

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.09.2012 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2011 RM'000
ASSETS		
Non-Current Assets		
Investment properties	1,403,755	1,276,180
Fixed assets	602	102
Current Assets		
Investment properties held for sale	22,149	-
Receivables, deposits and prepayments	91,254	14,621
Tax recoverable	154	154
Shariah-based deposits placed with licensed banks	6,454	3,312
Cash and cash equivalents	12,981	4,062
TOTAL ASSETS	1,537,349	1,298,431
LIABILITIES		
Non-Current Liabilities		
Tenants' deposits	32,387	27,033
Term financing	208,229	149,103
Current Liabilities		
Payables and accruals	14,032	15,963
Revolving credit/term financing	316,972	162,235
TOTAL LIABILITIES	571,620	354,334
NET ASSET VALUE	965,729	944,097
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	735,429	728,217
Undistributed distributable income	19,554	6,515
Non-distributable reserve	210,746	209,365
	965,729	944,097
NUMBER OF UNITS IN CIRCULATION	456,517,221	453,814,096
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	2.1154	2.0804
- After income distribution (Note 1)	2.0724	2.0664

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2011 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 2012 third interim income distribution of 4.30 sen per unit payable on 29 November 2012.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2012 RM'000	Preceding Year Corresponding Quarter 30.09.2011 RM'000	Current Year To date 30.09.2012 RM'000	Preceding Year To date 30.09.2011 RM'000
TOTAL TRUST REVENUE	32,797	29,243	97,967	84,927
Realised rental income	32,695	29,175	97,767	84,785
Unrealised rental income (unbilled lease income receivable) ***	849	-	2,543	-
Gross rental income	33,544	29,175	100,310	84,785
Less : Assessment	(823)	(677)	(2,385)	(2,018)
Quit rent	(206)	(182)	(616)	(553)
Other property operating expenditure	(3,959)	(3,745)	(11,731)	(10,191)
Net rental income	28,556	24,571	85,578	72,023
Profit income	102	68	200	142
Net loss on disposal of investment properties #	-	-	-	(258)
Change in fair value of investment properties	-	-	(214)	-
Unbilled lease income receivable ***	(849)	-	(2,543)	-
Net gain on financial liabilities measured at amortised cost	102	512	1,065	993
TOTAL TRUST INCOME	27,911	25,151	84,086	72,900
<u>EXPENDITURE</u>				
Manager's fees	2,429	1,880	7,202	5,675
Trustee's fees	121	94	360	282
Depreciation	18	-	54	-
Auditors' fees	27	26	80	78
Tax agent's fee	5	4	14	11
Allowance for doubtful/bad debts	(83)	69	(54)	(8)
Administrative expense	442	277	1,243	832
Islamic financing cost *	5,642	6,048	15,461	17,007
TOTAL TRUST EXPENDITURE	8,601	8,398	24,360	23,877
NET TRUST INCOME	19,310	16,753	59,726	49,023
PROFIT BEFORE TAXATION	19,310	16,753	59,726	49,023
TAXATION ##	-	-	-	52
PROFIT FOR THE PERIOD	19,310	16,753	59,726	49,075

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2012	Preceding Year Corresponding Quarter 30.09.2011	Current Year To date 30.09.2012	Preceding Year To date 30.09.2011
	RM'000	RM'000	RM'000	RM'000
OTHER COMPREHENSIVE INCOME NET OF TAX				
Cash flow hedge	220	(1,137)	530	(660)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	19,530	15,616	60,256	48,415
EARNINGS PER UNIT (sen) ###	4.25	4.46	13.16	13.06
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:				
Realised **	19,208	16,241	58,875	48,030
Unrealised rental income ***	849	-	2,543	-
Unrealised - change in fair value of investment properties	-	-	(214)	-
Unrealised - unbilled lease income receivable ***	(849)	-	(2,543)	-
Unrealised - net gain on financial liabilities measured at amortised cost	102	512	1,065	993
Unrealised – reversal of deferred tax liabilities ##	-	-	-	52
	19,310	16,753	59,726	49,075

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2011 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.

** The 3rd interim income distribution of 4.30 sen per unit is payable on 29 November 2012 out of income available for distribution for the 3rd quarter 2012

*** Recognition of unrealised rental income - unbilled lease income receivable pursuant to requirements of MFRS 117 Leases, to recognise 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 Northport LC 1 is a loss of RM258,488 before the realisation of the cumulative fair value gain of RM1,043,301. With the realisation of unrealised income of RM1,043,301, the disposal has resulted in a net increase in realised income of RM784,813 which has been distributed to the unitholders as part of the 2nd interim 2011 income distribution.

Being reversal of provision for deferred tax liability on the disposal of Axis Northport LC 1.

Based on the weighted average number of units in issue (Note B14).

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

FROM 1 JANUARY 2011 TO 30 SEPTEMBER 2011 (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	
As at 1 January 2011	540,281	19,766	195,841	(658)	755,230
Total comprehensive income for the period	-	48,030	1,045	(660)	48,415
Realisation of unrealised income	-	1,043	(1,043)	-	-
<i>Increase /(Decrease) in net asset resulting from operations</i>	-	49,073	2	(660)	48,415
Unitholders' transactions					
Distribution to Unitholders	-	(52,437)	-	-	(52,437)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	(52,437)	-	-	(52,437)
Net assets as at 30 September 2011	540,281	16,402	195,843	(1,318)	751,208

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

FROM 1 JANUARY 2012 TO 30 SEPTEMBER 2012 (UNAUDITED)

	<i>Distributable</i>	<i>Non-Distributable</i> ←-----→			
	Undistributed	Other	Hedging	Total	
	Unitholders'	Realised	Unrealised	Reserve	Total
	Capital	Income	Income	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2012	728,217	6,515	211,017	(1,652)	944,097
Total comprehensive income for the period	-	58,875	851	530	60,256
<i>Increase in net asset resulting from operations</i>	-	58,875	851	530	60,256
Unitholders' transactions					
Issuance of Units under Income					
Distribution Reinvestment Plan	7,244		-	-	7,244
Distribution to Unitholders#	-	(45,836)	-	-	(45,836)
Issuing expenses	(32)		-	-	(32)
<i>Increase/(Decrease) in net assets resulting from Unitholders' transactions</i>	7,212	(45,836)	-	-	(38,624)
Net assets as at 30 September 2012	735,429	19,554	211,868	(1,122)	965,729

Includes the payment of the final income distribution for financial year 2011 of 1.40 sen per unit which was paid on 29 February 2012 and the payment of 1st and 2nd interim income distribution for financial year 2012 amounting to 8.70 sen per unit which was paid on 30 May 2012 and on 11 September 2012 respectively

(The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the financial statements.)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2012 (UNAUDITED)

	Current Year To Date 30.09.2012 RM'000	Preceding Year To Date 30.09.2011 RM'000
Operating activities		
Profit before taxation	59,726	49,023
Adjustment for :-		
Islamic financing cost	15,461	17,007
Profit income	(200)	(142)
Change in fair value of investment properties	214	-
Depreciation	54	-
Net loss on disposal of investment properties	-	258
Net gain on financial liabilities measured at amortised cost	(1,065)	(993)
Operating income before working capital changes	<u>74,190</u>	<u>65,153</u>
Increase in working capital		
Receivables, deposits and prepayments	(76,633)	2,054
Payables and accruals	(336)	(190)
Tenants' deposit	5,354	3,720
Net cash generated from operating activities	<u>2,575</u>	<u>70,737</u>
Investing activities		
Profit income received	200	142
Payment for enhancement of investment properties	(13,318)	(9,082)
Purchase of investment property	(136,620)	(82,571)
Proceeds from disposal of investment property	-	14,500
Disposal Expenses	-	(458)
Purchase of fixed assets	(554)	-
Cash used in investing activities	<u>(150,292)</u>	<u>(77,469)</u>
Financing activities		
Islamic financing cost paid	(15,461)	(17,007)
Proceeds from financing	213,863	72,547
Distribution paid to unitholders	(45,836)	(52,437)
Proceeds from issue of units	7,244	-
Issuing expenses	(32)	-
Cash generated from financing activities	<u>159,778</u>	<u>3,103</u>
Net increase/(decrease) in cash and cash equivalents	12,061	(3,629)
Cash and cash equivalents at beginning of period	7,074	16,128
Cash and cash equivalents at end of period	<u>19,135</u>	<u>12,499</u>

	Current Year To Date 30.09.2012 RM'000	Preceding Year To Date 30.09.2011 RM'000
Cash and cash equivalents		
Cash and bank balances	12,981	11,304
Shariah-based deposits placed with licensed banks	6,454	1,495
	<hr/> 19,435	<hr/> 12,799
Shariah-based deposits placed with licensed banks - pledged	(300)	(300)
	<hr/> 19,135	<hr/> 12,499

(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Report for the year ended 31 December 2011 and the accompanying explanatory notes attached to the financial statements.)

AXIS REAL ESTATE INVESTMENT TRUST

Quarterly Unaudited Financial Results for the 3rd Quarter Ended 30 September 2012

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 2011.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2011

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2011 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 repayment of debt and Shariah-compliant equity securities for the current quarter and year-to-date.

A7. INCOME DISTRIBUTION

During the quarter under review, the second interim income distribution of 4.40 sen per unit, totaling to RM19,967,820 was paid on 11 September 2012 of which RM7,244,375 were retained by Axis-REIT under the Income Distribution Reinvestment Plan (“IDRP”). Axis-REIT has further set aside approximately 99% of the earnings available for distribution (unaudited) for the period 1 July 2012 to 30 September 2012 to be distributed as 3rd interim income distribution. This translates to 4.30 sen per unit for the quarter under review and includes a non-taxable portion of approximately 0.08 sen per unit derived from the utilisation of 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) Completion of the acquisition of two (2) parcels of contiguous industrial land built upon with industrial buildings and ancillary buildings, held under H.S. (D) No 103224 for Lot PT 13111 and H.S. (D) No 103225 for Lot PT 13112 in the Mukim of Labu, District of Seremban, State of Negeri Sembilan for a total cash consideration of RM26.5 million.
- b) On 16 July 2012, the Fund has successfully issued RM110.0 million in nominal value Sukuk via its wholly-owned subsidiary, Axis REIT Sukuk Berhad; a company incorporated by the Fund to facilitate the establishment of up to RM300.0 million in nominal value Sukuk Programme.

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

Axis-REIT's fund size was increased from 453,814,096 units to 456,517,221 units with the successful issuance and listing on 12 September 2012 of 2,703,125 units pursuant to the Income Distribution Reinvestment Plan.

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 results of 3rd quarter ended 30 September 2012.

Quarter Results

For the quarter ended 30 September 2012, Axis-REIT registered a total revenue of RM32,796,539. Total expenditure for the quarter under review was RM13,589,109 of which RM4,987,505 were attributable to property expenses and RM8,601,604 to non-property expenses. For the quarter under review, realised income before taxation amounted to RM19,207,430.

Nine Months Results

For the nine months period ended 30 September 2012, Axis-REIT recorded a total revenue of RM97,965,744. Total expenditure for the period under review was RM39,091,307 of which RM14,731,808 were attributable to property expenses and RM24,359,499 to non-property expenses. For the period under review, realized income before taxation and available for distribution amounted to RM58,874,437.

A total of RM39,481,826 was paid out for the first nine months ended 30 September 2012 as the first and second interim income distribution totalling to 8.70 sen per unit. Axis-REIT has set aside RM19,630,241 (approximately 99% of earnings available for distribution in respect of the period from 1 July 2012 to 30 September 2012) as third interim income distribution which translates to 4.30 sen per unit to be paid on 29 November 2012.

Maintenance costs & major capital expenditure

A total of RM13,317,970 has been incurred for enhancement of the properties of Axis-REIT during the nine months to-date.

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 quarter and the rest of the financial year ending 31 December 2012.

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 2011 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT has acquired one property i.e. Emerson Industrial Facility Nilai. With the completion of this acquisition, it brings the total number of properties held by Axis-REIT from 29 to 30 properties.

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

The RM7,211,450 raised as gross proceeds from the 2,703,125 units pursuant to the Income Distribution Reinvestment Plan will be used to finance enhancement of properties.

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 current quarter of 99% of the earnings available for distribution adjusted for non-cash expenses, 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% |
| a) Non-resident institutional investor: | Withholding tax at 10% |
| a) Non-resident other than company and institutional investors: | Withholding tax at 10% |

B9. STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed as at the latest practicable date from the issuance of this report except for the following:-

a) On 14 June 2012, Axis-REIT has announced the following:-

- i. Proposed acquisition of a strata parcel in Wisma Academy held under PN3945/M1/B2/1 in Lot 29 Seksyen 36, Town of Petaling Jaya, District of Petaling, State of Selangor together with accessory parcels, representing 91.02% of the share unit in “Wisma Academy” (“Wisma Academy Parcel”), a building which comprise a stratified 6-storey office/warehouse building with a 2-storey basement car park erected thereon excluding those areas held under PN3945/M1/6/2 together with accessory parcels known as A4, for a cash consideration of RM73,000,000 (“Proposal 1”);
- ii. Proposed acquisition of the Annex built on a parcel of leasehold land held under PN3946, Lot No. 30, Seksyen 36, Town of Petaling Jaya, District of Petaling, State of Selangor together with the buildings erected thereon, for a cash consideration of RM12,000,000 (“Proposal 2”);
- iii. Proposed authority to allot and issue up to 90,762,819 new units in Axis-REIT (“Units”), representing up to 19.88% of the existing fund size of Axis-REIT of 456,517,221 units (“Proposal 3”);
- iv. Proposed 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 (“Proposal 4”); and
- v. Proposed renewal of the authority to allot and issue up to 87,483,344 new units for the purpose of the income distribution reinvestment plan that provides the Unitholders of Axis-REIT the option to reinvest their income distribution in new units (“Proposal 5”);

The Manager has obtained the approval from the Unitholders of Axis-REIT via ordinary resolutions passed at the Unitholders’ Meeting held on 27 September for Proposals 1, 2 and 5.

Proposals 3 and 4 will be subject to Unitholders’ approval at a Unitholders’ Meeting to be convened on a later date.

b) On 23 July 2012, Axis-REIT announced the proposed disposal of a leasehold land held under H.S. (D) 22390 for PT 61, Seksyen 15, Bandar Shah Alam, Daerah Petaling, Negeri Selangor together with a 3-storey building erected thereon comprising office, warehouse and showroom space known as Kayangan Depot for a total consideration of RM23.6 million which will be tabled to the unitholders of Axis-REIT for approval at a unitholders meeting to be convened on a later date.

c) Pursuant to the announcement made on 14 June 2012 on the Proposal 3, the Manager has on 13 September 2012 announced the receipt of letters from Directors and persons connected to Directors of the Manager on their intention to participate in the Proposal 3 by subscribing for the new units in Axis-REIT (“Proposed Subscription”).

The Proposed Subscription is subject to Securities Commissions’ approval and approval from Unitholders at a Unitholders’ Meeting to be convened at a later date.

B10. FINANCING

	Current Quarter 30 September 2012 (RM' 000)	Preceding Financial Year End 31 December 2011 (RM' 000)
Short term financing		
- Secured revolving credit/term financing	316,972	162,235
Long term financing		
- Secured term financing	208,229	149,103

B11. DERIVATIVES

As at 30 September 2012, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its 3 and 5 years term financing:

	Fair Value 30 September 2012 <u>RM</u>	<u>Maturity</u>
- 3 years IPRS	94,953	Less than 1 years
- 5 years IPRS	1,027,431	Less than 3 years
	<u>1,122,384</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

	Quarter Ended 30.09.2012 RM' 000	Immediate Preceding Quarter Ended 30.06.2012 RM' 000
Number of units in issue (units)	456,517,221	453,814,096
Earnings per unit (EPU) (realised) (sen) #	4.22	4.37
EPU (include unrealised income) (sen) #	4.25	4.29
Net income available for distribution to unitholders (RM'000)	19,208	19,812
Distribution per unit (DPU) (sen)	4.30	4.40
Net Asset Value (NAV) (RM'000)	965,729	958,956
NAV Per Unit (RM)	2.1154	2.1131
Market Value Per Unit (RM)	3.00	2.80

Based on weighted average of the number of units in issue of 454,001,539. The total number of units issued has increased from 453,814,096 to 456,517,221 arising from the issuance and listing on 12 September 2012 of 2,703,125 units pursuant to the Income Distribution Reinvestment Plan.

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 30 September 2012 and of its financial performance and cash flows for the quarter/period ended on that date and duly authorised for release by the Board of the Manager on 22 October 2012.

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
22 October 2012