

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.03.2014 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2013 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Investment properties	1,546,207	1,543,248
Fixed assets	2,451	2,407
<b>Total Non-Current Assets</b>	<b>1,548,658</b>	<b>1,545,655</b>
<b>Current Assets</b>		
Receivables, deposits and prepayments	19,696	4,045
Islamic deposits placed with licensed banks	25,002	24,206
Cash and cash equivalents	7,244	10,617
	51,942	38,868
Asset classified as held for sale	-	32,000
<b>Total Current Assets</b>	<b>51,942</b>	<b>70,868</b>
<b>TOTAL ASSETS</b>	<b>1,600,600</b>	<b>1,616,523</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Tenant's deposits	24,946	24,936
Financing	263,761	263,857
<b>Current Liabilities</b>		
Payables and accruals	25,349	34,943
Financing	257,191	264,147
<b>TOTAL LIABILITIES</b>	<b>571,247</b>	<b>587,883</b>
<b>NET ASSET VALUE</b>	<b>1,029,353</b>	<b>1,028,640</b>
<b><u>FINANCED BY:</u></b>		
<b><u>UNITHOLDERS' FUND</u></b>		
Unitholders' capital	750,966	750,966
Undistributed distributable income	31,315	21,355
Non-distributable reserve	247,072	256,319
	<b>1,029,353</b>	<b>1,028,640</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>461,239,089</b>	<b>461,239,089</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution	<b>2.2317</b>	<b>2.2302</b>
- After income distribution (Note 1)	<b>2.1787</b>	<b>2.1832</b>

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.)

Note 1 -Being Net Asset Value Per Unit after reflecting realised income to be distributed as first interim income distribution of 5.30 sen per unit payable on 13 June 2014.

**AXIS REAL ESTATE INVESTMENT TRUST**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2014	Preceding Year Corresponding Quarter 31.03.2013	Current Year To date 31.03.2014	Preceding Year To date 31.03.2013
	RM'000	RM'000	RM'000	RM'000
<b>TOTAL TRUST REVENUE</b>	<b>35,596</b>	<b>35,007</b>	<b>35,596</b>	<b>35,007</b>
Realised rental income	35,412	34,893	35,412	34,893
Unrealised rental income (unbilled lease income receivable) **	629	568	629	568
Gross rental income	36,041	35,461	36,041	35,461
Less : Assessment	(796)	(839)	(796)	(839)
Quit rent	(208)	(212)	(208)	(212)
Other property operating expenditure	(4,836)	(4,054)	(4,836)	(4,054)
Net rental income	30,201	30,356	30,201	30,356
Profit income	184	114	184	114
Net gain on disposal of investment property#	1,614	-	1,614	-
Unbilled lease income receivable **	(629)	(568)	(629)	(568)
Fair value change on derivative liability	141	-	141	-
Net (loss)/gain on financial liabilities measured at amortised cost	(50)	327	(50)	327
<b>TOTAL TRUST INCOME</b>	<b>31,461</b>	<b>30,229</b>	<b>31,461</b>	<b>30,229</b>
<b><u>EXPENDITURE</u></b>				
Manager's fees	2,567	2,485	2,567	2,485
Trustee's fees	151	131	151	131
Depreciation	68	13	68	13
Auditors' fees	29	26	29	26
Tax agent's fee	4	4	4	4
Allowance for doubtful/bad debts	37	(15)	37	(15)
Administrative expense	625	498	625	498
Islamic financing cost *	5,589	6,212	5,589	6,212
<b>TOTAL TRUST EXPENDITURE</b>	<b>9,070</b>	<b>9,354</b>	<b>9,070</b>	<b>9,354</b>
<b>NET TRUST INCOME</b>	<b>22,391</b>	<b>20,875</b>	<b>22,391</b>	<b>20,875</b>
Tax expense	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>	<b>22,391</b>	<b>20,875</b>	<b>22,391</b>	<b>20,875</b>

**AXIS REAL ESTATE INVESTMENT TRUST**

**CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) CONT'D**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2014 RM'000	Preceding Year Corresponding Quarter 31.03.2013 RM'000	Current Year To date 31.03.2014 RM'000	Preceding Year To date 31.03.2013 RM'000
	<b>OTHER COMPREHENSIVE INCOME NET OF TAX</b>			
Cash flow hedge	-	148	-	148
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>22,391</b>	<b>21,023</b>	<b>22,391</b>	<b>21,023</b>
EARNINGS PER UNIT (sen)	4.85	4.57	4.85	4.57
<b>PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:</b>				
Realised	22,300	20,548	22,300	20,548
Unrealised rental income **	629	568	629	568
Unrealised - unbilled lease income receivable **	(629)	(568)	(629)	(568)
Unrealised - Net (loss)/gain on financial liabilities measured at amortised cost	(50)	327	(50)	327
Unrealised - Fair value change on derivative liability	141	-	141	-
	22,391	20,875	22,391	20,875

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements)

\* Islamic financing cost is the profit charged by the financier on the Islamic financing facilities taken by Axis-REIT.

\*\* Recognition of unrealised rental income - unbilled lease income receivable pursuant to requirements of MFRS 117 Leases, to recognize income from operating lease on a straight-line basis, including contractual increase in rental rates over the fixed tenure of the agreement.

# The disposal of Axis Plaza resulted in a gain on disposal of RM1,614,000 and the realisation of fair value gain from revaluation of RM9,338,000. The said disposal has resulted in a net increase in income available for distribution of RM10,952,000 which is available for distribution to the Unitholders. This translates to a distribution per unit of approximately 2.37 sen.

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

FROM 1 JANUARY 2013 TO 31 MARCH 2013 (UNAUDITED)

	<i>Distributable</i>		<i>Non-Distributable</i>		Total RM'000
	Unitholders' Capital RM'000	Undistributed Realised Income RM'000	Other Unrealised Income RM'000	Hedging Reserve RM'000	
<b>As at 1 January 2013</b>	735,429	25,617	229,565	(906)	989,705
Total comprehensive income for the period	-	20,548	327	148	21,023
<i>Increase in net asset resulting from operations</i>	-	20,548	327	148	21,023
<b>Unitholders' transactions</b>					
Distribution to Unitholders	-	(25,565)	-	-	(25,565)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(25,565)	-	-	(25,565)
<b>Net assets as at 31 March 2013</b>	<b>735,429</b>	<b>20,600</b>	<b>229,892</b>	<b>(758)</b>	<b>985,163</b>

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**

FROM 1 JANUARY 2014 TO 31 MARCH 2014 (UNAUDITED)

	<i>Distributable</i>		<i>Non-Distributable</i>		Total RM'000
	Unitholders' Capital RM'000	Undistributed Realised Income RM'000	Other Unrealised Income RM'000	Hedging Reserve RM'000	
<b>As at 1 January 2014</b>	750,966	21,355	256,319	-	1,028,640
Total comprehensive income for the period	-	22,300	91	-	22,391
Realisation of unrealised income	-	9,338	(9,338)	-	-
<i>Increase/(Decrease) in net asset resulting from operations</i>	-	31,638	(9,247)	-	22,391
<b>Unitholders' transactions</b>					
Distribution to Unitholders#	-	(21,678)	-	-	(21,678)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(21,678)	-	-	(21,678)
<b>Net assets as at 31 March 2014</b>	<b>750,966</b>	<b>31,315</b>	<b>247,072</b>	<b>-</b>	<b>1,029,353</b>

(The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.)

# Includes the payment of the final income distribution for financial year 2013 of 4.70 sen per unit which was paid on 28 February 2014.

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE PERIOD ENDED 31 MARCH 2014 (UNAUDITED)**

	<b>Current Year To Date 31.03.2014 RM'000</b>	<b>Preceding Year To Date 31.03.2013 RM'000</b>
<b>Operating activities</b>		
Profit before taxation	22,391	20,875
Adjustments for :-		
Islamic financing cost	5,589	6,212
Profit income	(184)	(114)
Net gain on disposal of investment property	(1,614)	-
Depreciation	68	13
Net loss/(gain) on financial liabilities measured at amortised cost	50	(327)
Allowance for doubtful/bad debts	37	-
Fair value change on derivative liability	(141)	-
Operating income before working capital changes	26,196	26,659
<b>Changes in working capital</b>		
Receivables, deposits and prepayments	(2,571)	20,055
Payables and accruals	(3,436)	(1,172)
Tenants' deposit	(2,657)	177
<b>Net cash from operating activities</b>	17,532	45,719
<b>Investing activities</b>		
Profit income received	184	114
Payment for enhancement of investment properties	(2,959)	(5,373)
Purchase of fixed assets	(112)	-
Proceeds from disposal of investment property	17,097	-
<b>Net cash from/(used in) investing activities</b>	14,210	(5,259)
<b>Financing activities</b>		
Islamic financing cost paid	(5,589)	(6,212)
Repayment of financing, net	(7,052)	(17,894)
Distribution paid to unitholders	(21,678)	(25,565)
<b>Net cash used in financing activities</b>	(34,319)	(49,671)

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 MARCH 2014 (UNAUDITED) (Continued)**

	<b>Current Year</b>	<b>Preceding Year</b>
	<b>To Date</b>	<b>To Date</b>
	<b>31.03.2014</b>	<b>31.03.2013</b>
	<b>RM'000</b>	<b>RM'000</b>
Net decrease in cash and cash equivalents	(2,577)	(9,211)
Cash and cash equivalents at beginning of year	34,523	42,316
Cash and cash equivalents at end of year	31,946	33,105
<b>Cash and cash equivalents</b>		
Cash and bank balances	7,244	11,202
Islamic deposits placed with licensed banks	25,002	22,203
	32,246	33,405
Islamic deposits placed with licensed banks - pledged	(300)	(300)
	31,946	33,105

(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2013 and the accompanying explanatory notes attached to the financial statements.)

NOTES TO THE QUARTERLY REPORT

**A. DISCLOSURE REQUIREMENTS AS PER MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134**

**A1. BASIS OF PREPARATION**

The quarterly financial report is unaudited and has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of Axis Real Estate Investment Trust (“Axis-REIT” or “Trust”) for year ended 31 December 2013.

**A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2013**

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2013 was not qualified.

**A3. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The business operations of Axis-REIT are not affected by material seasonal or cyclical factors.

**A4. UNUSUAL ITEMS**

There were no unusual items to be disclosed for the quarter under review.

**A5. CHANGES IN ESTIMATES**

This is not applicable as no estimates were previously reported.

**A6. DEBT AND SHARIAH-COMPLIANT EQUITY SECURITIES**

There was no issuance, cancellation, repurchase, resale and payment of debt and Shariah-compliant equity securities for the current quarter and year-to-date.



A7. INCOME DISTRIBUTION

During the quarter under review, the final income distribution of 4.70 sen per unit, totaling to RM21,678,237, in respect of the period from 1 October 2013 to 31 December 2013, was paid on 28 February 2014.

The Manager has proposed to distribute 99.6% from realised income available for distribution generated from operations for the first quarter 2014 and a 34% from the total gain on disposal of Axis Plaza; which together resulted in the first interim income distribution of 5.30 sen per unit, which includes a non-taxable portion of approximately 0.88 sen per unit derived from the utilisation of gain on disposal of Axis Plaza(first tranche), capital allowances and tax exempt profit income.

A8. SEGMENTAL REPORTING

No segment information is prepared as Axis-REIT's activities are in one industry segment in Malaysia.

A9. VALUATIONS OF INVESTMENT PROPERTIES

The investment properties are valued based on valuations performed by independent registered valuers.

A10. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report except for the following:

- a) the completion of the disposal of a five (5) storey office/warehouse property built on freehold land held under GRN 131735 for Lot 52746, situated in the Town of Glenmarie, District of Petaling, State of Selangor ("Axis Plaza") to Collective Developers Sdn Bhd for a total cash consideration of RM34.0 million on 25 March 2014.

A11. EFFECT OF CHANGES IN THE FUND SIZE OF AXIS-REIT

There was no change in the composition of the fund size of Axis-REIT for the current quarter under review and the fund size stands at 461,239,089 units.

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

## **B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS**

### **B1. REVIEW OF PERFORMANCE**

Axis REIT Managers Berhad, the management company of Axis-REIT ("Manager") is pleased to report to unitholders the financial results of 1<sup>st</sup> quarter of 2014.

#### Quarter Results

For the quarter ended 31 March 2014, Axis-REIT registered a total revenue of RM35,596,000. The realised net income from operations was RM20,686,000 after deducting total expenditure RM14,910,000 of which RM5,840,000 were attributable to property expenses and RM9,070,000 to non-property expenses. The disposal of Axis Plaza completed on 25 March 2014 has resulted in a total realised gain on disposal of RM10,952,000 which comprises the gain on disposal of RM1,614,000 and realisation of unrealised income\* of RM9,338,000. Aggregating the net income from operations, total gain on disposal together with the balance of undistributed earnings brought forward from prior year, the Fund has income available for distribution of RM31,781,000.

The Manager has proposed to distribute 99.6% from realised income available for distribution generated from operations for the first quarter 2014 and a 34% from the gain on disposal of Axis Plaza; which together resulted in the first interim income distribution of 5.30 sen per unit.

*\*realisation of unrealised income – recognition of prior years' unrealised fair value gain on market value of Axis Plaza as realised income upon disposal.*

#### Maintenance costs & major capital expenditure

A total of RM2,959,000 has been incurred for enhancement of the properties of Axis-REIT during the financial quarter under review.

### **B2. MATERIAL CHANGES IN INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER**

There were no material changes in the income before taxation for the quarter under review.

### **B3. PROSPECTS**

The Manager is optimistic that in view of the current satisfactory performance of Axis-REIT's existing investment portfolio and its growth strategy to actively pursue quality acquisitions, it will be able to maintain its current performance for the coming financial year ending 31 December 2014.

### **B4. INVESTMENT OBJECTIVES**

The Manager is pleased to report that since the listing of Axis-REIT, the Trust has been successful in achieving the investment objectives where the Trust has set out to provide the unitholders with a stable income distribution and to achieve growth in net asset value per unit of the Trust by acquiring high quality accretive properties with strong recurring rental income. There was no change in the investment objectives of Axis-REIT as at the date of this report.

B5. STRATEGIES AND POLICIES

There was no change in the strategies and policies employed since the last 2013 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT has completed the disposal of Axis Plaza. The portfolio size of Axis-REIT comprised of a total 30 properties as at 31 March 2014.

B7. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

This is not applicable as there was no issuance of new units by Axis-REIT during the current financial quarter under review.

B8. TAXATION

Trust Level

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to unitholder, the total income of the trust for that year of assessment shall be exempted from tax.

Thus, based on the income distribution for the twelve months period to date of approximately 99% of the realised income before tax, Axis-REIT should not incur any tax expense for the financial year.

Unitholders' Level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at Axis-REIT's level:

Resident unitholder:

- |  |   |
|--|---|
| a) Resident company:                         | Tax flow through; thus no withholding tax |
| b) Unitholder other than a resident company: | Withholding tax at 10%                    |

Non-resident unitholder:

- |   |                        |
|---|------------------------|
| a) Non-resident company:  | Withholding tax at 25% |
| b) Non-resident institutional investor:                         | Withholding tax at 10% |
| c) Non-resident other than company and institutional investors: | Withholding tax at 10% |

B9. STATUS OF CORPORATE PROPOSALS

- a) Axis-REIT had obtained the approval from Securities Commission and the Unitholders of Axis-REIT in the previous year for the following proposals:-
- i. authority to allot and issue up to 90,762,819 new units in Axis-REIT (“Units”), representing up to 19.88% of the then fund size of Axis-REIT of 456,517,221 Units (“Proposed Authority 1”) to facilitate the proposed placement of new Units (including the placement of new Units to Directors and persons connected to them) (“Proposed Placement”); and
  - ii. authority to allot and issue up to 2,000,000 new Units for the purpose of the payment of management fee to Axis REIT Managers Berhad in the form of new Units (“Proposed Authority 2”).

The Proposed Authority 1 and Proposed Authority 2 are currently pending implementation. Axis-REIT has also obtained the approval from Bursa Malaysia Securities Berhad for an extension of time of up to 3 October 2014 to complete the aforesaid proposals.

At the forthcoming Unitholders’ Meeting of Axis-REIT to be convened and held on 29 April 2014, Axis-REIT will be seeking the approval from the Unitholders of Axis-REIT for the renewal of the Proposed Authority 1 involving an allotment and issuance size of up to 86,040,951 new Units in Axis-REIT, representing up to 18.65% of the existing issued fund size of Axis-REIT of 461,239,089 Units to facilitate the Proposed Placement. Details of the proposals to be tabled at the forthcoming Unitholders’ Meeting are contained in the Circular to Unitholders dated 7 April 2014.

B10. FINANCING

	Current Financial Quarter End 31 March 2014 (RM’ 000)	Preceding Financial Year End 31 December 2013 (RM’ 000)
Short term financing		
- Secured Islamic revolving credit/term financing	257,191	264,147
Long term financing		
- Islamic Medium Term Note	263,761	263,857

B11. DERIVATIVES

As at 31 March 2014, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its short term financing. The Trust is currently using the said IRS to hedge against its other revolving credit financing and the unrealised gain or loss of the derivatives had been recognized in the profit or loss:

	Fair Value 31 March 2014 RM	<u>Maturity</u>
IPRS	(36,041)	Less than 3 years
IPRS	261,178	Less than 1 year
	<u>225,137</u>	

**B12. MATERIAL LITIGATION**

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

**B13. SOFT COMMISSION RECEIVED**

There was no soft commission received by the Manager or its delegates during the quarter under review.

**B14. SUMMARY OF DPU, EPU, NAV AND MARKET PRICE**

	Current Quarter Ended 31.03.2014 RM' 000	Immediate Preceding Quarter Ended 31.12.2013 RM' 000
Number of units in issue (units)	461,239,089	461,239,089
Earnings per unit (EPU) (realised) (sen)	4.84	4.68
EPU (include unrealised income) (sen)	4.85	6.40
Net realised income for the period(RM'000)	22,300	21,453
Distribution per unit (DPU) (sen)	5.30	4.70
Net Asset Value (NAV) (RM'000)	1,029,353	1,028,640
NAV Per Unit (RM)	2.2317	2.2302
Market Value Per Unit (RM)	3.38	2.93

**B15. RESPONSIBILITY STATEMENT**

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with MFRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Axis-REIT as at 31 March 2014 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorized for release by the Board of the Manager on 21 April 2014.

**BY ORDER OF THE BOARD**

YEOH CHONG KEAT  
REBECCA LEONG SIEW KWAN  
Company Secretaries  
AXIS REIT MANAGERS BERHAD (649450-W)  
(As the Manager of AXIS REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur  
21 April 2014