-	(2,190)
Distribution to Unitholders		(45,941)	(165,327)	-	-	-	(211,268)	-	(211,268)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	(82)	(82)
Acquisition expenses adjustments		-	-	-	-	969	969	-	969
<b>At 31 December 2013</b>		<b>2,924,291</b>	<b>1,092,311</b>	<b>(94,828)</b>	<b>(28,003)</b>	<b>3,222</b>	<b>3,896,993</b>	<b>1,978</b>	<b>3,898,971</b>

  

<u>Group</u>	<u>Note</u>	<u>Units in Issue</u>	<u>Accumulated Profits</u>	<u>Foreign Currency Translation Reserve</u>	<u>Hedging Reserve</u>	<u>Discount on Acquisition of Non-Controlling Interest</u>	<u>Unitholders' funds</u>	<u>Non-Controlling Interest</u>	<u>Total</u>
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 January 2012</b>		<b>2,682,996</b>	<b>599,806</b>	<b>11,356</b>	<b>(14,745)</b>	<b>-</b>	<b>3,279,413</b>	<b>212,833</b>	<b>3,492,246</b>
Return for the period		-	329,679	-	-	-	329,679	3,318	332,997
Other comprehensive income	1	-	-	(15,494)	(13,854)	-	(29,348)	-	(29,348)
Total comprehensive income		-	329,679	(15,494)	(13,854)	-	300,331	3,318	303,649
Issue of units for payment of management fees	5	23,486	-	-	-	-	23,486	-	23,486
Issue of placement units	6	70,200	-	-	-	-	70,200	-	70,200
Issue expenses adjustment	7	644	-	-	-	-	644	-	644
Distribution to Unitholders		(5,642)	(206,528)	-	-	-	(212,170)	-	(212,170)
Distribution of partnership profits to non-controlling interest		-	-	-	-	-	-	(3,168)	(3,168)
Acquisition of non-controlling interest		-	-	-	-	2,253	2,253	(211,172)	(208,919)
<b>At 31 December 2012</b>		<b>2,771,684</b>	<b>722,957</b>	<b>(4,138)</b>	<b>(28,599)</b>	<b>2,253</b>	<b>3,464,157</b>	<b>1,811</b>	<b>3,465,968</b>

**1(d)(i) Statements of Movements in Unitholders' Funds (cont'd)**

**Notes:**

- (1) Other comprehensive income relates to the movement in foreign currency translation reserve arising from the translation of foreign entities, intercompany loans that form part of the Group's net investment in foreign entities, fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Group and share of hedging reserve of an associate.
- (2) This represents 21,501,637 units issued in FY2013 as payment of management fees in units.
- (3) This relates to the placement of 40 million units at an issue price of \$1.33 per unit on 4 March 2013 and the placement of 95 million units at an issue price of \$1.26 per unit on 6 August 2013. The net proceeds raised have been used to repay outstanding borrowings and for the acquisition of the 50% interest in 8 Exhibition Street respectively.
- (4) This relates to issue expenses in relation to the placements as mentioned in note 3 above.
- (5) This represents 23,605,269 units issued in FY2012 as payment of management fees in units.
- (6) This relates to the placement of 60 million units at an issue price of \$1.17 per unit as part payment for the acquisition of additional 12.4% interest in OPLLP.
- (7) This relates to issue expense adjustments in relation to the previous years' rights issues.

<u>Trust</u>	<u>Note</u>	<u>Units in Issue</u> \$'000	<u>Accumulated</u> <u>Profits</u> \$'000	<u>Hedging</u> <u>Reserve</u> \$'000	<u>Total</u> \$'000
<b>At 1 January 2013</b>		<b>2,771,684</b>	<b>497,637</b>	<b>(25,128)</b>	<b>3,244,193</b>
Return for the period		-	147,574	-	147,574
Other comprehensive income	1	-	-	(1,105)	(1,105)
Total comprehensive income		-	147,574	(1,105)	146,469
Issue of units for payment of management fees	2	27,838	-	-	27,838
Issue of placement units	3	172,900	-	-	172,900
Issue expenses	4	(2,190)	-	-	(2,190)
Distribution to Unitholders		(45,941)	(165,327)	-	(211,268)
<b>At 31 December 2013</b>		<b>2,924,291</b>	<b>479,884</b>	<b>(26,233)</b>	<b>3,377,942</b>

<u>Trust</u>	<u>Note</u>	<u>Units in Issue</u> \$'000	<u>Accumulated</u> <u>Profits</u> \$'000	<u>Hedging</u> <u>Reserve</u> \$'000	<u>Total</u> \$'000
<b>At 1 January 2012</b>		<b>2,682,996</b>	<b>487,105</b>	<b>(13,142)</b>	<b>3,156,959</b>
Return for the period		-	217,060	-	217,060
Other comprehensive income	1	-	-	(11,986)	(11,986)
Total comprehensive income		-	217,060	(11,986)	205,074
Issue of units for payment of management fees	5	23,486	-	-	23,486
Issue of placement units	6	70,200	-	-	70,200
Issue expenses adjustments	7	644	-	-	644
Distribution to Unitholders		(5,642)	(206,528)	-	(212,170)
<b>At 31 December 2012</b>		<b>2,771,684</b>	<b>497,637</b>	<b>(25,128)</b>	<b>3,244,193</b>

#### 1(d)(i) Statements of Movements in Unitholders' Funds (cont'd)

**Notes:**

- (1) This relates to fair value changes of the cash flow hedges as a result of interest rate swaps and foreign currency forward contracts entered into by the Trust.
- (2) This represents 21,501,637 units issued in FY2013 as payment of management fees in units.
- (3) This relates to the placement of 40 million units at an issue price of \$1.33 per unit on 4 March 2013 and the placement of 95 million units at an issue price of \$1.26 per unit on 6 August 2013. The net proceeds raised had been used to repay outstanding borrowings and for the acquisition of the 50% interest in 8 Exhibition Street respectively.
- (4) This relates to issue expenses in relation to the placements as mentioned in note 3 above.
- (5) This represents 23,605,269 units issued in FY2012 as payment of management fees in units.
- (6) This relates to the placement of 60 million units at an issue price of \$1.17 per unit as part payment for the acquisition of additional 12.4% interest in OPLLP.
- (7) This relates to issue expense adjustments in relation to the previous years' rights issues.

#### 1(d)(ii) Details of Changes in the Units

	<u>Group and Trust</u>	
	<b>2013</b>	<b>2012</b>
	<b>Units</b>	<b>Units</b>
<b>Issued units as at 1 January</b>	<b>2,631,180,238</b>	<b>2,547,574,969</b>
Issue of new units:		
- Payment of management fees	15,639,933	17,841,347
- Placement units	135,000,000	60,000,000
<b>Issued units as at 30 September</b>	<b>2,781,820,171</b>	<b>2,625,416,316</b>
Issue of new units:		
- Payment of management fees	5,861,704	5,763,922
<b>Issued units as at 31 December</b>	<b>2,787,681,875</b>	<b>2,631,180,238</b>

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

Keppel REIT did not hold any treasury units as at 31 December 2013 and 31 December 2012.

Total number of issued units in Keppel REIT as at 31 December 2013 and 31 December 2012 are as disclosed in paragraph 1(d)(ii).

#### 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. AUDIT

The figures have neither been audited nor reviewed by the auditors.

#### 3. AUDITORS' REPORT

Not applicable.

#### 4. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS ("INT FRS") that are effective for annual period beginning on 1 January 2013.

#### 5. CHANGES IN ACCOUNTING POLICIES

Not applicable.

#### 6. CONSOLIDATED EARNINGS PER UNIT ("EPU") AND DISTRIBUTION PER UNIT ("DPU")

	<u>Group</u>			
	4Q2013	4Q2012	FY2013	FY2012
<b>EPU</b> (based on weighted average number of units as at the end of the period)				
Based on total return before fair value change on investment properties	1.41 cents	1.01 cents	5.37 cents	4.36 cents
Based on total return after fair value change on investment properties	15.39 cents	9.25 cents	19.70 cents	12.73 cents
- Weighted average number of units as at the end of the period	2,782,831,917	2,629,426,001	2,714,470,498	2,590,687,505
<b>DPU</b> (based on the number of units as at the end of the period)	1.97 cents	1.97 cents	7.88 cents	7.77 cents
- Number of units in issue as at the end of the period	2,787,681,875	2,631,180,238	2,787,681,875	2,631,180,238

The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the periods.

#### 7. NET ASSET VALUE ("NAV")

	<u>Group</u>		<u>Trust</u>	
	As at 31/12/13	As at 31/12/12	As at 31/12/13	As at 31/12/12
NAV <sup>1</sup> per unit (\$) based on issued units at the end of the period	1.40	1.32	1.21	1.23
Adjusted NAV <sup>1</sup> per unit (\$) based on issued units at the end of the period (excluding the distributable income)	1.38	1.30	1.19	1.21

**Note:**

(1) This excludes non-controlling interest's share of net asset value.

## 8. REVIEW OF PERFORMANCE

### 8(i) Property Income Contribution of the Properties

<u>Property</u>	<u>Group</u>					
	4Q2013	4Q2012	+ / (-)	FY2013	FY2012	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Prudential Tower	5,179	5,195	(0.3)	19,273	21,019	(8.3)
Bugis Junction Towers	4,954	5,149	(3.8)	20,278	20,427	(0.7)
Ocean Financial Centre <sup>1</sup>	23,393	21,701	7.8	90,682	79,489	14.1
275 George Street	5,167	5,629	(8.2)	22,134	23,425	(5.5)
77 King Street	3,063	3,123	(1.9)	12,801	12,510	2.3
8 Exhibition Street <sup>2</sup>	5,736	-	NM	8,875	-	NM
<b>Total property income</b>	<b>47,492</b>	<b>40,797</b>	<b>16.4</b>	<b>174,043</b>	<b>156,870</b>	<b>10.9</b>

### 8(ii) Income Contribution of the Properties

<u>Property</u>	<u>Group</u>					
	4Q2013	4Q2012	+ / (-)	FY2013	FY2012	+ / (-)
	\$'000	\$'000	%	\$'000	\$'000	%
Prudential Tower	4,056	3,960	2.4	14,559	16,712	(12.9)
Bugis Junction Towers	3,859	4,108	(6.1)	16,436	16,652	(1.3)
Ocean Financial Centre <sup>1</sup>	18,329	17,661	3.8	72,320	62,346	16.0
275 George Street	4,302	4,602	(6.5)	17,959	19,111	(6.0)
77 King Street	2,309	2,468	(6.4)	10,162	9,839	3.3
8 Exhibition Street <sup>2</sup>	4,495	-	NM	6,858	-	NM
<b>Total net property income</b>	<b>37,350</b>	<b>32,799</b>	<b>13.9</b>	<b>138,294</b>	<b>124,660</b>	<b>10.9</b>
One-third interest in ORQPL:						
- Rental support	-	-	-	-	9,267	NM
- Interest income	364	388	(6.2)	1,463	1,544	(5.2)
- Dividend income	7,530	6,015	25.2	30,066	25,255	19.0
<b>Total income from one-third interest in ORQPL</b>	<b>7,894</b>	<b>6,403</b>	<b>23.3</b>	<b>31,529</b>	<b>36,066</b>	<b>(12.6)</b>
One-third interest in BFCDLLP:						
- Rental support	2,363	1,141	107.1	8,710	5,848	48.9
- Interest income	4,970	5,269	(5.7)	19,953	20,975	(4.9)
- Dividend income <sup>3</sup>	8,110	7,132	13.7	34,527	26,773	29.0
<b>Total income from one-third interest in BFCDLLP</b>	<b>15,443</b>	<b>13,542</b>	<b>14.0</b>	<b>63,190</b>	<b>53,596</b>	<b>17.9</b>
Ocean Financial Centre <sup>1</sup>	14,622	15,265	(4.2)	59,439	67,144	(11.5)
8 Chifley Square <sup>4</sup>	2,751	1,954	40.8	10,275	5,652	81.8
Old Treasury Building <sup>5</sup>	1,533	-	NM	4,538	-	NM
<b>Total income contribution</b>	<b>79,593</b>	<b>69,963</b>	<b>13.8</b>	<b>307,265</b>	<b>287,118</b>	<b>7.0</b>

**Notes:**

NM – Not meaningful

- (1) The acquisitions of the approximate 87.5% and 12.4% interests in OPLLP which owns OFC were completed on 14 December 2011 and 25 June 2012 respectively.
- (2) The acquisition of the 50% interest in 8 Exhibition Street was completed on 1 August 2013.
- (3) Income for the comparative periods comprises dividend income from BFCDDL prior to its conversion to a limited liability partnership on 15 June 2012 and the distributions from BFCDLLP subsequent to its conversion. Income for the current periods comprises distribution from BFCDLLP subsequent to its conversion in FY2012.
- (4) 8 Chifley Square received its Certificate of Practical Completion in July 2013.
- (5) The acquisition of the 50% interest in a new office tower to be built on the Old Treasury Building site, Perth was legally completed on 28 March 2013. The property is currently under development and is scheduled for completion in second half of 2015.



## 8. REVIEW OF PERFORMANCE (CONT'D)

### Review of Performance for FY2013 vs FY2012

The Group recorded its highest full-year distributable income since listing of \$214.0 million for FY2013. This is an increase of 6.0% year-on-year and represents a distribution yield of 6.6% based on Keppel REIT's closing price of \$1.185 on 31 December 2013.

The distributable income included (i) additional contributions from BFCDLLP as a result of its conversion to a limited liability partnership on 15 June 2012, (ii) contributions from the 12.4% interest in OPLLP acquired on 25 June 2012, which holds OFC, (iii) contributions from the 50% interest in Mirvac (Old Treasury) Trust acquired on 28 March 2013, which holds the office tower in Perth that is currently under construction, and (iv) contributions from the 50% interest in 8 Exhibition Street acquired on 1 August 2013.

Property income for FY2013 was \$174.0 million, an increase of \$17.1 million or 10.9% over that for FY2012. The increase was due mainly to higher property income from OFC and contributions from the 50% interest in 8 Exhibition Street acquired on 1 August 2013.

Net property income increased from \$124.7 million for FY2012 to \$138.3 million or 10.9% for FY2013. This was attributable mainly to better performance from OFC and contributions from the 50% interest in 8 Exhibition Street acquired on 1 August 2013.

The Group's total return before tax for FY2013 was \$551.7 million, an increase of 58.6% over FY2012 as a result of higher net property income, higher interest income, higher share of results of associates and joint ventures, lower amortisation expenses and higher net fair value gain in investment properties. These were partly offset by lower rental support, higher borrowing costs and management fees.

FY2013 DPU rose 1.4% to 7.88 cents from 7.77 cents for FY2012.

### Review of Performance for 4Q2013 vs 4Q2012

Property income for 4Q2013 was \$47.5 million, an increase of approximately 16.4% compared with the property income of \$40.8 million in 4Q2012. The increase was due mainly to higher property income from OFC and 8 Exhibition Street which was acquired on 1 August 2013.

Net property income for 4Q2013 was \$37.4 million, an increase of \$4.6 million as compared with 4Q2012, due mainly to better performance from OFC and the acquisition of 8 Exhibition Street.

The Group's total return before tax for 4Q2013 was \$435.8 million, an increase of 76.6% over 4Q2012 due mainly to higher net property income, higher interest income, higher share of results of associates and joint ventures, lower amortisation expenses and higher net fair value gain in investment properties. These were partly offset by higher borrowing costs and management fees as a result of the larger portfolio of assets under management.

Distribution to Unitholders increased 5.9% from \$51.9 million in 4Q2012 to \$54.9 million in 4Q2013.

The all-in interest rate was 2.15% for 4Q2013. The aggregate leverage stood at 42.1% as at 31 December 2013.

The Singapore properties are fully leased and the Group's portfolio attained 99.8% committed occupancy as at 31 December 2013. Seven out of the Group's eight buildings are 100% occupied.

## 9. VARIANCE FROM FORECAST STATEMENT

Not applicable.

## 10. PROSPECTS

According to advanced estimates by the Ministry of Trade and Industry, Singapore's 2013 full-year GDP growth is expected to be 3.7%, higher than the forecast of between 1% and 3% growth at the beginning of 2013. In 4Q2013, Singapore's economy was also forecasted to have expanded by 4.4%.

Industry consultants expect that there will be positive absorption in office space and an upward shift in rental rates in the next few years. This may be attributable to economic growth in the ASEAN region, limited supply of Grade A office space for the next two years as well as Singapore's success in positioning itself as a business hub for various industries. In recent months, there have been increased interest from Asia-Pacific financial institutions entering and expanding their operations in Singapore.<sup>1</sup>

According to CBRE, Singapore's overall island-wide office occupancy increased to 95.6% in 4Q 2013 with a significant improvement in leasing activity in the core CBD, particularly for the Grade A sector. Average core CBD occupancy increased to 95.2%, and average monthly rents of Grade A office space improved 2.1% to \$9.75 psf as at end December 2013. With sustained office demand from the insurance, professional services, technology and social media sectors, leasing activity is expected to be concentrated in higher-quality buildings. Coupled with limited new supply, CBRE expects Grade A office rental growth to lead the sector with growth of 8% and above 10% for 2014 and 2015 respectively.

In Australia, the Reserve Bank of Australia maintained interest rates at 2.5% to promote export earnings and domestic investments. In 3Q 2013, the construction, logistics and transport, financial and insurance services, public administration and health care sectors contributed primarily to Australia's GDP growth. Improving consumer confidence in recent months coupled with the competitive Australian dollar have supported the manufacturing and tourism industry, and encouraged more domestic spending. This has helped to boost the non-mining sectors and further rebalance the Australian economy.

Following the Federal election in September 2013, confidence in the economy has gradually improved, resulting in higher leasing activity in Sydney and Brisbane. Both Sydney and Melbourne have also seen an increase in the number of tenants migrating from the fringe areas into the CBD. In Perth, pre-commitment continues to be the main leasing activity.

### Note:

(1) *Business Times*, 16 December 2013: "Grade A CBD rents poised to rise next year: analysts" and CBRE, 12 December 2013: "Vacancy Levels For Office Space Lowest Since 2008 On The Back Of Healthy Take Up"

## 11. RISK FACTORS AND RISK MANAGEMENT

The Manager ascribes great importance to risk management and constantly takes initiatives to systematically review the risks it faces and mitigates them. Some of the key risks that the Manager has identified are as follows:

### **Interest rate risk**

The Manager constantly monitors its exposure to changes in interest rates for its interest-bearing financial liabilities. Interest rate risk is managed on an on-going basis with the primary objective of limiting the extent to which net interest expense can be affected by adverse movements in interest rates through financial instruments or other suitable financial products.

### **Liquidity risk**

The Manager monitors and maintains Keppel REIT's cash flow position and working capital to ensure that there are adequate liquid reserves in terms of cash and credit facilities to meet short-term obligations. Steps have been taken to plan for funding and expense requirements so as to manage the cash position at any point of time.

### **Credit risk**

Credit risk assessments of tenants are carried out by way of evaluation of information from corporate searches conducted prior to the signing of lease agreements. Tenants are required to pay a security deposit as a multiple of monthly rents and maintain sufficient deposits in their accounts. In addition, the Manager also monitors the property portfolio's tenant trade sector mix to assess and manage exposure to any one potentially volatile trade sector.

### **Currency risk**

The Group's foreign currency risk relates mainly to its exposure to its investments in Australia, and the distributable income from and progressive payments related to such Australian investments. The Manager monitors the Group's foreign currency exposure on an on-going basis and will manage its exposure to adverse movements in foreign currency exchange rates through financial instruments or other suitable financial products.

### **Operational risk**

Measures have been put in place to promote sustainability of net property income. Some of these measures include steps taken to negotiate for favourable terms/covenants, manage expenses, and actively monitor rental payments from tenants, continuously evaluate the Group's counter-parties and maximise property value. In addition, the Manager also continuously reviews disaster and pandemic business continuity plans and modifies them, when necessary.

## 12. DISTRIBUTIONS

### (a) Current Financial Period Reported on

Name of Distribution	Distribution for 1 October 2013 to 31 December 2013
Distribution Type	<p>(a) Taxable income</p> <p>(b) Tax-exempt income</p> <p>(c) Capital distribution</p>
Distribution Rate	<p>(a) Taxable income distribution - 0.86 cents per unit</p> <p>(b) Tax-exempt income distribution - 0.70 cents per unit</p> <p>(c) Capital distribution - 0.41 cents per unit</p>
Tax Rate	<p><u>Taxable income distribution</u></p> <p>Individuals who receive such distribution as investment income will be exempted from tax.</p> <p>Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax-exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p> <p><u>Tax-exempt income distribution</u></p> <p>Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel REIT.</p> <p><u>Capital distribution</u></p> <p>Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel REIT units for Singapore income tax purposes.</p>

## 12. DISTRIBUTIONS (CONT'D)

### (b) Corresponding Period of the Immediately Preceding Financial Year

Name of Distribution	Distribution for 1 October 2012 to 31 December 2012
Distribution Type	(a) Taxable income (b) Tax-exempt income (c) Capital distribution
Distribution Rate	(a) Taxable income distribution - 0.39 cents per unit (b) Tax-exempt income distribution - 0.87 cents per unit (c) Capital distribution - 0.71 cents per unit
Tax Rate	<p><u>Taxable income distribution</u> Individuals who receive such distribution as investment income will be exempted from tax. Qualifying Unitholders will receive pre-tax distributions and pay tax on the distributions at their own marginal rates subsequently.</p> <p>Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax-exempt.</p> <p>Subject to meeting certain conditions, foreign non-individual unitholders will receive their distributions after deduction of tax at the rate of 10%.</p> <p>All other investors will receive their distributions after deduction of tax at the rate of 17%.</p> <p><u>Tax-exempt income distribution</u> Tax-exempt income distribution is exempt from tax in the hands of all Unitholders. Tax-exempt income relates to net taxed income and one-tier dividend income received by Keppel REIT.</p> <p><u>Capital distribution</u> Capital distribution represents a return of capital to Unitholders for Singapore income tax purposes and is therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of Keppel REIT units, the amount of capital distribution will be applied to reduce the cost base of their Keppel REIT units for Singapore income tax purposes.</p>

### (c) Date Payable

28 February 2014

### (d) Books Closure Date

28 January 2014

## 13. DISTRIBUTION STATEMENT

Other than as disclosed in paragraph 12(a), no distribution has been declared/recommended.

#### 14. SEGMENTAL INFORMATION

	<u>Group</u>		
	<b>FY2013</b>	<b>FY2012</b>	<b>+/(-)</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>%</b>
<b><u>Property</u></b>			
Prudential Tower	14,559	16,712	(12.9)
Bugis Junction Towers	16,436	16,652	(1.3)
Ocean Financial Centre <sup>1</sup>	72,320	62,346	16.0
275 George Street	17,959	19,111	(6.0)
77 King Street	10,162	9,839	3.3
8 Exhibition Street <sup>2</sup>	6,858	-	NM
<b>Total net property income</b>	<b>138,294</b>	<b>124,660</b>	<b>10.9</b>
One-third interest in ORQPL:			
- Rental support	-	9,267	NM
- Interest income	1,463	1,544	(5.2)
- Dividend income	30,066	25,255	19.0
<b>Total income from one-third interest in ORQPL</b>	<b>31,529</b>	<b>36,066</b>	<b>(12.6)</b>
One-third interest in BFCDLLP:			
- Rental support	8,710	5,848	48.9
- Interest income	19,953	20,975	(4.9)
- Dividend income <sup>3</sup>	34,527	26,773	29.0
<b>Total income from one-third interest in BFCDLLP</b>	<b>63,190</b>	<b>53,596</b>	<b>17.9</b>
Ocean Financial Centre <sup>1</sup>			
- Rental support	59,439	67,144	(11.5)
8 Chifley Square <sup>4</sup>			
- Interest income	10,275	5,652	81.8
Old Treasury Building <sup>5</sup>			
- Interest income	4,538	-	NM
<b>Total income contribution</b>	<b>307,265</b>	<b>287,118</b>	<b>7.0</b>

**Notes:**

NM – Not meaningful

- (2) The acquisitions of the approximate 87.5% and 12.4% interests in OPLLP which owns OFC were completed on 14 December 2011 and 25 June 2012 respectively.
- (3) The acquisition of the 50% interest in 8 Exhibition Street was completed on 1 August 2013.
- (4) Income for the comparative periods comprises dividend income from BFCDDL prior to its conversion to a limited liability partnership on 15 June 2012 and the distributions from BFCDDL subsequent to its conversion. Income for the current periods comprises distribution from BFDLLP subsequent to its conversion in FY2012.
- (5) 8 Chifley Square received its Certificate of Practical Completion in July 2013.
- (6) The acquisition of the 50% interest in a new office tower to be built on the Old Treasury Building site, Perth was legally completed on 28 March 2013. The property is currently under development and is scheduled for completion in second half of 2015.

#### 15. 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 the review of performance.

## 16. BREAKDOWN OF SALES

	<b>FY2013</b>	<b>Group</b>	
	<b>\$'000</b>	<b>FY2012</b>	<b>+/(-) %</b>
		<b>\$'000</b>	
(a) Property income reported for first half year	82,599	75,873	8.9
(b) Total return after tax for first half year	69,600	58,886	18.2
(c) Property income reported for second half year	91,444	80,997	12.9
(d) Total return after tax for second half year <sup>1</sup>	465,328	274,111	69.8

**Notes:**

- (1) The total return after tax for second half year FY2013 and FY2012 includes fair value changes of the investment properties amounting to approximately \$389.1 million and \$216.8 million respectively. Fair value changes are non-taxable items and have no impact on the distributable income to Unitholders.

## 17. INTERESTED PERSON TRANSACTIONS ("IPTs")

Name of Interested Person	Aggregate value of all interested person transactions during the financial period under review (excluding transactions of less than \$100,000)	
	<b>FY2013</b>	<b>FY2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Temasek Holdings (Private) Limited and its subsidiaries</u>		
- Enhancement works to OFC linkway	320	-
- Rental income <sup>1</sup>	107	-
<u>Keppel Corporation Limited and its subsidiaries or associates</u>		
- Manager's management fees	42,932	39,438
- Acquisition fee	3,970	2,857
- Property management fees and reimbursable	6,005	5,455
- Project management fees	-	490
- Leasing commissions	1,772	966
- Rental and service charge income <sup>1</sup>	-	983
- Rental support	62,308	78,984
- Electricity expenses <sup>1</sup>	12,423	7,771
- Transportation expenses <sup>1</sup>	-	620
- Interest on borrowings <sup>1</sup>	-	3,336
- Settlement of accrued development costs for one-third interest in an associate	1,735	-
<u>RBC Investor Services Trust Singapore Limited</u>		
- Trustee's fees	1,018	939

No IPT mandate has been obtained by Keppel REIT for the financial period under review.

**Note:**

- (1) The aggregate value of interested person transactions refers to the total contract sum entered into during the financial period.

**18. BREAKDOWN OF TOTAL ANNUAL DISTRIBUTION**

	<b>FY2013</b>	<b>FY2012</b>
	<b>\$'000</b>	<b>\$'000</b>
1 January 2012 to 30 June 2012 (paid)	-	98,295
1 July 2012 to 30 September 2012 (paid)	-	51,459
1 October 2012 to 31 December 2012 (paid)	-	52,145
1 January 2013 to 3 March 2013 (paid)	35,593	-
4 March 2013 to 31 March 2013 (paid)	16,594	-
1 April 2013 to 30 June 2013 (paid)	52,828	-
1 July 2013 to 5 August 2013 (paid)	19,613	-
6 August 2013 to 30 September 2013 (paid)	34,495	-
1 October 2013 to 31 December 2013 (to be paid) <sup>1</sup>	54,920	-
	<b>214,043</b>	<b>201,899</b>

**Notes:**

(1) Please refer to paragraph 12(a) on page 20.

**19. DISCLOSURE OF PERSON OCCUPYING A MANAGERIAL POSITION**

Pursuant to Rule 704(13) of the Listing Manual of the Singapore Exchange Securities Trading Limited, we confirm that none of the persons occupying managerial positions in the Company or any of its principal subsidiaries is a relative of a director or chief executive officer or substantial shareholder of the Company.



## QUARTERLY BREAKDOWN

## Appendix

### Property Contribution by Asset (\$'000)

	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13	FY13
<b>Property</b>										
Prudential Tower	5,231	5,321	5,272	5,195	<b>21,019</b>	5,004	4,475	4,615	5,179	<b>19,273</b>
Bugis Junction Towers	5,038	5,095	5,145	5,149	<b>20,427</b>	5,111	5,091	5,122	4,954	<b>20,278</b>
Ocean Financial Centre <sup>1</sup>	17,296	19,696	20,796	21,701	<b>79,489</b>	22,111	22,460	22,718	23,393	<b>90,682</b>
275 George Street	6,041	5,914	5,841	5,629	<b>23,425</b>	5,747	5,889	5,331	5,167	<b>22,134</b>
77 King Street	2,982	3,259	3,146	3,123	<b>12,510</b>	3,459	3,252	3,027	3,063	<b>12,801</b>
8 Exhibition Street <sup>2</sup>	-	-	-	-	-	-	-	3,139	5,736	<b>8,875</b>
<b>Total property income</b>	<b>36,588</b>	<b>39,285</b>	<b>40,200</b>	<b>40,797</b>	<b>156,870</b>	<b>41,432</b>	<b>41,167</b>	<b>43,952</b>	<b>47,492</b>	<b>174,043</b>

### Income Contribution by Asset (\$'000)

	1Q12	2Q12	3Q12	4Q12	FY12	1Q13	2Q13	3Q13	4Q13	FY13
<b>Property</b>										
Prudential Tower	4,412	4,252	4,088	3,960	<b>16,712</b>	3,961	3,133	3,409	4,056	<b>14,559</b>
Bugis Junction Towers	4,155	4,311	4,078	4,108	<b>16,652</b>	4,120	4,381	4,076	3,859	<b>16,436</b>
Ocean Financial Centre <sup>1</sup>	12,644	15,369	16,672	17,661	<b>62,346</b>	18,677	17,456	17,858	18,329	<b>72,320</b>
275 George Street	5,064	4,695	4,750	4,602	<b>19,111</b>	4,713	4,682	4,262	4,302	<b>17,959</b>
77 King Street	2,234	2,642	2,495	2,468	<b>9,839</b>	2,947	2,597	2,309	2,309	<b>10,162</b>
8 Exhibition Street <sup>2</sup>	-	-	-	-	-	-	-	2,363	4,495	<b>6,858</b>
<b>Net property income</b>	<b>28,509</b>	<b>31,269</b>	<b>32,083</b>	<b>32,799</b>	<b>124,660</b>	<b>34,418</b>	<b>32,249</b>	<b>34,277</b>	<b>37,350</b>	<b>138,294</b>
One-third interest in ORQPL:										
- Rental support	3,422	2,586	3,259	-	<b>9,267</b>	-	-	-	-	-
- Interest income	398	377	381	388	<b>1,544</b>	371	362	366	364	<b>1,463</b>
- Dividend income	6,052	6,906	6,282	6,015	<b>25,255</b>	7,264	7,519	7,753	7,530	<b>30,066</b>
<b>Total income from one-third interest in ORQPL</b>	<b>9,872</b>	<b>9,869</b>	<b>9,922</b>	<b>6,403</b>	<b>36,066</b>	<b>7,635</b>	<b>7,881</b>	<b>8,119</b>	<b>7,894</b>	<b>31,529</b>
One-third interest in BFCDLLP:										
- Rental support	1,487	1,238	1,982	1,141	<b>5,848</b>	2,133	2,023	2,191	2,363	<b>8,710</b>
- Interest income	5,392	5,123	5,191	5,269	<b>20,975</b>	5,052	4,938	4,993	4,970	<b>19,953</b>
- Dividend income <sup>3</sup>	6,590	5,291	7,760	7,132	<b>26,773</b>	8,414	9,206	8,797	8,110	<b>34,527</b>
<b>Total income from one-third interest in BFCDLLP</b>	<b>13,469</b>	<b>11,652</b>	<b>14,933</b>	<b>13,542</b>	<b>53,596</b>	<b>15,599</b>	<b>16,167</b>	<b>15,981</b>	<b>15,443</b>	<b>63,190</b>
Ocean Financial Centre <sup>1</sup>										
- Rental support	18,949	16,454	16,476	15,265	<b>67,144</b>	14,064	15,518	15,235	14,622	<b>59,439</b>
8 Chifley Square <sup>4</sup>										
- Interest income	883	1,193	1,622	1,954	<b>5,652</b>	2,208	2,555	2,761	2,751	<b>10,275</b>
Old Treasury Building <sup>5</sup>										
- Interest income	-	-	-	-	-	81	1,492	1,432	1,533	<b>4,538</b>
<b>Total income contribution</b>	<b>71,682</b>	<b>70,437</b>	<b>75,036</b>	<b>69,963</b>	<b>287,118</b>	<b>74,005</b>	<b>75,862</b>	<b>77,805</b>	<b>79,593</b>	<b>307,265</b>

### Notes:

- (1) The acquisitions of the approximate 87.5% and 12.4% interests in OPLLP which owns OFC were completed on 14 December 2011 and 25 June 2012 respectively.
- (2) The acquisition of the 50% interest in 8 Exhibition Street was completed on 1 August 2013.
- (3) Income for the comparative periods comprises dividend income from BFCDDL prior to its conversion to a limited liability partnership on 15 June 2012 and the distributions from BFCDDL subsequent to its conversion. Income for the current periods comprises distribution from BFCDDL subsequent to its conversion in FY2012.
- (4) 8 Chifley Square received its Certificate of Practical Completion in July 2013.
- (5) The acquisition of the 50% interest in a new office tower to be built on the Old Treasury Building site, Perth was completed on 28 March 2013. The property is currently under development and is scheduled for completion in second half of 2015.

**By Order of the Board**  
**Keppel REIT Management Limited**  
 (Company Registration Number: 200411357K)  
 As Manager of Keppel REIT

CHOO CHIN TECK / KELVIN CHUA HUA YEOW  
 Joint Company Secretaries  
 20 January 2014