

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.03.2015 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2014 RM'000
ASSETS		
Non-Current Assets		
Investment properties	2,034,183	1,982,587
Equipment	2,884	2,821
Total Non-Current Assets	2,037,067	1,985,408
Current Assets		
Receivables, deposits and prepayments	6,515	10,359
Islamic deposits placed with licensed banks	13,385	80,294
Cash and bank balances	11,696	9,822
Total Current Assets	31,596	100,475
TOTAL ASSETS	2,068,663	2,085,883
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	36,884	35,984
Financing	330,947	264,434
Current Liabilities		
Payables and accruals	16,096	39,761
Financing	342,142	419,335
TOTAL LIABILITIES	726,069	759,514
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUNDS</u>		
Unitholders' capital	1,045,515	1,044,664
Distributable income	20,119	5,555
Non-distributable reserves	276,960	276,150
	1,342,594	1,326,369
TOTAL UNITHOLDERS' FUNDS AND LIABILITIES	2,068,663	2,085,883
NET ASSET VALUE	1,342,594	1,326,369
NUMBER OF UNITS IN CIRCULATION	547,758,040	547,522,040
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	2.4511	2.4225
- After income distribution (Note 1)	2.4101	2.4080

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2014 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 4.10 sen per unit payable on 29 May 2015.

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2015	Preceding Year Corresponding Quarter 31.03.2014	Current Year To date 31.03.2015	Preceding Year To date 31.03.2014
	RM'000	RM'000	RM'000	RM'000
TOTAL TRUST REVENUE	40,619	35,596	40,619	35,596
Realised property income	40,404	35,412	40,404	35,412
Unrealised rental income (unbilled lease income receivable) **	1,219	629	1,219	629
	41,623	36,041	41,623	36,041
Less : Assessment	(916)	(796)	(916)	(796)
Quit rent	(234)	(208)	(234)	(208)
Other property operating expenditure	(4,869)	(4,836)	(4,869)	(4,836)
Net property income	35,604	30,201	35,604	30,201
Profit income	215	184	215	184
Net gain on disposal of investment property	-	1,614	-	1,614
Change in fair value of investment properties	510	-	510	-
Unbilled lease income receivable **	(1,219)	(629)	(1,219)	(629)
Fair value change on derivatives	(413)	141	(413)	141
Net gain/(loss) on financial liabilities measured at amortised cost	713	(50)	713	(50)
NET PROPERTY AND INVESTMENT INCOME	35,410	31,461	35,410	31,461
Manager's fees	3,573	2,567	3,573	2,567
Trustee's fees	174	151	174	151
Depreciation	86	68	86	68
Auditors' fees	31	29	31	29
Tax agent's fee	4	4	4	4
Allowance for doubtful/bad debts	47	37	47	37
Administrative expense	962	625	962	625
Islamic financing cost *	7,216	5,589	7,216	5,589
NON-PROPERTY EXPENSES	12,093	9,070	12,093	9,070
NET TRUST INCOME	23,317	22,391	23,317	22,391
NET INCOME FOR THE PERIOD	23,317	22,391	23,317	22,391

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
(UNAUDITED) CONT'D

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2015 RM'000	Preceding Year Corresponding Quarter 31.03.2014 RM'000	Current Year To date 31.03.2015 RM'000	Preceding Year To date 31.03.2014 RM'000
	TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	23,317	22,391	23,317
EARNINGS PER UNIT (sen)	4.26	4.85	4.26	4.85
NET INCOME FOR THE PERIOD IS MADE UP AS FOLLOWS:				
Realised	22,507	22,300	22,507	22,300
Unrealised rental income **	1,219	629	1,219	629
Unrealised - change in fair value of investment properties	510	-	510	-
Unrealised - unbilled lease income receivable **	(1,219)	(629)	(1,219)	(629)
Unrealised - Net gain/(loss) on financial liabilities measured at amortised cost	713	(50)	713	(50)
Unrealised - Fair value change on derivatives	(413)	141	(413)	141
	23,317	22,391	23,317	22,391

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2014 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 2014 TO 31 MARCH 2014 (UNAUDITED)

	Total Unitholders' Capital RM'000	<i>Distributable</i> Realised Income RM'000	<i>Non- Distributable</i> Unrealised Income RM'000	Total Unitholders' Funds RM'000
At 1 January 2014	750,966	21,355	256,319	1,028,640
Net income for the period	-	22,300	91	22,391
Realisation of unrealised income	-	9,338	(9,338)	-
<i>Total comprehensive income for the Period</i>	-	31,638	(9,247)	22,391
Contributions by and distributions to unitholders				
Distribution to Unitholders	-	(21,678)	-	(21,678)
<i>Total transactions with unitholders</i>	-	(21,678)	-	(21,678)
At 31 March 2014	750,966	31,315	247,072	1,029,353

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

FROM 1 JANUARY 2015 TO 31 MARCH 2015 (UNAUDITED)

	Total Unitholders' Capital RM'000	<i>Distributable</i> Realised Income RM'000	<i>Non- Distributable</i> Unrealised Income RM'000	Total Unitholders' Funds RM'000
At 1 January 2015	1,044,664	5,555	276,150	1,326,369
Net income for the period	-	22,507	810	23,317
<i>Total comprehensive income for the Period</i>	-	22,507	810	23,317
Contributions by and distributions to unitholders				
Issuance of Units	852	-	-	852
Issuing expenses	(1)	-	-	(1)
Distribution to Unitholders#	-	(7,943)	-	(7,943)
<i>Total transactions with unitholders</i>	851	(7,943)	-	(7,092)
At 31 March 2015	1,045,515	20,119	276,960	1,342,594

(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 2014 and the accompanying explanatory notes attached to the financial statements.)

Final income distribution for financial year 2014 of 1.45 sen per unit which was paid on 27 February 2015.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2015 (UNAUDITED)

	Current Year To Date 31.03.2015 RM'000	Preceding Year To Date 31.03.2014 RM'000
Cash flows from operating activities		
Net income before taxation	23,317	22,391
Adjustments for :-		
Islamic financing cost	7,216	5,589
Profit income	(215)	(184)
Change in fair value of investment properties	(510)	-
Net gain on disposal of investment property	-	(1,614)
Depreciation	86	68
Net (gain)/loss on financial liabilities measured at amortised cost	(713)	50
Allowance for doubtful/bad debts	47	37
Fair value change on derivatives	413	(141)
Operating income before changes in working capital	29,641	26,196
Changes in working capital		
Receivables, deposits and prepayments	3,662	(2,571)
Payables and accruals	(22,674)	(3,436)
Tenants' deposits	344	(2,657)
Net cash from operating activities	10,973	17,532
Cash flows from investing activities		
Profit income received	215	184
Enhancement of investment properties	(5,279)	(2,959)
Acquisition of equipment	(149)	(112)
Net proceeds from disposal of investment property	-	17,097
Acquisition of investment property	(45,807)	-
Net cash (used in)/from investing activities	(51,020)	14,210
Cash flows from financing activities		
Islamic financing cost paid	(7,216)	(5,589)
Payment of financing, net	(10,680)	(7,052)
Income distribution paid to unitholders	(7,943)	(21,678)
Proceed from issue of units	852	-
Issuing expenses	(1)	-
Net cash used in financing activities	(24,988)	(34,319)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE PERIOD ENDED 31 MARCH 2015 (UNAUDITED) (Continued)

	Current Year	Preceding Year
	To Date	To Date
	31.03.2015	31.03.2014
	RM'000	RM'000
Net decrease in cash and cash equivalents	(65,035)	(2,577)
Cash and cash equivalents at beginning of period	89,816	34,523
Cash and cash equivalents at end of period	24,781	31,946
 Cash and cash equivalents		
Cash and bank balances	11,696	7,244
Islamic deposits placed with licensed banks	13,385	25,002
	25,081	32,246
Less: Islamic deposits placed with licensed banks - pledged	(300)	(300)
	24,781	31,946

(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2014 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” or “Fund”) for year ended 31 December 2014.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2014

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2014 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 2014 final income distribution of 1.45 sen per unit, totaling RM7,943,000, in respect of the period from 2 December 2014 to 31 December 2014, was paid on 27 February 2015.

The Manager has proposed to distribute 99.1% from realised income available for distribution generated from operations for the period from 1 January 2015 to 31 March 2015 of 4.10 sen per unit, which includes a non-taxable portion of approximately 0.09 sen per unit derived from 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 the last annual reporting period except for the following:

- a) The completion of acquisition and leaseback of a parcel of land held under H.S.(D) 293642, PT No. 2233, Section 16, Bandar Shah Alam, District of Petaling, Negeri Selangor Darul Ehsan together with all that industrial building known as "Axis Shah Alam DC2" erected thereon from Able Heights (M) Sdn Bhd, for a purchase consideration of RM45,000,000, on 31 March 2015.

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

Axis-REIT's fund size was increased from 547,522,040 units to 547,758,040 units with the successful issuance of 236,000 new units issued as payment of management fee to Axis REIT Managers Berhad, as the management company of Axis-REIT on 23 January 2015 and the said new units were listed on 28 January 2015.

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 the first quarter of 2015.

Quarter Results

For the quarter ended 31 March 2015, Axis-REIT registered a total revenue of RM40,619,000. The realised net income from operations was RM22,507,000 after deducting total expenditure RM18,112,000 of which RM6,019,000 were attributable to property expenses and RM12,093,000 to non-property expenses. For the quarter under review, the total income available for distribution amounted to RM22,672,000. Axis-REIT has set aside RM22,458,000 (approximately 99.1% of total income available for distribution in respect of the period from 1 January 2015 to 31 March 2015) as the first interim income distribution which translates to 4.10 sen per unit to be paid on 29 May 2015.

Maintenance costs & major capital expenditure

A total of RM5,279,000 has been incurred for enhancement of the properties of Axis-REIT during the financial period ended 31 March 2015.

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 2015.

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 2014 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

During the quarter under review, Axis-REIT has acquired one property i.e. Axis Shah Alam DC 2. The portfolio size of Axis-REIT comprised of a total 34 properties as at 31 March 2015.

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

On 23 January 2015, 236,000 new units were issued for the purpose of payment of management fee to Axis REIT Managers Berhad. The said issuance resulted in approximately RM851,960 being retained in Axis-REIT as cash that would have otherwise been paid out to the Manager. The said amount had been allocated to cover permissible expenses under the Third Principal Deed dated 28 November 2013 constituting Axis-REIT.

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 three 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) On 30 April 2013, the unitholders approved, among others, the following at the Unitholders' Meeting of Axis-REIT convened and held on the same date:
- (i) authority to allot and issue up to 2,000,000 new units for the purpose of the payment of management fee to the Manager in the form of new units ("Payment of Management Fee Authority"); and
 - (ii) increase in the existing issued fund size of Axis-REIT by a maximum of 2,000,000 units pursuant to the Payment of Management Fee Authority.

The Payment of Management Fee Authority had been partly implemented with the successful listing of 242,000 new units and 236,000 new units on 28 October 2014 and 28 January 2015, respectively.

- b) On 19 January 2015, the Securities Commission Malaysia ("SC") approved the proposed upsizing of Axis REIT Sukuk Berhad's Islamic Medium Term Notes Programme ("Sukuk Programme") from RM300.0 million in nominal value to RM3.0 billion in nominal value ("Proposed Upsizing"). Subsequently, with the execution of the relevant supplemental documents in connection with the Proposed Upsizing on 10 April 2015, the size of Axis REIT Sukuk Berhad's Sukuk Programme was successfully increased from RM300.0 million in nominal value to RM3.0 billion in nominal value and the tenure of the Sukuk Programme has been extended from a fifteen year programme to a perpetual programme effective 10 April 2015.

Axis REIT Sukuk Berhad is a wholly-owned subsidiary of Axis-REIT.

- c) On 3 March 2015, it was announced that the Board of Directors of the Manager proposed to undertake the following:
- (i) a unit split involving the subdivision of every one (1) existing unit in Axis-REIT ("Existing Unit") held by the entitled unitholders of Axis-REIT on an entitlement date to be determined and announced later, into two (2) units in Axis-REIT ("Subdivided Units") ("Proposed Unit Split");
 - (ii) an increase in the existing approved fund size of Axis-REIT from 547,758,040 Existing Units to 1,095,516,080 Subdivided Units to facilitate the Proposed Unit Split;
 - (iii) the allotment and issuance of up to:
 - (a) 219,103,216 new Subdivided Units if the Proposed Unit Split is implemented, representing up to 20% of the issued fund size of Axis-REIT after the Proposed Unit Split of 1,095,516,080 Subdivided Units; or
 - (b) 109,551,608 new Existing Units if the Proposed Unit Split is not implemented, representing up to 20% of the existing issued fund size of Axis-REIT of 547,758,040 Existing Units,pursuant to Clause 14.03 of the Guidelines on Real Estate Investment Trusts issued by the SC, to facilitate Axis-REIT in raising funds via a placement exercise ("Proposed Authority");

B9. STATUS OF CORPORATE PROPOSALS (CONTINUED)

- (iv) renewal of the authority to allot and issue up to 155,194,684 new Subdivided Units if the Proposed Unit Split is implemented or up to 77,597,342 new Existing Units if the Proposed Unit Split is not implemented, for the purpose of the income distribution reinvestment plan that provides the unitholders of Axis-REIT with the option to elect to reinvest their income distribution in new units in Axis-REIT (“Proposed Renewal of IDRP Authority”); and
- (v) an increase in the fund size of Axis-REIT from:
 - (a) 1,095,516,080 Subdivided Units to a maximum of 1,472,857,980 Subdivided Units if the Proposed Unit Split, Proposed Authority, Proposed Renewal of IDRP Authority and Payment of Management Fee Authority are implemented; or
 - (b) 547,758,040 Existing Units to a maximum of 736,428,990 Existing Units if the Proposed Unit Split is not implemented, and the Proposed Authority, Proposed Renewal of IDRP Authority and Payment of Management Fee Authority are implemented.

The above proposals are pending approval from the relevant authorities and will be tabled to the Unitholders of Axis-REIT for approval at the forthcoming meeting of unitholders to be convened.

- d) Axis-REIT had on 31 March 2015 completed the acquisition of Axis Shah Alam DC2.

B10. FINANCING

	Current Financial Quarter End 31 March 2015 (RM' 000)	Preceding Financial Year End 31 December 2014 (RM' 000)
Short term financing		
- Secured Islamic revolving credit/hire purchase	342,142	419,335
Long term financing		
- Islamic Medium Term Note/hire purchase	330,947	264,434

B11. DERIVATIVES

As at 31 March 2015, 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 IPRS 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 2015 <u>RM</u>	<u>Maturity</u>
3-year IPRS	31,582	Less than 3 years
3-year IPRS	292,815	Less than 3 years
	<u>324,397</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 31.03.2015 RM' 000	Immediate Preceding Quarter Ended 31.12.2014 RM' 000
Number of units in issue (units)	547,758,040	547,522,040
Earnings per unit (EPU) (realised) (sen)	4.11#	4.01
EPU (include unrealised income) (sen)	4.26#	5.39
Net realised income for the period(RM'000)	22,507	19,329
Distribution per unit (DPU) (sen)	4.10	4.15
Net Asset Value (NAV) (RM'000)	1,342,594	1,326,369
NAV Per Unit (RM)	2.4511	2.4225
Market Value Per Unit (RM)	3.53	3.62

Based on weighted average of the number of units in issue of 547,687,240. The total number of units issued was increased from 547,522,040 units to 547,758,040 units with the successful issuance of 236,000 new units issued as payment of management fee in units to the Manager on 23 January 2015 and the said units were listed on 28 January 2015.

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 2015 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 20 April 2015.

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 April 2015