

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

	(UNAUDITED) AS AT END OF CURRENT FINANCIAL YEAR 31.12.2013 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2012 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Investment properties	1,543,248	1,519,519
Fixed assets	2,407	521
<b>Total Non-Current Assets</b>	<b>1,545,655</b>	<b>1,520,040</b>
<b>Current Assets</b>		
Receivables, deposits and prepayments	4,045	26,598
Current tax asset	-	154
Islamic deposits placed with licensed banks	24,206	38,244
Cash and cash equivalents	10,617	4,372
	38,868	69,368
Asset classified as held for sale	32,000	-
<b>Total Current Assets</b>	<b>70,868</b>	<b>69,368</b>
<b>TOTAL ASSETS</b>	<b>1,616,523</b>	<b>1,589,408</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Tenant's deposits	24,936	26,700
Financing	263,914	208,424
<b>Current Liabilities</b>		
Payables and accruals	34,943	23,718
Financing	264,090	340,861
<b>TOTAL LIABILITIES</b>	<b>587,883</b>	<b>599,703</b>
<b>NET ASSET VALUE</b>	<b>1,028,640</b>	<b>989,705</b>
<b><u>FINANCED BY:</u></b>		
<b><u>UNITHOLDERS' FUND</u></b>		
Unitholders' capital	750,966	735,429
Undistributed distributable income	21,355	25,617
Non-distributable reserve	256,319	228,659
	<b>1,028,640</b>	<b>989,705</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>461,239,089</b>	<b>456,517,221</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution	<b>2.2302</b>	2.1679
- After income distribution (Note 1)	<b>2.1832</b>	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 final income distribution of 4.70 sen per unit payable on 28 February 2014.

**AXIS REAL ESTATE INVESTMENT TRUST**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2013	Preceding Year Corresponding Quarter 31.12.2012	Current Year To date 31.12.2013	Preceding Year To date 31.12.2012
	RM'000	RM'000	RM'000	RM'000
<b>TOTAL TRUST REVENUE</b>	<b>36,194</b>	<b>34,999</b>	<b>141,981</b>	<b>132,966</b>
Realised rental income	36,007	34,906	141,314	132,673
Unrealised rental income (unbilled lease income receivable) **	512	1,025	2,271	3,568
Gross rental income	36,519	35,931	143,585	136,241
Less : Assessment	(838)	(873)	(3,352)	(3,258)
Quit rent	(212)	(221)	(851)	(837)
Other property operating expenditure	(4,337)	(4,299)	(16,609)	(16,030)
Net rental income	31,132	30,538	122,773	116,116
Profit income	187	93	667	293
Net gain/(loss) on disposal of investment properties *	-	1,012	-	1,012
Change in fair value of investment properties	9,869	24,278	27,206	24,064
Unbilled lease income receivable **	(512)	(1,025)	(2,271)	(3,568)
Fair value change on derivative liability	(366)	-	(366)	-
Net loss on financial liabilities measured at amortised cost	(1,588)	(1,663)	(86)	(598)
<b>TOTAL TRUST INCOME</b>	<b>38,722</b>	<b>53,233</b>	<b>147,923</b>	<b>137,319</b>
<b>EXPENDITURE</b>				
Manager's fees	2,582	2,404	10,051	9,606
Trustee's fees	128	135	515	495
Depreciation	79	1	152	55
Auditors' fees	35	31	114	111
Tax agent's fee	13	7	26	21
Allowance for doubtful/bad debts	-	37	(30)	91
Administrative expense	639	435	1,977	1,570
Islamic financing cost *	5,878	6,793	23,837	22,254
<b>TOTAL TRUST EXPENDITURE</b>	<b>9,354</b>	<b>9,843</b>	<b>36,642</b>	<b>34,203</b>
<b>NET TRUST INCOME</b>	<b>29,368</b>	<b>43,390</b>	<b>111,281</b>	<b>103,116</b>
Tax expense	-	-	-	-
<b>PROFIT FOR THE PERIOD</b>	<b>29,368</b>	<b>43,390</b>	<b>111,281</b>	<b>103,116</b>

**AXIS REAL ESTATE INVESTMENT TRUST**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2013	Preceding Year Corresponding Quarter 31.12.2012	Current Year To date 31.12.2013	Preceding Year To date 31.12.2012
	RM'000	RM'000	RM'000	RM'000
<b>OTHER COMPREHENSIVE INCOME NET OF TAX</b>				
Cash flow hedge	-	216	407	746
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>29,368</b>	<b>43,606</b>	<b>111,688</b>	<b>103,862</b>
EARNINGS PER UNIT (sen)	6.40	9.52	24.30	22.68
<b>PROFIT FOR THE PERIOD IS MADE UP AS FOLLOWS:</b>				
Realised	21,453	20,775	84,527	79,650
Unrealised rental income **	512	1,025	2,271	3,568
Unrealised - change in fair value of investment properties	9,869	24,278	27,206	24,064
Unrealised - unbilled lease income receivable **	(512)	(1,025)	(2,271)	(3,568)
Unrealised - Net gain on financial liabilities measured at amortised cost	(1,588)	(1,663)	(86)	(598)
Unrealised - Fair value change on derivative liability	(366)	-	(366)	-
	29,368	43,390	111,281	103,116

(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 31 DECEMBER 2012 (AUDITED)

	<i>Distributable</i>		<i>Non-Distributable</i>		<b>Total RM'000</b>
	<b>Unitholders' Capital RM'000</b>	<b>Undistributed Realised Income RM'000</b>	←-----→ <b>Other Unrealised Income RM'000</b>		
	<b>Hedging Reserve RM'000</b>				
<b>As at 1 January 2012</b>	728,217	6,515	211,017	(1,652)	944,097
Total comprehensive income for the year	-	79,650	23,466	746	103,862
Realisation of unrealised income	-	4,918	(4,918)	-	-
<i>Increase in net asset resulting from operations</i>	-	84,568	18,548	746	103,862
<b>Unitholders' transactions</b>					
Issuance of Units under Income Distribution Reinvestment Plan	7,244	-	-	-	7,244
Distribution to Unitholders	-	(65,466)	-	-	(65,466)
Issuing expenses	(32)	-	-	-	(32)
<i>Increase/(Decrease) in net assets resulting from Unitholders' transactions</i>	7,212	(65,466)	-	-	(58,254)
<b>Net assets as at 31 December 2012</b>	<b>735,429</b>	<b>25,617</b>	<b>229,565</b>	<b>(906)</b>	<b>989,705</b>

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

FROM 1 JANUARY 2013 TO 31 DECEMBER 2013 (UNAUDITED)

	<i>Distributable</i>		<i>Non-Distributable</i>		<b>Total</b> <b>RM'000</b>
	<b>Unitholders' Capital</b> <b>RM'000</b>	<b>Undistributed Realised Income</b> <b>RM'000</b>	<b>Other Unrealised Income</b> <b>RM'000</b>	<b>Hedging Reserve</b> <b>RM'000</b>	
<b>As at 1 January 2013</b>	735,429	25,617	229,565	(906)	989,705
Total comprehensive income for the year	-	84,527	26,754	-	111,281
Cash flow hedge	-	-	-	407	407
<i>Increase in net asset resulting from operations</i>	-	84,527	26,754	407	111,688
Cash flow hedge - reclassified to profit or loss upon termination of hedge	-	-	-	499	499
<b>Unitholders' transactions</b>					
Issuance of Units under Income					
Distribution Reinvestment Plan	15,594	-	-	-	15,594
Distribution to Unitholders#	-	(88,789)	-	-	(88,789)
Issuing expenses	(57)	-	-	-	(57)
<i>Increase/(Decrease) in net assets resulting from Unitholders' transactions</i>	15,537	(88,789)	-	-	(73,252)
<b>Net assets as at 31 December 2013</b>	<b>750,966</b>	<b>21,355</b>	<b>256,319</b>	<b>-</b>	<b>1,028,640</b>

(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, second and third interim income distribution amounting to 13.80 sen per unit for the financial year 2013 which were paid on 13 June 2013, 30 August 2013, and 13 December 2013 respectively.

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2013 (UNAUDITED)**

	<b>Current Year To Date 31.12.2013 RM'000</b>	<b>Preceding Year To Date 31.12.2012 RM'000</b>
<b>Operating activities</b>		
Profit before taxation	111,281	103,116
Adjustments for :-		
Islamic financing cost	23,837	22,254
Profit income	(667)	(293)
Change in fair value of investment properties	(27,206)	(24,064)
Net gain on disposal of investment properties	-	(1,012)
Depreciation	152	55
Net loss on financial liabilities measured at amortised cost	86	598
Allowance for doubtful/bad debts	(30)	91
Fair value change on derivative liability	366	-
Operating income before working capital changes	107,819	100,745
<b>Changes in working capital</b>		
Receivables, deposits and prepayments	22,583	9,263
Payables and accruals	8,365	8,501
Tenants' deposit	(1,850)	(931)
<b>Cash generated from operating activities</b>	136,917	117,578
Tax refunded	154	-
<b>Net cash from operating activities</b>	137,071	117,578
<b>Investing activities</b>		
Profit income received	667	293
Payment for enhancement of investment properties	(28,523)	(18,123)
Purchase of investment properties	-	(223,152)
Purchase of fixed assets	(2,038)	(565)
Deposit/Proceeds from disposal of investment property	3,400	1,772
<b>Net cash used in investing activities</b>	(26,494)	(239,775)
<b>Financing activities</b>		
Islamic financing cost paid	(23,837)	(22,254)
(Repayment of)/Proceeds from financing, net	(21,281)	237,947
Distribution paid to unitholders	(88,789)	(65,466)
Proceed from issue of units	15,594	7,244
Issuance expenses	(57)	(32)
<b>Net cash (used in)/from financing activities</b>	(118,370)	157,439

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CASH FLOW**  
**FOR THE YEAR ENDED 31 DECEMBER 2013 (UNAUDITED) (Continued)**

	<b>Current Year</b>	<b>Preceding Year</b>
	<b>To Date</b>	<b>To Date</b>
	<b>31.12.2013</b>	<b>31.12.2012</b>
	<b>RM'000</b>	<b>RM'000</b>
Net (decrease)/increase in cash and cash equivalents	(7,793)	35,242
Cash and cash equivalents at beginning of year	42,316	7,074
Cash and cash equivalents at end of year	<u>34,523</u>	<u>42,316</u>
<b>Cash and cash equivalents</b>		
Cash and bank balances	10,617	4,372
Islamic deposits placed with licensed banks	24,206	38,244
	<u>34,823</u>	<u>42,616</u>
Islamic deposits placed with licensed banks - pledged	(300)	(300)
	<u>34,523</u>	<u>42,316</u>

(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.)

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, the third interim income distribution of 4.70 sen per unit, totaling to RM21,570,226 was paid on 13 December 2013 of which RM7,353,939 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 October 2013 to 31 December 2013 to be distributed as final income distribution. This translates to 4.70 sen per unit for the quarter under review and includes a non-taxable portion of approximately 0.40 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) Proposed 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 known as Axis Plaza to Collective Developers Sdn. Bhd. for a total cash consideration of RM34.0 million.

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

During the quarter under review, Axis-REIT’s fund size was increased from 458,940,983 units to 461,239,089 units with the successful issuance and listing on 13 December 2013 of 2,298,106 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 4<sup>th</sup> quarter of 2013.

#### Quarter Results

For the quarter ended 31 December 2013, Axis-REIT registered a total revenue of RM36,194,000. Total expenditure for the quarter under review was RM14,741,000 of which RM5,387,000 were attributable to property expenses and RM9,354,000 to non-property expenses. For the quarter under review, realised income before taxation amounted to RM21,453,000.

#### Twelve Months Results

For the financial year ended 31 December 2013, Axis-REIT recorded a total revenue of RM141,981,000. Total expenditure for the year under review was RM57,454,000, of which RM20,812,000 were attributable to property expenses and RM36,642,000 to non-property expenses. For the year under review, realised income before taxation amounted to RM84,527,000.

A total of RM63,224,786 was paid out for the first nine months ended 30 September 2013 as the first, second and third interim income distribution totaling 13.80 sen per unit. Axis-REIT has further set aside RM21,678,237 (approximately 99% of total income available for distribution in respect of the period from 1 October 2013 to 31 December 2013) as the final income distribution which translates to 4.70 sen per unit to be paid on 28 February 2014.

#### Maintenance costs & major capital expenditure

A total of RM28,523,000 has been incurred for enhancement of the properties of Axis-REIT during the financial year 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 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

The RM7,353,939 raised as gross proceeds from the 2,298,106 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 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 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 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 Financial Year End 31 December 2013 (RM' 000)	Preceding Financial Year End 31 December 2012 (RM' 000)
Short term financing		
- Secured revolving credit/term financing	264,090	340,861
Long term financing		
- Secured term financing/Islamic Medium Term Note	263,914	208,424

B11. DERIVATIVES

As at 31 December 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. The hedge accounting had been terminated in the current quarter due to the redemption of the 5 years term loan which was earlier hedged by the IPRS. The Trust is currently using the said IRS to hedge against its other revolving credit financing and the unrealized gain or loss of the derivative had been recognized in the profit and loss:

	Fair Value 31 December 2013 <u>RM</u>	<u>Maturity</u>
5 years IPRS	<u>366,414</u>	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

	Current Quarter Ended 31.12.2013 RM' 000	Immediate Preceding Quarter Ended 30.09.2013 RM' 000
Number of units in issue (units)	461,239,089	458,940,983
Earnings per unit (EPU) (realised) (sen) #	4.68	4.64
EPU (include unrealised income) (sen) #	6.40	8.00
Net realised income for the period(RM'000)	21,453	21,320
Distribution per unit (DPU) (sen)	4.70	4.70
Net Asset Value (NAV) (RM'000)	1,028,640	1,013,015
NAV Per Unit (RM)	2.2302	2.2073
Market Value Per Unit (RM)	2.93	3.41

# Based on weighted average of the number of units in issue for current quarter of 459,340,654.

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 December 2013 and of its financial performance and cash flows for the year ended on that date and duly authorized for release by the Board of the Manager on 20 January 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  
20 January 2014