



AIMS AMP CAPITAL INDUSTRIAL REIT

**AIMS AMP CAPITAL INDUSTRIAL REIT
UNAUDITED FINANCIAL STATEMENT
ANNOUNCEMENT
SECOND QUARTER ENDED 30 SEPTEMBER 2014
("2Q FY2015")**

Introduction

AIMS AMP Capital Industrial REIT ("AA REIT" or the "Trust") is a real estate investment trust which was listed on the Main Board of the SGX-ST on 19 April 2007. The principal investment objective of AA REIT is to invest in a diversified portfolio of income-producing real estate assets located in Singapore and throughout the Asia-Pacific region that is used for industrial purposes, including, but not limited to warehousing and distribution activities, business park activities and manufacturing activities. The Manager's key objectives are to deliver stable distributions to Unitholders and to provide long-term capital growth.

The Group¹ has a portfolio of 26 industrial properties, 25 of which are located throughout Singapore and 1 business park in Sydney, Australia².

Summary of AIMS AMP Capital Industrial REIT Group results

	Note	2Q FY2015	1Q FY2015	+/(-) %	2Q FY2014	+/(-) %	1H FY2015	1H FY2014	+/(-) %
		S\$'000	S\$'000	%	S\$'000	%	S\$'000	S\$'000	%
Gross revenue	(a)	28,261	27,360	3.3	26,926	5.0	55,621	51,450	8.1
Net property income	(a)	19,714	19,493	1.1	18,224	8.2	39,207	33,958	15.5
Share of joint venture's results	(a)	3,898	3,722	4.7	-	NM	7,620	-	NM
Distribution to Unitholders	(b)	17,258	15,849	8.9	14,481	19.2	33,107	26,969	22.8
Distribution per Unit ("DPU") (cents)		2.770	2.550	8.6	2.750	0.7	5.320	5.250	1.3

NM: not meaningful

Notes:

- (a) Please refer to section 8 on "Review of the performance" for explanation of the variances.
- (b) The Manager resolved to distribute S\$17.3 million for 2Q FY2015, comprising (i) taxable income of S\$16.2 million from Singapore operations; and (ii) tax-exempt income distribution of S\$0.3 million and capital distribution of S\$0.8 million from distributions remitted from the Group's investment in Optus Centre, Sydney, Australia.

AA REIT's distribution policy is to distribute at least 90.0% of the Trust's taxable income for the full financial year. For 2Q FY2015, the Manager has resolved to distribute 95.6% of the taxable income available for distribution to the Unitholders. Please refer to details in section 1(a)(ii) for the distribution statement.

¹ The Group comprises AIMS AMP Capital Industrial REIT and its wholly-owned subsidiaries.

² AA REIT has a 49% interest in Optus Centre located in Sydney, Australia.

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Distribution and Books Closure Date

Distribution	For 1 July 2014 to 30 September 2014
Distribution Type	(a) Taxable Income (b) Tax-Exempt Income (c) Capital Distribution
Distribution Rate	(a) Taxable Income Distribution: 2.60 cents per Unit (b) Tax-Exempt Income Distribution: 0.05 cents per Unit (c) Capital Distribution: <u>0.12 cents per Unit</u> <u>2.77 cents per Unit</u>
Books Closure Date	7 November 2014
Payment Date	23 December 2014

1 (a)(i) Consolidated Statement of Total Return

		Group 2Q FY2015 S\$'000	Group 2Q FY2014 S\$'000	+ / (-) %	Group 1H FY2015 S\$'000	Group 1H FY2014 S\$'000	+ / (-) %
Note							
Gross revenue	(a)	28,261	26,926	5.0	55,621	51,450	8.1
Property operating expenses	(a)	(8,547)	(8,702)	(1.8)	(16,414)	(17,492)	(6.2)
Net property income	(a)	19,714	18,224	8.2	39,207	33,958	15.5
Foreign exchange loss		(16)	-	NM	(7)	-	NM
Interest income		12	3	>100.0	26	10	>100.0
Borrowing costs	(a)	(5,534)	(3,053)	81.3	(10,767)	(6,270)	71.7
Manager's management fees	(a)	(1,814)	(1,394)	30.1	(3,583)	(2,751)	30.2
Other trust expenses	(a)	(544)	(389)	39.8	(964)	(828)	16.4
Non-property expenses		(7,892)	(4,836)	63.2	(15,314)	(9,849)	55.5
Net income before joint venture's results		11,818	13,391	(11.7)	23,912	24,119	(0.9)
Share of joint venture's results	(a),(b)	3,898	-	NM	7,620	-	NM
Net income		15,716	13,391	17.4	31,532	24,119	30.7
Net change in fair value of investment properties and investment properties under development	(c)	27,033	5,891	>100.0	36,441	16,822	>100.0
Net change in fair value of financial derivatives	(d)	451	(383)	>(100.0)	(49)	2,204	>(100.0)
Total return before income tax		43,200	18,899	>100.0	67,924	43,145	57.4
Income tax expense	(e)	(143)	-*	>100.0	(287)	-*	>100.0
Total return after income tax		43,057	18,899	>100.0	67,637	43,145	56.8

NM : not meaningful

* : less than S\$1,000.

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Notes:

- (a) Please refer to section 8 on “Review of the performance” for explanation of the variances.
- (b) The share of joint venture’s results comprised of the contribution from the Group’s 49.0% interest in Optus Centre, which is located in Sydney, Australia.
- (c) Net change in fair value of investment properties and investment properties under development of S\$27.0 million for 2Q FY2015 relates to the surplus on revaluation of Phase Three of the 20 Gul Way development of S\$15.5 million upon obtaining Temporary Occupation Permit (“TOP”) on 9 September 2014 and surplus on revaluation of the Trust’s 25 properties of S\$11.5 million which were valued as at 30 September 2014. The independent valuation of these properties were carried out by Knight Frank Pte Ltd or Colliers International Consultancy & Valuation (Singapore) Pte Ltd.

For 1H FY2015, the net change in fair value of investment properties of S\$36.4 million also included S\$9.4 million surplus on revaluation of 103 Defu Lane 10 and Phase Two Extension (“2E”) of 20 Gul Way upon obtaining TOP on 28 May 2014 and 14 June 2014 respectively. The assessment was carried out by independent valuers, Knight Frank Pte Ltd for 103 Defu Lane 10 as at 28 May 2014, and Colliers International Consultancy & Valuation (Singapore) Pte Ltd for Phase 2E of 20 Gul Way as at 14 June 2014.

The net change in fair value of investment properties and investment properties under development is a non-tax chargeable/deductible item and has no impact on the taxable income and distributable income to the Unitholders.

- (d) This relates to changes in fair value due to the revaluation of the Singapore dollar interest rate swap contracts in accordance with Financial Reporting Standard (“FRS”) 39. Please refer to note (e) of section 1(b)(i) for further details of the swap contracts. The net change in fair value of financial derivatives registered a favourable change in 2Q FY2015. This was mainly due to higher Singapore dollar interest rates as at the end of 2Q FY2015 as compared to the previous quarter.

The net change in fair value of financial derivatives is a non-tax chargeable/deductible item and has no impact on the taxable income and distributable income to the Unitholders.

- (e) Income tax expense relates to withholding tax paid / payable by the Trust on the distribution and interest income from Australia as well as income tax payable by the Trust’s wholly-owned subsidiary, AACI REIT MTN Pte Ltd (“AACI REIT MTN”).

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1(a)(ii) Distribution Statement

		Group 2Q FY2015 S\$'000	Group 2Q FY2014 S\$'000	+ / (-) %	Group 1H FY2015 S\$'000	Group 1H FY2014 S\$'000	+ / (-) %
Note							
	Total return before income tax	43,200	18,899	>100.0	67,924	43,145	57.4
	Net effect of tax adjustments	(a) (24,109)	(4,306)	>100.0	(31,691)	(15,986)	98.2
	Other adjustments	(b) (2,138)	(1)	>100.0	(4,102)	(1)	>100.0
	Amount available for distribution from taxable income	16,953	14,592	16.2	32,131	27,158	18.3
	Distribution from taxable income	(c) 16,199	14,481	11.9	31,240	26,969	15.8
	Distribution from tax-exempt income	(d) 311	-	NM	311	-	NM
	Capital distribution	(e) 748	-	NM	1,556	-	NM
	Distribution to Unitholders	17,258	14,481	19.2	33,107	26,969	22.8

Notes:

(a) Net effect of tax adjustments

	Group 2Q FY2015 S\$'000	Group 2Q FY2014 S\$'000	+ / (-) %	Group 1H FY2015 S\$'000	Group 1H FY2014 S\$'000	+ / (-) %
Amortisation and write-off of borrowing transaction costs	333	216	54.2	653	468	39.5
Foreign exchange loss	9	-	NM	7	-	NM
Manager's management fees in Units	1,270	697	82.2	1,800	1,715	5.0
Net change in fair value of investment properties and investment properties under development	(27,033)	(5,891)	>100.0	(36,441)	(16,822)	>100.0
Net change in fair value of financial derivatives	(451)	383	>(100.0)	49	(2,204)	>(100.0)
Prepayment fee on borrowings	-	-	-	66	-	NM
Net tax adjustment on foreign sourced income	867	-	NM	1,738	-	NM
Temporary differences and other tax adjustments	896	289	>100.0	437	857	(49.0)
Net effect of tax adjustments	(24,109)	(4,306)	>100.0	(31,691)	(15,986)	98.2

NM: not meaningful

(b) Other adjustments comprised primarily the net accounting results of the Trust's subsidiaries.

(c) The Trust's distribution policy is to distribute at least 90.0% of the Trust's taxable income for the full financial year. For 2Q FY2015, the Manager has resolved to distribute 95.6% of the taxable income available for distribution to the Unitholders.

(d) This relates to tax-exempt income arising from the distributions remitted from the Group's investment in Optus Centre, Sydney, Australia.

(e) This relates to the tax deferred component arising from the distributions remitted from the Group's investment in Optus Centre, Sydney, Australia.

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1(b)(i) Statements of Financial Position as at 30 September 2014 vs. 31 March 2014

		Group	Group		Trust	Trust	
	Note	30 Sept 2014	31 Mar 2014	+ / (-)	30 Sept 2014	31 Mar 2014	+ / (-)
		S\$'000	S\$'000	%	S\$'000	S\$'000	%
Non-current assets							
Investment properties	(a)	1,230,070	1,085,500	13.3	1,230,070	1,085,500	13.3
Investment properties under development	(b)	-	72,000	(100.0)	-	72,000	(100.0)
Subsidiaries	(c)	-	-	-	86,479	87,185	(0.8)
Joint venture	(d)	204,909	215,186	(4.8)	-	-	-
Trade and other receivables		3,006	3,365	(10.7)	3,006	3,365	(10.7)
Derivative financial instruments	(e)	-	177	(100.0)	-	177	(100.0)
Plant and equipment		12	26	(53.8)	12	26	(53.8)
		1,437,997	1,376,254	4.5	1,319,567	1,248,253	5.7
Current assets							
Trade and other receivables		6,748	7,178	(6.0)	5,571	6,585	(15.4)
Cash at banks and in hand	(f)	9,299	21,809	(57.4)	8,905	21,414	(58.4)
		16,047	28,987	(44.6)	14,476	27,999	(48.3)
Total assets		1,454,044	1,405,241	3.5	1,334,043	1,276,252	4.5
Current liabilities							
Trade and other payables	(g)	28,594	39,099	(26.9)	27,253	37,579	(27.5)
Derivative financial instruments	(e)	61	49	24.5	61	49	24.5
		28,655	39,148	(26.8)	27,314	37,628	(27.4)
Non-current liabilities							
Rental deposits		6,118	5,221	17.2	6,118	5,221	17.2
Trade and other payables		2,167	5,587	(61.2)	2,167	5,587	(61.2)
Interest-bearing borrowings	(h)	464,512	442,120	5.1	342,617	314,336	9.0
Derivative financial instruments	(e)	2,258	1,277	76.8	598	737	(18.9)
		475,055	454,205	4.6	351,500	325,881	7.9
Total liabilities		503,710	493,353	2.1	378,814	363,509	4.2
Net assets		950,334	911,888	4.2	955,229	912,743	4.7
Represented by:							
Unitholders' funds		950,334	911,888	4.2	955,229	912,743	4.7
		950,334	911,888	4.2	955,229	912,743	4.7

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Notes:

- (a) The increase in investment properties was primarily due to:
- (i) the transfer of S\$132.5 million (which included revaluation gain of S\$24.9 million recognised in 1H FY2015) from investment properties under development for 103 Defu Lane 10, Phase 2E and Phase Three of 20 Gul Way upon obtaining TOP on 28 May 2014, 14 June 2014 and 9 September 2014 respectively;
 - (ii) revaluation surplus of S\$11.5 million recognised in September 2014; and
 - (iii) capital expenditure capitalised on asset enhancement work of S\$0.6 million.
- (b) As of 31 March 2014, investment properties under development comprised of the redevelopment at 103 Defu Lane 10 and further development of Phase 2E and Phase Three of 20 Gul Way. These developments were completed during the current financial year and were transferred to investment properties.
- (c) This relates to the Trust's interest in its wholly-owned subsidiaries, AACI REIT MTN, AIMS AMP Capital Industrial REIT (Australia) Trust and AACI REIT Opera Pte. Ltd.
- (d) This relates to the Group's 49.0% interest in Macquarie Park Trust, the Australian unit trust which holds Optus Centre, located in Sydney, Australia. The decrease in the interest in joint venture was mainly due to the strengthening of the Singapore dollar against the Australia dollar. As the Australian investment is substantially hedged through the use of Australia dollar denominated loans, there is a corresponding reduction in interest-bearing borrowings of S\$9.8 million (see note 1(b)(i)(h) below).
- (e) The derivative financial instruments as at 30 September 2014 were in relation to interest rate swap contracts with a total notional amount of S\$159.3 million. As at 30 September 2014, approximately 72.6% of the Group's borrowings were on fixed rates taking into account (i) the interest rate swaps entered into and (ii) the medium term notes. Under the interest rate swap contracts, the Group pays fixed interest rates of between 0.748% to 3.825% per annum and receives interest at the three-month Singapore dollar swap offer rate or at the three-month Australia bank bill swap bid rates, as the case may be. The net change in fair value of financial derivatives registered an unfavourable change during the period mainly due to lower Australia dollar interest rates as at 30 September 2014 compared to 31 March 2014.
- (f) Cash at banks and in hand as at 30 September 2014 was S\$9.3 million which was S\$12.5 million lower compared to balances as at 31 March 2014. This was mainly attributable to funding of development costs at Phase 2E and Phase Three of 20 Gul Way and 103 Defu Lane 10, borrowing costs and distributions paid. The above was partially offset by net cash flows generated from operating activities and borrowings from loan facilities.
- (g) Trade and other payables as at 30 September 2014 included development costs payable of S\$2.8 million relating to the redevelopment of 20 Gul Way and retention sum of S\$5.6 million relating to the redevelopment of 20 Gul Way and 103 Defu Lane 10. (31 March 2014: included development costs payable of S\$10.6 million and retention sum of S\$2.2 million relating to the redevelopment of 20 Gul Way and 103 Defu Lane 10). These development costs are to be funded by the loan facilities of the Trust.

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On 30 September 2014, the Group and the Trust have undrawn committed facilities of S\$79.0 million to fulfil their liabilities as and when they fall due.

- (h) The increase in interest-bearing borrowings of the Group by S\$22.4 million as at 30 September 2014 was mainly due to the drawdown of S\$31.6 million to fund the development costs incurred on the Trust's development of 20 Gul Way and 103 Defu Lane 10, partially offset by the decrease in the Australia dollar denominated borrowings of S\$9.8 million due to the strengthening of the Singapore dollar against the Australia dollar.

Please refer to the details of interest-bearing borrowings in section 1(b)(ii).

1(b)(ii) Aggregate amount of borrowings

	Group 30 Sept 2014 S\$'000	Group 31 Mar 2014 S\$'000	Trust 30 Sept 2014 S\$'000	Trust 31 Mar 2014 S\$'000
Interest-bearing borrowings				
Amount repayable after one year				
Secured				
Term loans	215,375	239,932	92,739	111,161
Revolving credit facility	72,188	75,800	72,188	75,800
	<u>287,563</u>	<u>315,732</u>	<u>164,927</u>	<u>186,961</u>
Unsecured				
Medium Term Notes	180,000	130,000	180,000	130,000
	<u>467,563</u>	<u>445,732</u>	<u>344,927</u>	<u>316,961</u>
Less : Unamortised borrowing transaction costs	(3,051)	(3,612)	(2,310)	(2,625)
	<u>464,512</u>	<u>442,120</u>	<u>342,617</u>	<u>314,336</u>

Details of borrowings and collateral

(a) Secured borrowings

The Trust has a debt facility from a syndicate of five financial institutions secured by the collateral described below. The facility comprised the following:

- S\$150.0 million development loans to partially finance the redevelopment of Phase One and Phase Two of 20 Gul Way. As at 30 September 2014, the Trust has prepaid S\$126.0 million of the outstanding loan using the proceeds from the rights issue in March 2014 and the issuance of medium term notes in May 2014. The remaining outstanding loan balance is S\$23.0 million as at 30 September 2014;
- S\$100.0 million term loan facility which was prepaid using the proceeds from the private placement. The Trust can redraw under this term loan facility to fund development costs and acquisitions. As at 30 September 2014, the Trust has drawn down S\$69.7 million under this term loan facility for the redevelopment of the property at 103 Defu Lane 10 and the further development of Phase 2E and Phase Three of 20 Gul Way; and
- dual currency SGD or AUD revolving credit facility of S\$120.0 million. As at 30 September 2014, the Trust has drawn down A\$65.1 million (or S\$72.2 million) under this revolving credit facility to fund the acquisition of the 49.0% interest in Optus Centre.

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The details of the collateral for the facility are as follows:

- first legal mortgage over 17 investment properties of the Trust;
- assignment of rights, title and interest in leases, insurances, contracts and rental proceeds of the related mortgaged investment properties; and
- a fixed and floating charge over certain assets arising out of or in connection with the mortgaged properties.

In June 2014, the Trust's lenders have granted consent to the discharge of security of 5 investment properties. After the discharge, the number of unencumbered investment properties of the Trust would increase from 8 to 13 with a total value of S\$527.2 million as at 30 September 2014.

On 7 February 2014, AMP Capital AA REIT Investments (Australia) Pty Limited in its capacity as trustee of AA REIT Macquarie Park Investment Trust (an indirect wholly-owned subsidiary of the Trust) (the "Borrower") entered into a A\$110,655,000 syndicated facility agreement with two financial institutions for a five year debt facility to partially fund the acquisition of the 49.0% interest in Optus Centre.

The details of the collateral are as follows:

- first ranking general security agreement over the current and future assets and undertakings of the Borrower, including the Borrower's units in Macquarie Park Trust; and
- first ranking specific security agreement from AMP Capital Investors Limited in its capacity as trustee for AIMS AMP Capital Industrial REIT (Australia) Trust over the units of the Borrower and all present and future rights and property interests in respect of the units in the Borrower.

The Group and the Trust have undrawn committed facilities of S\$79.0 million (31 March 2014: S\$107.0 million) to fulfil their liabilities as and when they fall due.

(b) Unsecured borrowings

On 25 July 2012, the Trust, through its subsidiary AACI REIT MTN, established a S\$500 million Multi-currency Medium Term Note Programme ("MTN Programme").

On 21 May 2014, AACI REIT MTN issued S\$50.0 million five year fixed rate notes due 2019 under its S\$500 million MTN Programme. The notes will mature on 21 May 2019 and bear interest at a fixed rate of 3.80% per annum payable semi-annually in arrears. AACI REIT MTN has on-lent to the Trust the proceeds from the issuance of the notes to enable the Trust to repay a term loan of S\$50.0 million which was due to expire in October 2015.

As at 30 September 2014, S\$180.0 million medium term notes ("Medium Term Notes") had been issued comprising:

- (i) S\$100.0 million four year Medium Term Notes with a fixed rate of 4.90% per annum, payable semi-annually in arrears and will mature on 8 August 2016;
- (ii) S\$50.0 million five year Medium Term Notes with a fixed rate of 3.80% per annum, payable semi-annually in arrears and will mature on 21 May 2019; and
- (iii) S\$30.0 million seven year Medium Term Notes with a fixed rate of 4.35% per annum, payable semi-annually in arrears and will mature on 5 December 2019.

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1(c) Consolidated Statement of Cash Flows

	Group 2Q FY2015 S\$'000	Group 2Q FY2014 S\$'000	Group 1H FY2015 S\$'000	Group 1H FY2014 S\$'000
Cash flows from operating activities				
Total return after income tax	43,057	18,899	67,637	43,145
Adjustments for:				
Share of joint venture's results	(3,898)	-	(7,620)	-
Borrowing costs	5,534	3,053	10,767	6,270
Depreciation	7	15	13	28
Foreign exchange loss	16	-	7	-
Manager's management fees in Units	1,270	697	1,800	1,715
Net change in fair value of financial derivatives	(451)	383	49	(2,204)
Net change in fair value of investment properties	(27,033)	(5,891)	(36,441)	(16,822)
Income tax expense	143	-*	287	-*
Operating income before working capital changes	18,645	17,156	36,499	32,132
Changes in working capital				
Rental and security deposits	(405)	(1,458)	600	478
Trade and other receivables	308	517	2,122	(40)
Trade and other payables	(2,100)	(314)	(4,030)	(321)
Income tax paid	(143)	-	(287)	-
Cash from operating activities	16,305	15,901	34,904	32,249
Cash flows from investing activities				
Capital expenditure on investment properties and investment properties under development	(20,559)	(3,419)	(42,930)	(25,351)
Distributions from joint venture	3,850	-	6,302	-
Net cash used in investing activities	(16,709)	(3,419)	(36,628)	(25,351)
Cash flows from financing activities				
Borrowing costs paid	(6,203)	(3,728)	(10,707)	(6,658)
Distributions to Unitholders	(13,735)	(8,957)	(29,276)	(21,637)
Proceeds from interest-bearing borrowings	20,730	-	81,578	19,791
Repayments of interest-bearing borrowings	-	-	(50,000)	(100,000)
Proceeds from placement	-	-	-	110,000
Issue expenses paid	(30)	10	(2,334)	(2,737)
Net cash from/(used in) financing activities	762	(12,675)	(10,739)	(1,241)
Net increase/(decrease) in cash at banks and in hand	358	(193)	(12,463)	5,657
Cash at banks and in hand at beginning of the period	8,998	8,825	21,809	2,975
Effect of exchange rate fluctuation	(57)	-	(47)	-
Cash at banks and in hand at end of the period	9,299	8,632	9,299	8,632

* : less than S\$1,000.

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1(c)(a) Significant non-cash transactions

There were the following significant non-cash transactions:

- (i) On 31 July 2014, the Trust issued an aggregate of 370,140 new Units amounting to S\$0.5 million as partial payment for the base fee element of the Manager's management fees incurred for the period from 1 April 2014 to 30 June 2014.
- (ii) In 1H FY2015, the Trust issued an aggregate of 1,522,993 new Units amounting to S\$2.2 million as part payment of the distributions for 1Q FY2015 pursuant to the AIMS AMP Capital Industrial REIT Distribution Reinvestment Plan (the "AA REIT DRP"). Please refer to details in section 1(d).

1(d)(i) Statement of Movements in Unitholders' Funds (2Q FY2015 vs. 2Q FY2014)

	Group 2Q FY2015 S\$'000	Group 2Q FY2014 S\$'000	Trust 2Q FY2015 S\$'000	Trust 2Q FY2014 S\$'000
Balance at beginning of the period	920,279	788,293	922,039	788,292
Operations				
Total return after income tax	43,057	18,899	45,598	18,898
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations	(620)	-	-	-
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	26	-	-	-
Unitholders' transactions				
Issuance of Units (including units to be issued):				
- Manager's management fees	1,270	697	1,270	697
- Distribution Reinvestment Plan	2,201	199	2,201	199
- Property Manager's fees in Units	-	1,582	-	1,582
Distributions to Unitholders	(15,849)	(8,668)	(15,849)	(8,668)
Issue expenses	(30)	10	(30)	10
Change in Unitholders' fund resulting from Unitholders' transactions	(12,408)	(6,180)	(12,408)	(6,180)
Total increase in Unitholders' funds	30,055	12,719	33,190	12,718
Balance at end of the period	950,334	801,012	955,229	801,010

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1(d)(ii) Statement of Movements in Unitholders' Funds (1H FY2015 vs. 1H FY2014)

	Group 1H FY2015 S\$'000	Group 1H FY2014 S\$'000	Trust 1H FY2015 S\$'000	Trust 1H FY2014 S\$'000
Balance at beginning of the period	911,888	665,336	912,743	665,335
Operations				
Total return after income tax	67,637	43,145	69,961	43,144
Foreign currency translation reserve				
Translation differences relating to financial statements of foreign subsidiaries and net investment in foreign operations	(507)	-	-	-
Hedging reserve				
Effective portion of changes in fair value of cash flow hedges	(1,209)	-	-	-
Unitholders' transactions				
Issuance of Units (including units to be issued):				
- Manager's management fees	1,800	1,715	1,800	1,715
- Placement	-	110,000	-	110,000
- Distribution Reinvestment Plan	2,201	5,117	2,201	5,117
- Property Manager's fees in Units	-	5,035	-	5,035
Distributions to Unitholders	(31,440)	(26,599)	(31,440)	(26,599)
Issue expenses	(36)	(2,737)	(36)	(2,737)
Change in Unitholders' fund resulting from Unitholders' transactions	(27,475)	92,531	(27,475)	92,531
Total increase in Unitholders' funds	38,446	135,676	42,486	135,675
Balance at end of the period	950,334	801,012	955,229	801,010

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1(d)(iii) Details of any change in the Units

	Note	Trust 2Q FY2015 Units '000	Trust 2Q FY2014 Units '000	Trust 1H FY2015 Units '000	Trust 1H FY2014 Units '000
Units in issue at beginning of the period		621,156	523,882	621,156	449,399
<u>Issue of new Units</u>					
- Units issued pursuant to placement		-	-	-	68,750
- Units issued as payment of Manager's performance fees		-	-	-	671
- Units issued as payment of Manager's base fees	(a)	370	1,428	370	1,428
- Units issued as payment of Property Manager's fees		-	1,138	-	3,260
- Units issued pursuant to Distribution Reinvestment Plan	(b)	1,523	127	1,523	3,067
Units in issue at end of the period		623,049	526,575	623,049	526,575
<u>Units to be issued:</u>					
Manager's management fees	(c)	872	465	872	465
Total Units in issue and to be issued at end of the period		623,921	527,040	623,921	527,040

- (a) On 31 July 2014, the Trust issued 370,140 new Units at an average issue price of S\$1.4329 per Unit as partial payment of the base fee element of the Manager's management fee incurred for the period from 1 April 2014 to 30 June 2014.
- (b) During the current financial period, the Trust issued 1,522,993 new Units on 23 September 2014 to eligible Unit holders who elected to participate in the AA REIT DRP in respect of the 1Q FY2015 distribution.
- (c) The new Units to be issued relate to Units to be issued to the Manager as partial payment of the base fee element of the Manager's management fees incurred for the period from 1 July 2014 to 30 September 2014.

The issue price for the Manager's management fees paid/payable in Units was determined based on the volume weighted average traded price for a Unit for all trades done on the SGX-ST in the ordinary course of trading for the last 10 business days of the relevant period in which the fees accrued.

2 Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by auditors.

3 Where the figures have been audited or reviewed, the auditor's report (including any qualifications or emphasis of matter).

Not applicable.

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4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

On 1 April 2014, the Group adopted Singapore Financial Reporting Standard ("FRS") 111 *Joint Arrangements* and FRS 112 *Disclosures of Interests in Other Entities* issued by the Institute of Singapore Chartered Accountants. The adoption of the new standards did not have a significant impact to the financial position or performance of the Group and the Trust. The accounting policies and methods of computation applied in the financial statements for the current financial period are consistent with those disclosed in the audited financial statements for the year ended 31 March 2014.

5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

Not applicable.

6 Earnings per Unit ("EPU") and distribution per Unit ("DPU") for the period

The EPU is computed using total return after income tax over the weighted average number of Units for the period. The diluted EPU is the same as the basic EPU as there were no dilutive instruments in issue as at the end of the period. The prior period comparatives have been restated for the effect of the rights issue.

	Group 2Q FY2015	Group 2Q FY2014	Group 1H FY2015	Group 1H FY2014
Weighted average number of Units ('000)	621,548	541,323	621,354	526,136
Earnings per Unit (cents) - basic and diluted	6.93	3.49	10.89	8.20

In computing the DPU, the number of Units entitled to the distribution for each respective period was used.

	Group 2Q FY2015	Group 2Q FY2014	Group 1H FY2015	Group 1H FY2014
Number of Units in issue at end of period ('000)	623,049	526,575	623,049	526,575
Distribution per Unit (cents)	2.770	2.750	5.320	5.250

7 Net asset value per Unit based on issued Units at the end of the period

	Group 30 Sept 2014 S\$	Group 31 Mar 2014 S\$	Trust 30 Sept 2014 S\$	Trust 31 Mar 2014 S\$
Net asset value per Unit	1.5232	1.4680	1.5310	1.4694

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8 Review of the performance

	Group 2Q FY2015 S\$'000	Group 1Q FY2015 S\$'000	Group 2Q FY2014 S\$'000	Group 1H FY2015 S\$'000	Group 1H FY2014 S\$'000
Gross revenue	28,261	27,360	26,926	55,621	51,450
Property operating expenses	(8,547)	(7,867)	(8,702)	(16,414)	(17,492)
Net property income	19,714	19,493	18,224	39,207	33,958
Foreign exchange (loss)/gain	(16)	9	-	(7)	-
Interest income	12	14	3	26	10
Borrowing costs	(5,534)	(5,233)	(3,053)	(10,767)	(6,270)
Manager's management fees	(1,814)	(1,769)	(1,394)	(3,583)	(2,751)
Other trust expenses	(544)	(420)	(389)	(964)	(828)
Non-property expenses	(7,892)	(7,422)	(4,836)	(15,314)	(9,849)
Net income before joint venture's results	11,818	12,094	13,391	23,912	24,119
Share of joint venture's results	3,898	3,722	-	7,620	-
Net income	15,716	15,816	13,391	31,532	24,119
Distribution to the Unitholders	17,258	15,849	14,481	33,107	26,969

Review of the performance for 2Q FY2015 vs. 1Q FY2015

The gross revenue achieved for 2Q FY2015 of S\$28.3 million was S\$0.9 million higher than the gross revenue for 1Q FY2015 of S\$27.4 million mainly due to the maiden rental contribution from the newly completed properties at 103 Defu Lane 10 and Phase 2E of 20 Gul Way as they became income producing from 1 August 2014 and 14 August 2014, respectively.

Property expenses for 2Q FY2015 were S\$0.6 million higher than 1Q FY2015, mainly due to:

- (i) higher property expenses in line with the net increase in revenue from 103 Defu Lane 10 and Phase 2E of 20 Gul Way; and
- (ii) higher property expenses at 10 Soon Lee Road and 10 Changi South Lane as these properties converted to multi-tenancy properties in April 2014.

Net property income for 2Q FY2015 stood at S\$19.7 million which was S\$0.2 million higher compared to 1Q FY2015.

Borrowing costs for 2Q FY2015 of S\$5.5 million was S\$0.3 million higher than the borrowing costs in the preceding quarter. This was mainly due to interest expense incurred on the borrowings for the redevelopment of the property at 103 Defu Lane 10 and the further development of Phase 2E and Phase Three of 20 Gul Way as well as higher borrowing costs on the S\$50 million 5 year Medium Term Notes due 2019 which were issued under the Group's S\$500 million MTN Programme.

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Manager's management fees were higher in 2Q FY2015 vis-à-vis 1Q FY2015 as a result in the net increase in value of the Group's portfolio.

The share of joint venture's results comprised contribution from the Group's 49.0% interest in Optus Centre which is located in Sydney, Australia.

The distribution to the Unitholders for 2Q FY2015 stood at S\$17.3 million, an increase of S\$1.4 million compared to 1Q FY2015. The increase was mainly in line with the increase in the amount available for distribution from taxable income of S\$17.0 million (see note 1(a)(ii)) and higher contribution from distributions remitted in relation to the Group's interest in Optus Centre, Sydney, Australia.

Review of the performance for 2Q FY2015 vs. 2Q FY2014

The gross revenue achieved for 2Q FY2015 of S\$28.3 million was S\$1.3 million higher than the corresponding quarter in the previous year mainly due to:

- (i) the increase in rental contribution from 20 Gul Way as Phase Two and Phase 2E of the development became income-producing since 7 July 2013 and 14 August 2014, respectively; and
- (ii) maiden rental contribution from 103 Defu Lane 10 as the development became income producing from 1 August 2014.

Despite the increase in gross revenue, the property operating expenses for 2Q FY2015 was S\$0.2 million lower compared to 2Q FY2014 mainly due to lower expenditure incurred for the Group's portfolio of properties.

Net property income for 2Q FY2015 stood at S\$19.7 million which was S\$1.5 million higher compared to 2Q FY2014 in line with the increase in gross revenue and lower expenditure incurred for the Group's portfolio of properties.

Borrowing costs of S\$5.5 million were S\$2.5 million higher than the borrowing costs for the corresponding quarter in the previous year mainly due to the interest expense incurred on the AUD borrowings to fund the acquisition of the Group's 49.0% interest in Optus Centre, Sydney, Australia.

Manager's management fees were higher in 2Q FY2015 vis-à-vis 2Q FY2014 as a result of the net increase in size of the Group's portfolio.

Other trust expenses for 2Q FY2015 was S\$0.5 million which was S\$0.1 million higher compared to the corresponding quarter in the preceding year of S\$0.4 million mainly due to the Australian trust expenses incurred on the Group's investment in Australia.

The distribution to the Unitholders for 2Q FY2015 stood at S\$17.3 million, an increase of S\$2.8 million compared to 2Q FY2014 in line with the positive net contributions above, as well as contribution from distributions remitted in relation to the Group's interest in Optus Centre, Sydney, Australia.

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Review of the performance for 1H FY2015 vs. 1H FY2014

The gross revenue achieved for 1H FY2015 of S\$55.6 million was S\$4.2 million higher than the corresponding period in the previous year mainly due to:

- (i) the increase in rental contribution and recoveries of S\$3.2 million from 20 Gul Way as Phase Two and Phase 2E of the development became income-producing since 7 July 2013 and 14 August 2014 respectively;
- (ii) higher revenue from 56 Serangoon North Avenue 4 due to the increase in occupancy rates; and
- (iii) maiden contribution of S\$0.5 million from 103 Defu Lane 10 as the development became income producing from 1 August 2014; and

Despite the increase in gross revenue, the property operating expenses for 1H FY2015 was S\$1.1 million lower compared to 1H FY2014 mainly due to lower expenditure incurred for the Group's portfolio of properties.

Net property income for 1H FY2015 stood at S\$39.2 million which was S\$5.2 million higher compared to 1H FY2014 in line with the increase in gross revenue and lower expenditure incurred for the Group's portfolio of properties.

Borrowing costs of S\$10.8 million were S\$4.5 million higher than 1H FY2014 largely due to the additional interest expense of S\$4.9 million incurred on the AUD borrowings to fund the acquisition of the Group's 49.0% interest in Optus Centre. This was partly offset by interest cost savings from the repayment of a S\$100.0 million term loan facility on 3 May 2013 using the proceeds from the private placement and the repayment of a S\$76.0 million development loan on 20 March 2014 using the proceeds from the rights issue, pending the deployment of such funds for their intended use.

Manager's management fees were higher in 1H FY2015 vis-à-vis 1H FY2014 as a result of the net increase in value of the Group's portfolio.

The distribution to the Unitholders for 1H FY2015 stood at S\$33.1 million, an increase of S\$6.1 million compared to 1H FY2014. The increase was mainly due to the increase in amount available for distribution from taxable income and distributions remitted from Optus Centre, Sydney, Australia.

9 Variance between Forecast / Prospect Statement

The current results are broadly in line with the guidance provided in the previous quarter.

10 Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Based on advance estimates, the Ministry of Trade and Industry ("MTI") announced on 14 October 2014³ that the Singapore economy grew by 2.4 per cent on a year-on-year basis in the third quarter of 2014, the same pace of growth as in the previous quarter. On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded by 1.2 per cent, a reversal from the 0.1 per cent contraction in the previous quarter.

³ Source: www.mti.gov.sg

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On a year-on-year basis, the manufacturing sector grew by 1.4 per cent, similar to the 1.5 per cent expansion in the previous quarter. Growth was supported primarily by the biomedical manufacturing and electronics clusters. The construction sector grew by 1.4 per cent on a year-on-year basis, moderating from the 4.1 per cent growth in the previous quarter. The slowdown was mainly due to weaker private sector construction activities. The services producing industries grew by 2.9 per cent on a year-on-year basis in the third quarter, slightly higher than the 2.8 per cent growth in the previous quarter. Growth was supported primarily by the finance & insurance and business services sectors.

Based on JTC 3Q 2014 statistics released on 23 October 2014⁴, overall occupancy rates of Singapore's industrial property market improved marginally by 0.2 percentage points on a quarter-on-quarter basis to 90.9%. On a year-on-year basis, occupancy rates of the overall industrial property market fell from 92.7% to 90.9%. The increased occupancy rate was driven by the warehouse segment, mainly due to the take up of a few new singer-user warehouses. For multiple-user factory space, the occupancy rate fell by 0.5 percentage points to 86.8%, the lowest level since late 2007. Prices of industrial spaces also continued to stabilise. In 3Q 2014, the industrial space and multiple-user factory space price indices fell by 0.9% and 1.8% respectively on a quarter-on-quarter basis, reversing their respective gains of 0.7% and 2.5% in the previous quarter. On a year-on-year basis, the industrial space and multiple-user factory space price indices rose by 0.2% and 3.4% respectively in 3Q 2014, significantly slower than their average increases of around 16% per year over the past 4 years. Rentals of industrial space also continued to moderate. In 3Q 2014, the industrial space and multiple-user indices fell by 1.8% and 2.2% respectively on a quarter-on-quarter basis. On a year-on-year basis, the rental indices for industrial space and multiple-user factory space fell by 1.3% and 2.3% respectively in 3Q 2014. This is the first year-on-year decline in rentals since early 2010, in contrast to the average increase of around 8% per year over the past 4 years. The Group's portfolio occupancy of 96.6% as at 30 September 2014 continued to be above the industry average.

Outlook for financial year ending 31 March 2015

With rising worries about lackluster growth in Europe, as well as slowing growth in Japan and China, the US Federal Reserve reaffirmed in September 2014 meeting that short-term interest rates will be kept at a record low near zero and expects the rate to remain at this level for a considerable time after it ends bond purchases⁵. In anticipation of a possible rise in interest rate in the medium to long term, the Group's existing capital structure is well positioned with debt maturity of 2.9 years and 72.6% of the Group's borrowings were on fixed rates taking into account the interest rate swaps and fixed rate notes.

Leasing demand of industrial space remained relatively stable in 3Q 2014 even as companies were consolidating their operations to buildings that could better meet their requirements due to increased business costs. Barring any unforeseen event, AA REIT is expected to maintain a stable performance for the financial year ending 31 March 2015.

⁴ Source: www.jtc.gov.sg

⁵ Source: Bloomberg Business Week dated 17 September 2014.

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11 Distributions

(a) Current financial period

Any distributions declared for the current financial period: Yes

Name of distribution: Thirty-third distribution, for the period from 1 July 2014 to 30 September 2014

Distribution Type: Taxable Income
Tax-Exempt Income
Capital Distribution

Distribution Rate:	Taxable Income	2.60 cents per Unit
	Tax-Exempt Income	0.05 cents per Unit
	Capital Distribution	<u>0.12 cents per Unit</u>
	Total	<u>2.77 cents per Unit</u>

Par value of units: Not applicable

Tax Rate:

Taxable Income Distributions

Taxable Income distributions are made out of AA REIT's taxable income. Unitholders receiving distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through a partnership or as trading assets). Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

Tax-Exempt Income Distributions

Tax-exempt income distributions are exempt from tax in the hands of all Unitholders.

Capital Distributions

Capital Distributions represent a return of capital to Unitholders for Singapore income tax purposes and are therefore not subject to income tax. For Unitholders who are liable to Singapore income tax on profits from sale of AA REIT Units, the amount of capital distribution will be applied to reduce the cost base of their AA REIT Units for Singapore income tax purposes. Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

The Manager has determined that the AA REIT Distribution Reinvestment Plan ("DRP") will apply to the distribution for the period from 1 July 2014 to 30 September 2014.

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The AA REIT DRP provides Unitholders with an option to elect to receive fully paid Units in AA REIT in lieu of the cash amount of any distribution (including any interim, final, special or other distribution) which is declared on the holding of Units held by them after the deduction of any applicable income tax.

The Unitholders will receive a copy of the Notice of Election for their distribution election. The pricing of the DRP Units issued will be announced by the Manager on or around 7 November 2014.

(b) Corresponding period of the immediately preceding period

Any distributions declared for the previous corresponding financial period: Yes

Name of distribution: Twenty-ninth distribution, for the period from 1 July 2013 to 30 September 2013

Distribution Type: Income

Distribution Rate: 2.75 cents per Unit

Par value of units: Not applicable

Tax Rate: These distributions are made out of AA REIT's taxable income. Unitholders receiving distributions will be assessable to Singapore income tax on the distributions received except for individuals where these distributions are exempt from tax (unless they hold their units through a partnership or as trading assets). Unitholders should consult their own tax advisers concerning the tax consequences of their particular situation with regard to the distribution.

(c) Books closure date: 7 November 2014

(d) Date payable: 23 December 2014

12 If no distribution has been declared (recommended), a statement to that effect

Not applicable

13 Interested Person Transactions

The Trust has not required nor obtained a general mandate from Unitholders for Interested Person Transactions.

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14 Confirmation by the board pursuant to Rule 705(5) of the Listing Manual

We confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of AIMS AMP Capital Industrial REIT Management Limited (as Manager of AA REIT) which may render these interim financial results to be false or misleading in any material respect.

On behalf of the Board of Directors of
AIMS AMP Capital Industrial REIT Management Limited
(as Manager of AIMS AMP Capital Industrial REIT)

George Wang
Director

Koh Wee Lih
Director

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward-looking statements, which are based on current view of management on future events.

By Order of the Board

AIMS AMP Capital Industrial REIT Management Limited
(Company Registration No. 200615904N)
(as Manager of AIMS AMP Capital Industrial REIT)

Koh Wee Lih
Chief Executive Officer
30 October 2014