Manulife US Real Estate Investment Trust
and its subsidiaries

Condensed Interim Financial Statements
For the six months and full year ended 31 December 2021

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Condensed Interim Statements of Financial Position

		Group		Trust	
	Note	2021 US$'000	2020 US$'000	2021 US$'000	2020 US$'000
Current assets					
Cash and cash equivalents		78,581	86,674	6,927	3,442
Prepayments		1,444	1,658	79	75
Trade and other receivables		5,550	6,927	39,993	37,687
		85,575	95,259	46,999	41,204
Non-current assets					
Investment properties	5	2,184,400	1,992,800	-	-
Investment in subsidiaries		-	-	1,839,890	1,423,009
Financial derivatives		5,653	-	5,653	-
		2,190,053	1,992,800	1,845,543	1,423,009
Total assets		2,275,628	2,088,059	1,892,542	1,464,213
Current liabilities					
Trade and other payables		58,769	18,099	40,710	2,311
Loans and borrowings	6	296,643	233,584	114,800	17,300
Security deposits		230	229	-	-
Rent received in advance		8,019	6,649	-	-
		363,661	258,561	155,510	19,611
Non-current liabilities					
Trade and other payables		2,898	-	-	-
Loans and borrowings	6	674,650	618,703	569,842	320,142
Financial derivatives		4,742	12,985	4,742	12,985
Security deposits		3,875	3,537	-	-
Preferred units	7	825	102	-	-
Deferred tax liabilities		37,261	36,283	-	-
		724,251	671,610	574,584	333,127
Total liabilities		1,087,912	930,171	730,094	352,738
Net assets attributable to Unitholders		1,187,716	1,157,888	1,162,448	1,111,475
Represented by:					
Unitholders' funds		1,187,716	1,157,888	1,162,448	1,111,475
Net assets attributable to Unitholders		1,187,716	1,157,888	1,162,448	1,111,475
Units in issue and to be issued ('000)	8	1,764,085	1,591,661	1,764,085	1,591,661
Net asset value per Unit (US$) attributable to Unitholders	9	0.67	0.73	0.66	0.70

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Consolidated Statement of Comprehensive Income

	Note	Group			
		6 months ended 31 December 2021 US$'000	6 months ended 31 December 2020 US$'000	12 months ended 31 December 2021 US$'000	12 months ended 31 December 2020 US$'000
Gross revenue		94,300	95,682	185,099	194,312
Property operating expenses		(40,822)	(42,018)	(75,552)	(78,475)
Net property income		53,478	53,664	109,547	115,837
Interest income		3	29	21	166
Manager's base fee		(4,261)	(4,100)	(8,560)	(8,897)
Trustee's fee		(143)	(144)	(284)	(288)
Other trust expenses		(1,192)	(942)	(2,494)	(2,646)
Finance expenses	10	(14,472)	(14,929)	(29,145)	(29,739)
Net income before tax and fair value changes		33,413	33,578	69,085	74,433
Net fair value change in derivatives		9,689	2,195	13,896	(11,897)
Net fair value change in investment properties	5	(5,119)	(51,179)	(42,423)	(128,519)
Net income/(loss) for the period/year before tax		37,983	(15,406)	40,558	(65,983)
Tax (expense)/income	11	(5,273)	7,738	(1,145)	22,699
Net income/(loss) for the period/year attributable to Unitholders		32,710	(7,668)	39,413	(43,284)
Earnings per Unit ("EPU") (US cents)					
Basic and diluted EPU	12	2.02	(0.49)	2.46	(2.75)

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Distribution Statement

	Group			
	6 months ended 31 December 2021 US$'000	**6 months ended 31 December 2020 US$'000**	**12 months ended 31 December 2021 US$'000**	**12 months ended 31 December 2020 US$'000**
Amount available for distribution to Unitholders at the beginning of the period/year	43,010	48,020	41,018	22,788
Net income/(loss) for the period/year	32,710	(7,668)	39,413	(43,284)
Distribution adjustments (Note A)	9,899	48,657	46,186	132,251
Income available for distribution to Unitholders for the period/year	42,609	40,989	85,599	88,967
Amount available for distribution to Unitholders at the end of the period/year	85,619	89,009	126,617	111,755
Distributions to Unitholders:				
- Distribution of US 1.45 cents per Unit for the period from 30 September 2019 to 31 December 2019	-	-	-	(22,746)
- Distribution of US 3.05 cents per Unit for the period from 1 January 2020 to 30 June 2020	-	(47,991)	-	(47,991)
- Distribution of US 2.59 cents per Unit for the period from 1 July 2020 to 31 December 2020	-	-	(40,998)	-
- Distribution of US 2.70 cents per Unit for the period from 1 January 2021 to 30 June 2021	(42,975)	-	(42,975)	-
- Distribution of US 2.31 cents per Unit for the period from 1 July 2021 to 8 December 2021	(36,962)	-	(36,962)	-
Total distributions to Unitholders	(79,937)	(47,991)	(120,935)	(70,737)
Amount available for distribution to Unitholders at the end of the period/year	5,682	41,018	5,682	41,018
Distribution per Unit ("DPU") (US cents)	2.63	2.59	5.33	5.64

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Distribution Statement (Cont'd)

	Group			
	6 months ended 31 December 2021 US$'000	**6 months ended 31 December 2020 US$'000**	**12 months ended 31 December 2021 US$'000**	**12 months ended 31 December 2020 US$'000**
Note A – Distribution adjustments comprise:				
- Property related non-cash items[1]	1,893	12	1,932	(684)
- Amortisation of upfront debt-related transaction costs[2]	795	874	1,711	1,689
- Manager's base fee paid/payable in Units	4,261	4,100	8,560	8,897
- Property Manager's management fee paid/payable in Units	2,361	2,397	4,595	4,834
- Trustee's fee	143	144	284	288
- Net fair value change in derivatives	(9,689)	(2,195)	(13,896)	11,897
- Net fair value change in investment properties	5,119	51,179	42,423	128,519
- Deferred tax expense/(income)	5,232	(7,758)	978	(23,430)
- Other items[3]	(216)	(96)	(401)	241
Distribution adjustments	9,899	48,657	46,186	132,251

1 This includes straight-line rent adjustments and amortisation of tenant improvement allowance, leasing commissions and free rent incentives.
2 Upfront debt-related transaction costs are amortised over the life of the loans and borrowings.
3 This includes non-tax deductible items and other adjustments including rent free reimbursements. The rent free reimbursements were in relation to the vendors of certain properties that had granted rent free periods to certain tenants under the existing lease arrangements. As part of the terms of the acquisitions, these vendors reimbursed Manulife US REIT the free rent under existing lease arrangements and the rent free reimbursements are applied towards the distributable income.

Condensed Interim Statements of Changes in Unitholders' Funds

	Note	Attributable to Unitholders Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
Group				
At 1 January 2021		1,138,312	19,576	1,157,888
Operations				
Net income for the year		-	39,413	39,413
Net increase in net assets resulting from operations		-	39,413	39,413
Unitholders' transactions				
Issue of new Units:				
- Private placement	8	100,001	-	100,001
- Manager's base fee paid/payable in Units		8,560	-	8,560
- Property Manager's management fee paid/payable in Units		4,595	-	4,595
Issuance costs		(1,806)	-	(1,806)
Distributions	8	(21,162)	(99,773)	(120,935)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		90,188	(99,773)	(9,585)
At 31 December 2021		1,228,500	(40,784)	1,187,716
Trust				
At 1 January 2021		1,138,312	(26,837)	1,111,475
Operations				
Net income for the year		-	60,558	60,558
Net increase in net assets resulting from operations		-	60,558	60,558
Unitholders' transactions				
Issue of new Units:				
- Private placement	8	100,001	-	100,001
- Manager's base fee paid/payable in Units		8,560	-	8,560
- Property Manager's management fee paid/payable in Units		4,595	-	4,595
Issuance costs		(1,806)	-	(1,806)
Distributions	8	(21,162)	(99,773)	(120,935)
Net increase/(decrease) in net assets resulting from Unitholders' transactions		90,188	(99,773)	(9,585)
At 31 December 2021		1,228,500	(66,052)	1,162,448

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Statements of Changes in Unitholders' Funds (Cont'd)

	Note	Units in issue and to be issued US$'000	Retained earnings/ (Accumulated losses) US$'000	Total US$'000
		Attributable to Unitholders		
Group				
At 1 January 2020		1,148,319	109,859	1,258,178
Operations				
Net loss for the year		-	(43,284)	(43,284)
Net decrease in net assets resulting from operations		-	(43,284)	(43,284)
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		8,897	-	8,897
- Property Manager's management fee paid/payable in Units		4,834	-	4,834
Distributions	8	(23,738)	(46,999)	(70,737)
Net decrease in net assets resulting from Unitholders' transactions		(10,007)	(46,999)	(57,006)
At 31 December 2020		1,138,312	19,576	1,157,888
Trust				
At 1 January 2020		1,148,319	(14,385)	1,133,934
Operations				
Net income for the year		-	34,547	34,547
Net increase in net assets resulting from operations		-	34,547	34,547
Unitholders' transactions				
Issue of new Units:				
- Manager's base fee paid/payable in Units		8,897	-	8,897
- Property Manager's management fee paid/payable in Units		4,834	-	4,834
Distributions	8	(23,738)	(46,999)	(70,737)
Net decrease in net assets resulting from Unitholders' transactions		(10,007)	(46,999)	(57,006)
At 31 December 2020		1,138,312	(26,837)	1,111,475

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Consolidated Statement of Cash Flows

	Note	Group 6 months ended 31 December 2021 US$ '000	6 months ended 31 December 2020 US$ '000	12 months ended 31 December 2021 US$ '000	12 months ended 31 December 2020 US$ '000
Cash flows from operating activities					
Net income/(loss) for the period/year before tax		37,983	(15,406)	40,558	(65,983)
Adjustments for:					
Amortisation		1,893	12	1,932	(684)
Net change in provision for expected credit losses		344	3,598	(1,743)	3,598
Interest income		(3)	(29)	(21)	(166)
Finance expenses		14,472	14,929	29,145	29,739
Manager's base fee paid/payable in Units		4,261	4,100	8,560	8,897
Property Manager's management fee paid/payable in Units		2,361	2,397	4,595	4,834
Net fair value change in derivatives		(9,689)	(2,195)	(13,896)	11,897
Net fair value change in investment properties	5	5,119	51,179	42,423	128,519
Net unrealised foreign exchange losses/(gains)		3	(104)	51	(70)
Operating income before working capital changes		56,744	58,481	111,604	120,581
Changes in working capital:					
Trade and other receivables		(2,576)	(1,178)	3,120	(2,911)
Prepayments		(1,170)	(1,095)	214	(451)
Other asset		-	24	-	1,405
Trade and other payables		(1,901)	(14,426)	1,450	(9,208)
Security deposits		(63)	6	(65)	592
Rent received in advance		(552)	1,351	1,370	1,820
Cash from operating activities		50,482	43,163	117,693	111,828
Tax paid		(19)	(716)	(134)	(1,923)
Interest paid		(13,391)	(13,865)	(26,933)	(27,861)
Net cash from operating activities		37,072	28,582	90,626	82,044
Cash flows from investing activities					
Acquisition of investment properties and related assets and liabilities		(200,966)	-	(200,966)	-
Payment for capital expenditure and other costs related to investment properties		(14,751)	(8,030)	(29,981)	(24,174)
Interest received		3	29	21	166
Net cash used in investing activities		(215,714)	(8,001)	(230,926)	(24,008)

The accompanying notes form an integral part of the condensed financial statements.

Condensed Interim Consolidated Statement of Cash Flows (Cont'd)

		Group			
	Note`	**6 months ended 31 December 2021 US$ '000**	**6 months ended 31 December 2020 US$ '000**	**12 months ended 31 December 2021 US$ '000**	**12 months ended 31 December 2020 US$ '000**
Cash flows from financing activities					
Proceeds from issuance of Units	8	100,001	-	100,001	-
Payment of transaction costs relating to issuance of Units	8	(1,806)	-	(1,806)	-
Proceeds from issuance of preferred units	7	-	-	1,150	-
Redemption of preferred units	7	-	-	(125)	-
Payment of transaction costs relating to preferred units	7	-	-	(325)	-
Proceeds from loans and borrowings		114,800	121,300	367,300	141,929
Repayment of loans and borrowings		(15,000)	(102,319)	(248,800)	(102,319)
Payment of transaction costs relating to loans and borrowings		152	(1,036)	(1,205)	(1,036)
Distributions paid to Unitholders		(42,975)	(47,991)	(83,973)	(70,737)
Net cash from/(used in) financing activities		155,172	(30,046)	132,217	(32,163)
Net (decrease)/increase in cash and cash equivalents		(23,470)	(9,465)	(8,083)	25,873
Cash and cash equivalents at beginning of the period/year		102,068	96,073	86,674	60,748
Effect of exchange rate fluctuations on cash held in foreign currency		(17)	66	(10)	53
Cash and cash equivalents at the end of the period/year		78,581	86,674	78,581	86,674

The accompanying notes form an integral part of the condensed financial statements.

Statement of Portfolio

		Occupancy Rates[1] as at 31 December 2021	Occupancy Rates[1] as at 31 December 2020	Fair Value as at 31 December 2021	Fair Value as at 31 December 2020	Percentage of Total Net Assets as at 31 December 2021	Percentage of Total Net Assets as at 31 December 2020
		%	%	US$'000	US$'000	%	%
Group							
Commercial Office Properties							
Figueroa	Freehold	88.6	93.0	315,200	320,000	26.5	27.6
Michelson	Freehold	87.2	84.4	317,000	319,000	26.7	27.6
Peachtree	Freehold	90.8	90.4	212,900	203,100	17.9	17.5
Plaza	Freehold	96.7	96.7	106,000	114,600	8.9	9.9
Exchange	Freehold	97.7	94.8	324,000	333,000	27.2	28.8
Penn	Freehold	93.8	99.2	177,300	176,500	15.0	15.3
Phipps	Freehold[2]	94.5	100.0	216,000	212,100	18.2	18.3
Centerpointe	Freehold	91.6	91.7	112,700	118,500	9.5	10.2
Capitol	Freehold	88.3	93.3	197,000	196,000	16.6	16.9
Tanasbourne	Freehold	100.0	-	34,400	-	2.9	-
Park Place	Freehold	100.0	-	106,900	-	9.0	-
Diablo	Freehold	85.7	-	65,000	-	5.5	-
Investment properties				**2,184,400**	**1,992,800**	**183.9**	**172.1**
Other assets and liabilities (net)				(996,684)	(834,912)	(83.9)	(72.1)
Net assets				**1,187,716**	**1,157,888**	**100.0**	**100.0**

1 Based on committed leases.

2 Phipps was subject to a so-called "bonds for title" arrangement under which fee simple title to Phipps is owned by the Development Authority of Fulton County ("Development Authority"), which leased Phipps to Hancock S-REIT ATL Phipps LLC ("ATL Phipps") as a way to reduce the real estate taxes payable on Phipps for a specified period. Under such arrangement, no money changed hands for the lease. The lease between the Development Authority and ATL Phipps expired pursuant to its terms on 31 December 2020, and ATL Phipps acquired fee simple title to Phipps from the Development Authority in July 2021. Pursuant to the transfer of such fee interest, ATL Phipps holds a fee interest in the property and has commenced paying the full amount of real estate taxes on Phipps, which means that Phipps will be assessed in a manner and amount consistent with similar commercial office buildings in the taxing area.

The accompanying notes form an integral part of the condensed financial statements.

Notes to the Condensed Interim Consolidated Financial Statements

1 General

Manulife US Real Estate Investment Trust (the "Trust" or "Manulife US REIT") is a Singapore real estate investment trust constituted pursuant to a trust deed dated 27 March 2015 (as amended and restated) (the "Trust Deed") made between Manulife US Real Estate Management Pte. Ltd. (the "Manager") and DBS Trustee Limited (the "Trustee"). The Trustee is under a duty to take into custody and hold the assets of the Trust and its subsidiaries in trust for the Unitholders of the Trust. The Trust and its subsidiaries are collectively referred to as the "Group" and individually as "Group entities".

The Trust was admitted to the Official List of Singapore Exchange Securities Trading Limited (the "SGX-ST") on 20 May 2016.

The registered office and principal place of business of the Manager is located at 8 Cross Street, #16-03 Manulife Tower, Singapore 048424.

The principal activity of the Trust is investment holding. The principal activities of the Trust's subsidiaries are to own and invest, directly or indirectly, in a portfolio of income-producing office real estate in major markets in the United States, as well as real estate-related assets. The primary objective of the Group is to provide Unitholders with regular and stable distributions and to achieve long-term growth in distributions and the net asset value per Unit, while maintaining an appropriate capital structure.

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

2 Basis of preparation

2.1 Statement of compliance

The condensed interim financial statements for the six months ended 31 December 2021 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"), the applicable requirements of the Code on Collective Investment Schemes (the "CIS Code") issued by the Monetary Authority of Singapore ("MAS") and the provisions of the Trust Deed.

The condensed interim financial statements do not include all the information required for a complete set of financial statements and should be read in conjunction with the Group's audited annual financial statements for the year ended 31 December 2020. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The Group has applied the same accounting policies and methods of computation consistent with those used in the audited financial statements for the financial year ended 31 December 2020 in the preparation of the consolidated financial statements for the current reporting period except for the adoption of revised IFRS (including its consequential amendments) and interpretations effective for the financial period beginning 1 January 2021. The adoption of these revised IFRS and interpretations did not result in material changes to the Group's accounting policies and has no material effect on the amounts reported for the current financial period.

The condensed interim financial statements are presented in United States Dollars ("US$" or "USD"), which is the functional currency of the Trust. All financial information presented has been rounded to the nearest thousand (US$'000), unless otherwise stated.

2 Basis of preparation (cont'd)

2.2 Use of estimates and judgements

The preparation of the Group's condensed interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

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

Critical judgements and accounting estimates in applying accounting policies have the most significant effect on the amounts recognised in the financial statements in the following areas:

- Measurement of expected credit losses ("ECLs") for trade receivables
- Valuation of investment properties
- Fair value of derivatives

3 Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4 Segment reporting

An operating segment is a component of the Group:

- that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components;
- whose operating results are regularly reviewed by the Chief Executive Officer and the directors of the Manager to make decisions about resources to be allocated to the segment and assess its performance; and
- for which discrete financial information is available.

The Group's investment properties comprise commercial office properties located in the United States. Therefore, the Manager considers that the Group operates within a single business segment and within a single geographical segment in the United States. Accordingly, no segment information has been presented in these financial statements.

5 Investment properties

	Group	
	2021 US$'000	2020 US$'000
Consolidated Statement of Financial Position		
As at 1 January	1,992,800	2,095,000
Acquisitions[1]	204,563	-
Capital expenditure capitalised	31,392	25,635
Fair value changes in investment properties	(44,355)	(127,835)
As at 31 December	2,184,400	1,992,800
Consolidated Statement of Comprehensive Income		
Fair value changes in investment properties	(44,355)	(127,835)
Net effect of amortisation and straight lining	1,932	(684)
Net fair value changes recognised in the statement of comprehensive income	(42,423)	(128,519)

[1] Includes acquisition fees and acquisition costs

Investment properties comprise commercial office properties which are leased to external tenants.

Certain investment properties are pledged as security to secure bank loans (see Note 6).

Measurement of fair value

As at 31 December 2021 and 31 December 2020, the investment properties, except for Tanasbourne, Park Place and Diablo, were stated at fair value based on independent valuations undertaken by CBRE, Inc. Tanasbourne, Park Place and Diablo were acquired in December 2021. The carrying amounts were based on independent valuations obtained for the acquisitions as at 1 November 2021 for Tanasbourne and 9 November 2021 for Park Place and Diablo which were undertaken by Jones Lang LaSalle Americas, Inc. The independent valuers have the appropriate professional qualifications and recent experience in the location and category of the properties being valued.

The fair values were generally calculated using the income approach. The two primary income approaches that may be used are the Discounted Cash Flow ("DCF") and the Direct Capitalisation Method ("DCM"). DCF calculates the present values of future cash flows over a specified time period, including the potential proceeds of a deemed disposition, to determine the fair value. DCM measures the relationship of value to the stabilised net operating income, normally at the first year. Both the DCF and DCM approaches convert the earnings of a property into an estimate of value. The market or direct comparison approach may also be used, which is based on sound considerations for similarity and comparability between properties. Considerations may include geographic location, physical, legal, and revenue generating characteristics, market conditions and financing terms and conditions. The final step in the appraisal process involves the reconciliation of the individual valuation techniques in relationship to their substantiation by market data, and the reliability and applicability of each valuation technique to the subject property.

The valuation methods used in determining the fair value involve certain estimates including those relating to discount rate, terminal capitalisation rate and capitalisation rate, which are unobservable. In relying on the valuation reports, the Manager has exercised its judgement and is satisfied that the valuation methods and estimates used are reflective of the current market conditions.

Certain valuers have highlighted in valuation reports for 31 December 2021 and 31 December 2020 that the real estate market has been impacted by the uncertainty brought by the COVID-19 pandemic, and a higher degree of caution is to be exercised when relying on the valuations. The valuations were based on the market conditions and information available as at the valuation date. Values may change more rapidly and significantly subsequently as the future impact that COVID-19 pandemic might have on the real estate market remains unknown.

5 Investment properties (cont'd)

Measurement of fair value (cont'd)

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

Valuation techniques and significant unobservable inputs

The following table shows the significant unobservable inputs used in the measurement of fair value of investment properties:

Valuation techniques	**Significant unobservable inputs**	**Inter-relationship between key unobservable inputs and fair value measurement**
Discounted cash flow approach	Rental rate per square foot per year 2021: US$17.00 - US$56.00 (2020: US$23.00 - US$56.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Discount rate 2021: 6.00% - 9.00% (2020: 6.00% - 9.00%)	Higher discount rate or terminal capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
	Terminal capitalisation rate 2021: 5.00% - 7.50% (2020: 5.00% - 7.50%)	
Direct capitalisation method	Rental rate per square foot per year 2021: US$17.00 - US$56.00 (2020: US$23.00 - US$56.00)	Higher rental rate would result in a higher fair value, while lower rates would result in a lower fair value.
	Capitalisation rate 2021: 5.50% - 7.50% (2020: 5.25% - 7.50%)	Higher capitalisation rate would result in a lower fair value, while lower rates would result in a higher fair value.
Market or Direct comparison approach	Price per square foot 2021: US$185 - US$624 (2020: US$243 - US$646)	Higher price per square foot would result in a higher fair value, while a lower price per square foot would result in a lower fair value.

6 Loans and borrowings

	Group		**Trust**	
	2021 US$'000	**2020 US$'000**	**2021 US$'000**	**2020 US$'000**
Current				
Secured bank loans	182,216	216,500	-	-
Less: Unamortised transaction costs	(373)	(216)	-	-
Secured revolving credit facilities	7,300	17,300	7,300	17,300
Unsecured revolving credit facilities	107,500	-	107,500	-
	296,643	233,584	114,800	17,300
Non-current				
Secured bank loans	428,000	622,716	323,000	323,000
Unsecured bank loans	250,000	-	250,000	-
Less: Unamortised transaction costs	(3,350)	(4,013)	(3,158)	(2,858)
	674,650	618,703	569,842	320,142
	971,293	852,287	684,642	337,442

6 Loans and borrowings (cont'd)

As at 31 December 2021, the Group had gross borrowings of US$975.0 million (2020: US$856.5 million) comprising of (i) US$287.2 million (2020: US$516.2 million) drawn from property-level mortgage facilities, and (ii) US$687.8 million (2020: US$340.3 million) drawn from Trust-level credit facilities.

The average interest rate on borrowings as at 31 December 2021 was 2.82% (2020: 3.18%) and aggregate leverage was 42.8% (2020: 41.0%). 86.5% (2020: 94.5%) of the gross borrowings had fixed interest rates, which reduces short-term cash flow volatility from floating interest rate movements. As at 31 December 2021, the interest coverage ratio[1] was 3.4 times (2020: 3.5 times).

The details of credit facilities available and utilised as at 31 December are set out below:

		2021		2020	
	Note	Facility available US$'000	Utilised US$'000	Facility available US$'000	Utilised US$'000
Group					
Secured					
Mortgage facilities	(a)	309,100	287,216	548,527	516,216
Trust-level term loans	(b)	323,000	323,000	323,000	323,000
US$50.0 million committed revolving credit facility ("**First US$50.0 million Committed RCF**")	(b)	50,000	-	50,000	-
US$50.0 million committed revolving credit facility ("**Second US$50.0 million Committed RCF**")	(c)	50,000	7,300	50,000	17,300
US$200.0 million uncommitted revolving credit facility	(d)	-	-	200,000	-
		732,100	617,516	1,171,527	856,516
Unsecured					
Trust-level term loan		340,000	250,000	-	-
US$200.0 million uncommitted revolving credit facility	(d)	200,000	107,500	-	-
		540,000	357,500	-	-
		1,272,100	975,016	1,171,527	856,516
Trust					
Secured					
Trust-level term loans	(b)	323,000	323,000	323,000	323,000
First US$50.0 million Committed RCF	(b)	50,000	-	50,000	-
Second US$50.0 million Committed RCF	(c)	50,000	7,300	50,000	17,300
US$200.0 million uncommitted revolving credit facility	(d)	-	-	200,000	-
		423,000	330,300	623,000	340,300
Unsecured					
Trust-level term loan		340,000	250,000	-	-
US$200.0 million uncommitted revolving credit facility	(d)	200,000	107,500	-	-
		540,000	357,500	-	-
		963,000	687,800	623,000	340,300

[1] The interest coverage ratio is calculated by dividing the trailing 12 months earnings before interest, tax, depreciation and amortisation (excluding effects of any fair value changes of derivatives and investment properties, and foreign exchange translation), by the trailing 12 months interest expense and borrowing-related fees, as set out in the CIS Code.

6 Loans and borrowings (cont'd)

(a) Mortgage Facilities

The Mortgage Facilities are secured by, amongst other collateral:

(i) a first mortgage on each of Plaza, Exchange and Phipps respectively (each, the “Property”);

(ii) an assignment of each of the U.S. Subs’ rights, title and interest in present and future leases, subleases, licenses and all other agreements relating to the management, leasing and operation of the respective Property; and

(iii) an assignment of each of the U.S. Subs’ right to all goods, building and other materials, supplies, inventory, equipment, machinery, fixtures, furniture and other personal property, together with all payments and other rents and security deposits in respect of the relevant Properties.

In addition, Hancock S-REIT Parent Corp., which directly holds each of the U.S. Subs, has granted a limited guarantee to the Mortgage Lenders in respect of certain obligations of the U.S. Subs under the mortgage facilities as well as a hazardous materials indemnity agreement.

Each of the mortgage facilities includes customary representations, warranties and covenants (including due-on-sale and due-on-encumbrance provisions) by the U.S. Subs in favour of the mortgage lenders. Each of the mortgage facilities is not cross-defaulted or cross-collateralised with the other mortgage facilities.

(b) Trust-level Term Loans and First US$50.0 Million Committed RCF

The trust-level term loans and First US$50.0 Million Committed RCF are secured by, amongst other collateral:

(i) share charges over the Singapore subsidiaries of Manulife US REIT;

(ii) assignments of certain bank accounts; and

(iii) assignments of certain inter-company loans within the Group and certain share pledges over shares in the relevant U.S. Subs which hold Figueroa, Centerpointe, Capitol and Peachtree respectively.

(c) Second US$50.0 Million Committed RCF

The Second US$50.0 Million Committed RCF is secured by, amongst other collateral:

(i) share charges over the Singapore subsidiaries of Manulife US REIT;

(ii) assignments of certain bank accounts; and

(iii) assignments of certain inter-company loans within the Group.

(d) US$200.0 Million Uncommitted Revolving Credit Facility

The facility expired in June 2021 and has been replaced with an unsecured and uncommitted multi-currency revolving credit facility.

7 Preferred Units

	Group	
	2021 US$'000	2020 US$'000
As at 1 January	102	102
Issuance of preferred units (net of issuance costs)	825	-
Redemption of preferred units	(102)	-
As at 31 December	825	102

On 7 January 2021, Hancock S-REIT LA Corp., Hancock S-REIT Irvine Corp., Hancock S-REIT ATL LLC, Hancock S-REIT SECA LLC, Hancock S-REIT JCITY LLC, Hancock S-REIT DC 1750 LLC, Hancock S-REIT ATL Phipps LLC, Hancock S-REIT Centerpointe LLC and Hancock S-REIT Sacramento LLC (collectively, the "U.S. Sub-REITs"), and Hancock S-REIT Parent Corp ("Parent U.S. REIT") have each issued 115 new preferred shares at US$1,000 per preferred share to persons who are unrelated to The Manufacturers Life Insurance Company and the Group (the "Preferred Shares Issuance").

The Preferred Shares Issuance is required in order to meet one of the requirements for the U.S. REITs to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes under the United States Internal Revenue Code of 1986, as amended. Each of the preferred shares carries a fixed dividend of 12.0% per annum, are non-voting and are redeemable at the option of Parent U.S. REIT and each of the U.S. Sub-REITs.

Immediately before the Preferred Shares Issuance, Hancock S-REIT Parent Corp. has also redeemed all of its existing 125 units of preferred shares. The total redemption amount was approximately to US$0.1 million, which was funded from internal resources.

Subsequent to the year end, new preferred units were issued. Please refer to Note 16.

8 Units in issue and to be issued

	Group and Trust			
	2021		2020	
	No of Units '000	US$'000	No of Units '000	US$'000
Units in issue				
As at 1 January	1,582,933	1,131,815	1,568,673	1,143,507
Issuance of Units:				
- Private placement	154,084	100,001	-	-
- Manager's base fee paid in Units	11,042	8,398	8,533	7,059
- Manager's performance fee paid in Units	-	-	1,353	1,360
- Property Manager's management fees paid in Units	6,096	4,632	4,374	3,627
Issuance costs	-	(1,806)	-	-
Capital distribution	-	(21,162)	-	(23,738)
As at 31 December	1,754,155	1,221,878	1,582,933	1,131,815
Units to be issued				
Manager's base fee payable in Units	6,389	4,261	5,507	4,100
Property Manager's management fees payable in Units	3,541	2,361	3,221	2,397
	9,930	6,622	8,728	6,497
Total Units issued and to be issued as at 31 December	1,764,085	1,228,500	1,591,661	1,138,312

9 Net asset value per Unit

	Group		Trust	
	2021	**2020**	**2021**	**2020**
Net asset value per Unit is based on:				
- Net assets (US$'000)	1,187,716	1,157,888	1,162,448	1,111,475
- Total Units issued and to be issued at end of period ('000)	1,764,085	1,591,661	1,764,085	1,591,661

10 Finance expenses

	Group			
	6 months ended 31 December 2021 US$'000	**6 months ended 31 December 2020 US$'000**	**12 months ended 31 December 2021 US$'000**	**12 months ended 31 December 2020 US$'000**
Interest expense on loans and borrowings	13,407	13,870	26,890	27,724
Amortisation of upfront debt-related transaction costs	795	874	1,711	1,689
Dividends on preferred units	69	8	136	16
Redemption of preferred units	-	-	23	-
Commitment and financing fees	201	177	385	310
	14,472	14,929	29,145	29,739

11 Tax expense/(income)

The major components of tax expense in the condensed interim consolidated statement of profit or loss are:

	Group			
	6 months ended 31 December 2021 US$'000	**6 months ended 31 December 2020 US$'000**	**12 months ended 31 December 2021 US$'000**	**12 months ended 31 December 2020 US$'000**
Current tax expense				
Withholding tax	-	-	-	12
Income tax	41	20	167	719
	41	20	167	731
Deferred tax expense/(income)				
Movement in temporary differences	5,232	(7,758)	978	(23,430)
	5,273	(7,738)	1,145	(22,699)

12 Earnings per Unit ("EPU")

Basic earnings per Unit is based on:

	Group			
	6 months ended 31 December 2021	**6 months ended 31 December 2020**	**12 months ended 31 December 2021**	**12 months ended 31 December 2020**
Net income/(loss) for the period/year (US$'000)	32,710	(7,668)	39,413	(43,284)
	No. of Units	**No. of Units**	**No. of Units**	**No. of Units**
Weighted average number of Units ('000)	1,616,826	1,580,046	1,603,032	1,575,689

Basic EPU is calculated based on the weighted number of Units for the period. This is comprised of:
(i) the weighted average number of Units in issue for the period; and
(ii) the estimated weighted average number of Units issuable as payment of the Manager's base fees and Property Manager's management fees for the period.

Diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period/year.

13 Fair value of assets and liabilities

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

a) Level1: for unadjusted price quoted in active markets for identical assets or liabilities;
b) Level 2: for inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
c) Level 3: for inputs that are based on unobservable market data. These unobservable inputs reflect the Group's own assumptions about the assumptions that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances (which might include the Group's own data).

The fair values of financial assets and liabilities, including their levels in the fair value hierarchy are set out below. It does not include the fair value information of financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

		Group				Trust			
	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
31 December 2021									
Financial assets									
Financial derivatives		-	5,653	-	5,653	-	5,653	-	5,653
Financial liabilities									
Loans and borrowings	6	-	-	980,398	980,398	-	-	687,800	687,800
Preferred units	7	-	-	1,150	1,150	-	-	-	-
Financial derivatives		-	4,742	-	4,742	-	4,742	-	4,742
31 December 2020									
Financial liabilities									
Loans and borrowings	6	-	-	870,249	870,249	-	-	340,300	340,300
Preferred units	7	-	-	125	125	-	-	-	-
Financial derivatives		-	12,985	-	12,985	-	12,985	-	12,985

13 Fair value of assets and liabilities (cont'd)

Measurement of fair values

The following is a description of the valuation techniques and inputs used in the measuring Level 2 and Level 3 fair values.

Financial instruments measured at fair value

Financial derivatives

The fair value of interest rate swaps are based on valuations provided by the financial institutions that are the counterparties of the transactions. Similar contracts are traded in an active market and the quotes reflect the actual transactions in similar instruments.

Financial instruments not measured at fair value

Loans and borrowings

The fair values of loans and borrowings are calculated using the discounted cash flow technique based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

14 Significant related party transactions

In addition to the related party information disclosed elsewhere in the financial statements, the following significant related party transactions were carried out at terms agreed between the parties and included in the Group's profit before tax:

	Group			
	6 months ended 31 December 2021 US$'000	6 months ended 31 December 2020 US$'000	12 months ended 31 December 2021 US$'000	12 months ended 31 December 2021 US$'000
Rental received/receivable from a related party	452	359	902	708
Manager's acquisition fee paid/payable	2,016	-	2,016	-
Manager's base fee paid/payable	4,261	4,100	8,560	8,897
Property manager's management fee paid/payable	2,361	2,397	4,595	4,834
Trustee's fee paid/payable[1]	158	144	299	288
Leasing fees to a related party	304	139	715	167
Construction supervision fee to a related party	157	113	201	253
Reimbursements to a related party	3,810	4,875	5,767	7,148
Settlement of liabilities including withholding taxes	151	133	326	202

1 Including fees capitalised into issuance costs

15 Financial ratios

	Group	
	12 months ended 31 December 2021 %	**12 months ended 31 December 2020 %**
Ratio of expenses to weighted average net assets[1]		
- including performance component of the Manager's management fees	0.99	0.97
- excluding performance component of the Manager's management fees	0.99	0.97
Portfolio turnover rate[2]	–	–

1 The annualised ratios are computed in accordance with the guidelines of the Investment Management Association of Singapore. The expenses used in the computation relate to expenses of the Group, excluding property expenses, finance expenses, net foreign exchange differences and income tax expense.

2 The annualised ratio is computed based on the lesser of purchases or sales of underlying investment properties of the Group expressed as a percentage of daily average net asset value in accordance with the formulae stated in the CIS Code.

16 Subsequent events

Loans and borrowings

On 10 January 2022, Manulife US REIT refinanced US$90.0 million of unsecured revolving credit facilities with a Trust-level term loan.

On 26 January 2022, Manulife US REIT and certain of its subsidiaries entered into deeds of release and discharge ("Deeds of Release and Discharge") with the security agent to release the security granted in respect of the Trust-level term loans, the First US$50.0 Million Committed RCF and the Second US$50.0 Million Committed RCF. Following the execution of the Deeds of Release and Discharge, these facilities are unsecured.

Preferred units

On 26 January 2022, Hancock S-REIT Portland LLC, Hancock S-REIT Chandler LLC and Hancock S-REIT Tempe LLC (the "U.S. Sub-REITs" or "subsidiaries") each issued 115 preferred units at US$1,000 per preferred unit to persons who are unrelated to The Manufacturers Life Insurance Company and Manulife US REIT (the "Preferred Units Issuance"). The indirect wholly-owned subsidiaries of Manulife US REIT were established to each hold the newly acquired properties, namely Tanasbourne Commerce Center, Park Place and Diablo Technology Park.

The Preferred Units Issuance is required in order to meet one of the requirements for the U.S. Sub-REITs to qualify for taxation as a real estate investment trust for U.S. federal income tax purposes under the United States Internal Revenue Code of 1986, as amended. Each of the preferred units carries a fixed dividend of 12.0% per annum, are generally non-voting and are redeemable at the option of each of the U.S. Sub-REITs.

The proceeds from the Preferred Units Issuance will be used towards payment of the expenses incurred in connection with the Preferred Units Issuance as well as towards the operating expenses of the U.S. Sub-REITs and the properties of Manulife US REIT.

Distribution

On 9 February 2022, the Manager announced a distribution of US 0.32 cents per Unit for the period from 9 December 2021 to 31 December 2021.