

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

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.09.2013 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2012 RM'000
ASSETS		
Non-Current Assets		
Investment properties	1,559,295	1,519,519
Fixed assets	1,483	521
Current Assets		
Receivables, deposits and prepayments	6,331	26,598
Tax recoverable	-	154
Islamic deposits placed with licensed banks	12,709	38,244
Cash and cash equivalents	5,602	4,372
TOTAL ASSETS	1,585,420	1,589,408
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	32,315	26,700
Financing	263,427	208,424
Current Liabilities		
Payables and accruals	16,278	23,718
Financing	260,385	340,861
TOTAL LIABILITIES	572,405	599,703
NET ASSET VALUE	1,013,015	989,705
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	743,636	735,429
Undistributed distributable income	21,474	25,617
Non-distributable reserve	247,905	228,659
	1,013,015	989,705
NUMBER OF UNITS IN CIRCULATION	458,940,983	456,517,221
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	2.2073	2.1679
- After income distribution (Note 1)	2.1603	2.1119

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2012 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 third interim income distribution of 4.70 sen per unit payable on 13 December 2013.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2013 RM'000	Preceding Year Corresponding Quarter 30.09.2012 RM'000	Current Year To date 30.09.2013 RM'000	Preceding Year To date 30.09.2012 RM'000
TOTAL TRUST REVENUE	35,307	32,797	105,787	97,967
Realised rental income	35,192	32,695	105,307	97,767
Unrealised rental income (unbilled lease income receivable) **	616	849	1,759	2,543
Gross rental income	35,808	33,544	107,066	100,310
Less : Assessment	(838)	(823)	(2,514)	(2,385)
Quit rent	(213)	(206)	(639)	(616)
Other property operating expenditure	(4,022)	(3,959)	(12,272)	(11,731)
Net rental income	30,735	28,556	91,641	85,578
Profit income	115	102	480	200
Change in fair value of investment properties	14,637	-	17,337	(214)
Unbilled lease income receivable **	(616)	(849)	(1,759)	(2,543)
Net gain on financial liabilities measured at amortised cost	709	102	1,502	1,065
TOTAL TRUST INCOME	45,580	27,911	109,201	84,086
<u>EXPENDITURE</u>				
Manager's fees	2,486	2,429	7,469	7,202
Trustee's fees	124	121	387	360
Depreciation	35	18	73	54
Auditors' fees	26	27	79	80
Tax agent's fee	4	5	13	14
Allowance for doubtful/bad debts	(17)	(83)	(30)	(54)
Administrative expense	401	442	1,338	1,243
Islamic financing cost *	5,855	5,642	17,959	15,461
TOTAL TRUST EXPENDITURE	8,914	8,601	27,288	24,360
NET TRUST INCOME	36,666	19,310	81,913	59,726
PROFIT FOR THE PERIOD	36,666	19,310	81,913	59,726

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2013 RM'000	Preceding Year Corresponding Quarter 30.09.2012 RM'000	Current Year To date 30.09.2013 RM'000	Preceding Year To date 30.09.2012 RM'000
	OTHER COMPREHENSIVE INCOME NET OF TAX			
Cash flow hedge	136	220	407	530
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	36,802	19,530	82,320	60,256
EARNINGS PER UNIT (sen)	8.00	4.25	17.90	13.16
PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:				
Realised	21,320	19,208	63,074	58,875
Unrealised rental income **	616	849	1,759	2,543
Unrealised - change in fair value of investment properties	14,637	-	17,337	(214)
Unrealised - unbilled lease income receivable **	(616)	(849)	(1,759)	(2,543)
Unrealised - Net gain on financial liabilities measured at amortised cost	709	102	1,502	1,065
	36,666	19,310	81,913	59,726

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2012 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.

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>		
	Unitholders' Capital RM'000	Undistributed Realised Income RM'000	Other Unrealised Income RM'000	Hedging Reserve RM'000	Total RM'000
As 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	745,429	19,554	211,868	(1,122)	965,729

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE

FROM 1 JANUARY 2013 TO 30 SEPTEMBER 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	
As at 1 January 2013	735,429	25,617	229,565	(906)	989,705
Total comprehensive income for the period	-	63,074	18,839	-	81,913
Cash flow hedge	-	-	-	407	407
<i>Increase in net asset resulting from operations</i>	-	63,074	18,839	407	82,320
Unitholders' transactions					
Issuance of Units Under Income					
Distribution Reinvestment Plan	8,240		-	-	8,240
Distribution to Unitholders#	-	(67,217)	-	-	(67,217)
Issuing expenses	(33)	-	-	-	(33)
<i>Increase/(Decrease) in net assets resulting from Unitholders' transactions</i>	8,207	(67,217)	-	-	(59,010)
Net assets as at 30 September 2013	743,636	21,474	248,404	(499)	1,013,015

(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 2012 and the accompanying explanatory notes attached to the financial statements.)

Includes the payment of the final income distribution for financial year 2012 of 5.60 sen per unit which was paid on 28 February 2013 and the first and second interim income distribution amounting to 9.10 sen per unit for the financial year 2013 which were paid on 13 June 2013 and 30 August 2013 respectively.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE NINE-MONTH PERIOD ENDED 30 SEPTEMBER 2013 (UNAUDITED)

	Current Year To Date 30.09.2013 RM'000	Preceding Year To Date 30.09.2012 RM'000
Operating activities		
Profit before taxation	81,913	59,726
Adjustment for :-		
Islamic financing cost	17,959	15,461
Profit income	(480)	(200)
Change in fair value of investment properties	(17,337)	214
Depreciation	73	54
Net gain on financial liabilities measured at amortised cost	(1,502)	(1,065)
Operating income before working capital changes	80,626	74,190
Changes in working capital		
Receivables, deposits and prepayments	20,267	(76,633)
Payables and accruals	(5,531)	(336)
Tenants' deposit	5,615	5,354
Cash generated from operating activities	100,977	2,575
Tax refunded	154	-
Net cash flows from operating activities	101,131	2,575
Investing activities		
Profit income received	480	200
Payment for enhancement of investment properties	(22,439)	(13,318)
Purchase of investment property	-	(136,620)
Purchase of fixed assets	(1,035)	(554)
Cash used in investing activities	(22,994)	(150,292)
Financing activities		
Islamic financing cost paid	(17,959)	(15,461)
(Repayment of)/Proceeds from financing	(25,473)	213,863
Distribution paid to unitholders	(67,217)	(45,836)
Proceed from issue of units	8,240	7,244
Issuance expenses	(33)	(32)
Cash (used in)/generated from financing activities	(102,442)	159,778
Net (decrease)/increase in cash and cash equivalents	(24,305)	12,061
Cash and cash equivalents at beginning of period	42,316	7,074
Cash and cash equivalents at end of period	18,011	19,135

	Current Year To Date 30.09.2013 RM'000	Preceding Year To Date 30.09.2012 RM'000
Cash and cash equivalents		
Cash and bank balances	12,709	12,981
Islamic deposits placed with licensed banks	5,602	6,454
	<hr/> 18,311	<hr/> 19,435
Islamic deposits placed with licensed banks - pledged	(300)	(300)
	<hr/> <hr/> 18,011	<hr/> <hr/> 19,135

(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Report for the year ended 31 December 2012 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 2013

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 2012.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2012

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2012 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, Axis-REIT has paid the second interim 2013 income distribution of 4.60 sen per unit on 30 August 2013, totaling RM21,111,285.

Axis-REIT has further set aside approximately RM21,570,226 approximately 99% of the earning available for distribution (unaudited) for the period between 1 July 2013 to 30 September 2013 to be distributed as the third interim income distribution for financial year 2013. This translates to 4.70 sen per unit for the quarter under review and includes a non-taxable portion of approximately 0.05 sen per unit derived from utilization of capital allowances.

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) On 15 August 2013, the Fund has successfully issued RM155.0 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

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 458,940,983 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 results of 3rd quarter of 2013.

Quarter Results

For the quarter ended 30 September 2013, Axis-REIT registered a total revenue of RM35,307,000. Total expenditure for the quarter under review was RM13,987,000 of which RM5,073,000 were attributable to property expenses and RM8,914,000 to non-property expenses. For the quarter under review, realised income before taxation amounted to RM21,320,000.

Nine Months Results

For the nine months period ended 30 September 2013, Axis-REIT recorded a total revenue of RM105,787,000. Total expenditure for the period under review was RM42,713,000, of which RM15,425,000 were attributable to property expenses and RM27,288,000 to non-property expenses. For the period under review, realised income before taxation and available for distribution amounted to RM63,074,000.

A total of RM41,654,560 was paid out for the first six months ended 30 June 2013 as the first and second interim income distribution totaling 9.10 sen per unit. Axis-REIT has further set aside RM21,570,226 (approximately 99% of total income available for distribution in respect of the period from 1 July 2013 to 30 September 2013) as the third interim income distribution which translates to 4.70 sen per unit to be paid on 13 December 2013.

Maintenance costs & major capital expenditure

A total of RM22,439,000 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 2013.

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 2012 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

There was no change to the total number of properties held by Axis-REIT (31 properties) since the last reporting period.

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.

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 nine 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 PROPOSAL

- a) Axis-REIT has obtained the approval from Securities Commission and the Unitholders of Axis-REIT for the following:-
 - i. 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 ("Proposed Authority 1") to facilitate the proposed placement of new Units (including the placement of new Units to Directors and persons connected to them); and

- ii. 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 (“Proposed Authority 2”).

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

B10. FINANCING

	Current Quarter 30 September 2013 (RM' 000)	Preceding Financial Year End 31 December 2012 (RM' 000)
Short term financing		
- Secured revolving credit/term financing	260,385	340,861
Long term financing		
- Secured term financing/Islamic Medium Term Note	263,427	208,424

B11. DERIVATIVES

As at 30 September 2013, 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:

	Fair Value 30 September 2013 <u>RM</u>	<u>Maturity</u>
5 years IPRS	499,413 =====	Less than 2 years

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 30.09.2013 RM' 000	Immediate Preceding Quarter Ended 30.06.2013 RM' 000
Number of units in issue (units)	458,940,983	458,940,983
Earnings per unit (EPU) (realised) (sen)	4.64	4.64
EPU (include unrealised income) (sen)	8.00	5.33
Net realised income for the period(RM'000)	21,320	21,209
Distribution per unit (DPU) (sen)	4.70	4.60
Net Asset Value (NAV) (RM'000)	1,013,015	997,324
NAV Per Unit (RM)	2.2073	2.1731
Market Value Per Unit (RM)	3.41	3.67

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 2013 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 October 2013.

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 October 2013