



ParkwayLife REIT

(Constituted in the Republic of Singapore pursuant to a Trust Deed dated 12 July 2007 (as amended))

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST 2014 THIRD QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

INTRODUCTION

Parkway Life Real Estate Investment Trust (“Parkway Life REIT”) is a real estate investment trust constituted by the Trust Deed entered into on 12 July 2007 (as amended) between Parkway Trust Management Limited as the Manager and HSBC Institutional Trust Services (Singapore) Limited as the Trustee. Parkway Life REIT was listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 23 August 2007 (“Listing Date”).

Parkway Life REIT is one of the largest listed healthcare REITs in Asia by asset size. It was established to invest primarily in income-producing real estate and/or real estate-related assets in the Asia-Pacific region (including Singapore) that are used primarily for healthcare and/or healthcare-related purposes (including but not limited to, hospitals, healthcare facilities and real estate and/or real estate assets used in connection with healthcare research, education, and the manufacture or storage of drugs, medicine and other healthcare goods and devices), whether wholly or partially owned, and whether directly or indirectly held through the ownership of special purpose vehicles whose primary purpose is to own such real estate.

Parkway Life REIT owns a well-diversified portfolio of 47 properties located in the Asia-Pacific region, including three hospitals in Singapore, 43 healthcare and healthcare-related assets in Japan and strata titled units/lots in Gleneagles Intan Medical Centre, Kuala Lumpur, Malaysia. Its total portfolio size stands at approximately S\$1.5 billion as at 30 September 2014.

In Singapore, Parkway Life REIT owns the largest portfolio of private hospitals comprising Mount Elizabeth Hospital, Gleneagles Hospital, and Parkway East Hospital (collectively, the “Singapore Hospital Properties”), covering an aggregate of 730 beds.

In Japan, it owns one pharmaceutical product distributing and manufacturing facility in Chiba Prefecture, as well as 42 high quality nursing home and care facility properties located in various prefectures of Japan (collectively, the “Japan Properties”).

Parkway Life REIT’s policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined by the Manager. Since FY 2012, S\$3.0 million per annum of amount available for distribution has been retained for capital expenditure on existing properties.

**PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
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SUMMARY OF PARKWAY LIFE REIT'S RESULTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

	Notes	YTD	YTD	Increase	
		3Q 2014	3Q 2013	S\$'000	%
Gross Revenue		75,275	68,957	6,318	9.2
Net Property Income		70,310	64,434	5,876	9.1
Amount Available for Distribution		54,418	50,260	4,158	8.3
Amount Retained for Capital Expenditure	(a)	(2,250)	(2,250)	-	-
Distributable Income to Unitholders		52,168	48,010	4,158	8.7
Distribution per unit (cents)	(b)	8.62	7.93	0.69	8.7
Annualised distribution per unit (cents)		11.50	10.58	0.92	8.7
Distribution yield (%), based on - Closing market price of S\$2.31 as at 30 September 2014		4.98	4.58		8.7

Note(s):

- (a) Since FY 2012, S\$3.0 million per annum of amount available for distribution has been retained for capital expenditure on existing properties.
- (b) In computing the Distribution per Unit ("DPU"), the number of units in issue as at the end of each period is used.

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1(a) Income statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

Consolidated Statement of Total Return

	Notes	3Q 2014 S\$'000	3Q 2013 S\$'000	Inc/ (Dec) %	YTD 3Q 2014 S\$'000	YTD 3Q 2013 S\$'000	Inc/ (Dec) %
Gross revenue		25,332	23,345	8.5	75,275	68,957	9.2
Property expenses		(1,647)	(1,526)	7.9	(4,965)	(4,523)	9.8
Net property income		23,685	21,819	8.6	70,310	64,434	9.1
Management fees	(a)	(2,541)	(2,363)	7.5	(7,523)	(6,921)	8.7
Trust expenses	(b)	(623)	(595)	4.7	(1,786)	(1,518)	17.7
Net foreign exchange gain/(loss)		605	337	79.5	1,871	915	104.5
Interest income		3	3	-	6	6	-
Finance costs	(c)	(2,260)	(1,936)	16.7	(6,277)	(5,621)	11.7
Non-property expenses		(4,816)	(4,554)	5.8	(13,709)	(13,139)	4.3
Total return before changes in fair value of financial derivatives		18,869	17,265	9.3	56,601	51,295	10.3
Net change in fair value of financial derivatives	(d)	861	(459)	287.6	(700)	1,914	136.6
Total return for the period before tax and distribution		19,730	16,806	17.4	55,901	53,209	5.1
Income tax expense	(e)	(1,490)	(1,369)	8.8	(4,347)	(3,842)	13.1
Total return for the period after tax before distribution		18,240	15,437	18.2	51,554	49,367	4.4

Note(s):

- (a) Management fees comprise of the Manager's management fees and asset management fees payable to the asset managers of the Japan Properties.
- (b) Trust expenses comprise mainly of Trustee's fees, professional fees and travelling expenses.
- (c) Finance costs largely comprise of interest expense on loans, settlement on interest rate swaps that provide fixed rate funding on loans and amortisation of transaction costs of establishing debt facilities.
- (d) The Group entered into foreign currency forward contracts to hedge its net foreign income from Japan. The changes in fair value of the foreign currency forward contracts were recognised in Statement of Total Return.
- (e) Included in 3Q 2014 income tax expense is deferred tax expense amounting to S\$0.40 million recognised in respect of the Japan investment properties for the temporary differences between the fair value and the tax written down value at the applicable tax rate.

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Distribution Statement

	Notes	3Q 2014 S\$'000	3Q 2013 S\$'000	Inc/ (Dec) %	YTD 3Q 2014 S\$'000	YTD 3Q 2013 S\$'000	Inc/ (Dec) %
Total return after tax before distribution		18,240	15,437	18.2	51,554	49,367	4.4
Non-tax deductible/(non-taxable) items:							
Trustee's fees		70	68	2.9	208	198	5.1
Amortisation of transaction costs relating to debt facilities		357	269	32.7	729	735	(0.8)
Net change in fair value of financial derivatives		(861)	459	287.6	700	(1,914)	136.6
Foreign exchange difference		30	39	(23.1)	(56)	265	121.1
Temporary differences	(a)	400	420	(4.8)	1,187	1,273	(6.8)
Others		74	158	(53.2)	96	316	(69.6)
Net effect of non-tax deductible/(non-taxable) items		70	1,413	(95.0)	2,864	873	228.1
Rollover adjustment	(b)	-	20	(100.0)	-	20	(100.0)
Amount available for distribution to Unitholders		18,310	16,870	8.5	54,418	50,260	8.3
Amount retained for capital expenditure	(c)	(750)	(750)	-	(2,250)	(2,250)	-
Distributable income to Unitholders	(d)	17,560	16,120	8.9	52,168	48,010	8.7

Note(s):

- (a) This relates to deferred tax expense provided on the temporary differences between the fair value and the tax written down value at the applicable income tax rate in respect of the Japan investment properties.
- (b) The rollover adjustment in 2013 represented the difference between the taxable income previously distributed and the quantum finally agreed with the Inland Revenue Authority of Singapore ("IRAS") for the Year of Assessment 2012 and had been adjusted under the rollover adjustment mechanism agreed with the IRAS.
- (c) Since FY 2012, S\$3.0 million per annum of amount available for distribution has been retained for capital expenditure on existing properties (S\$0.75 million per quarter).
- (d) Parkway Life REIT's distribution policy is to distribute at least 90% of its taxable income and net overseas income, with the actual level of distribution to be determined at the Manager's discretion.

PARKWAY LIFE REAL ESTATE INVESTMENT TRUST
2014 THIRD QUARTER UNAUDITED FINANCIAL STATEMENT & DISTRIBUTION ANNOUNCEMENT

1(b)(i) Statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Notes	Group 30/09/14 S\$'000	Group 31/12/13 S\$'000	Trust 30/09/14 S\$'000	Trust 31/12/13 S\$'000
Current assets					
Trade and other receivables		10,631	9,860	9,001	8,799
Financial derivatives		521	90	521	90
Cash and cash equivalents		34,519	27,474	658	786
		45,671	37,424	10,180	9,675
Non-current assets					
Investment properties	(a)	1,511,975	1,483,820	1,024,626	1,021,400
Interests in subsidiaries		-	-	545,776	505,026
Security deposit receivable		699	724	-	-
Financial derivatives		6,756	6,187	6,756	6,187
Total assets		1,565,101	1,528,155	1,587,338	1,542,288
Current liabilities					
Financial derivatives		351	342	351	342
Trade and other payables		14,152	14,649	8,592	8,257
Current portion of security deposits		1,517	1,710	36	115
Loans and borrowings	(b)	15,600	4,472	15,600	4,472
Provision for taxation		9	1	-	-
		31,629	21,174	24,579	13,186
Non-current liabilities					
Financial derivatives		2,290	1,383	2,290	1,383
Non-current portion of security deposits		14,481	14,122	-	-
Loans and borrowings	(c)	522,816	496,959	522,816	496,959
Deferred tax liabilities		9,559	8,719	-	-
Total liabilities		580,775	542,357	549,685	511,528
Net assets		984,326	985,798	1,037,653	1,030,760
Represented by:					
Unitholders' funds		984,326	985,798	1,037,653	1,030,760
Total equity		984,326	985,798	1,037,653	1,030,760

Note(s):

- (a) The increase in investment properties was mainly due to the acquisition of two nursing home properties and an extended-stay lodging facility on 28 March 2014 offset by the depreciation of the Japanese Yen. The aggregate market value of the existing investment properties was last valued by independent valuers at S\$1,483.8 million as at 31 December 2013.
- (b) The increase in current term borrowings was mainly due to drawdown of loan facility for working capital purposes.
- (c) The increase in long term borrowings was mainly due to the drawdown of loan facility to finance the property acquisition in March 2014 offset by the depreciation of the Japanese Yen. Refer to 1(b)(ii) for details.

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1(b)(ii) Aggregate amount of borrowings

	Group 30/09/14 S\$'000	Group 31/12/13 S\$'000	Trust 30/09/14 S\$'000	Trust 31/12/13 S\$'000
Unsecured gross borrowings				
Amount repayable within one year	15,600	4,472	15,600	4,472
Amount repayable after one year	525,191	499,205	525,191	499,205
Less: Transaction costs in relation to the term loan and revolving credit facilities	(2,375)	(2,246)	(2,375)	(2,246)
	538,416	501,431	538,416	501,431

On 8 May 2014, Moody's initiated credit rating on Parkway Life REIT with Baa2¹ issuer rating, as well as a provisional (P)Baa2² senior unsecured rating to the S\$500 million multicurrency Medium Term Note Programme (the "MTN Programme"), with "Stable" outlook.

On 15 July 2014, Fitch Ratings affirmed Parkway Life REIT's long-term issuer default rating, senior unsecured rating and the MTN Programme at 'BBB', with "Stable" outlook.

As at 30 September 2014, Parkway Life REIT's gearing was 34.6%, well within the 60% limit allowed under the Monetary Authority of Singapore's Property Funds Appendix.

(a) Details of borrowings and collateral

Unsecured Borrowings

In Q3 2014, the Group has completed the refinancing and terming out of all loans due in FY2015, amounting JPY13,080 million (approximately S\$152.4 million³) via the following refinancing initiatives:

- 1) On 18 July 2014, the Group has concluded an extension of the existing loan facility of JPY6,830 million (approximately S\$79.6 million) till FY2019; and
- 2) On 26 August 2014, the Group has secured a 6-year revolving credit facility and subsequently drawn down S\$75.2 million on 5 September 2014. In order to maintain a natural hedge, the S\$75.2 million revolving credit facility was overlaid with a cross currency swap to re-align it into an effective JPY loan for the purpose of refinancing the remaining JPY6,250 million loans.

As at 30 September 2014, the total facilities drawn of JPY31,760 million (approximately S\$370.0 million) and S\$155.2 million revolving credit facility (the "Long Term Facilities") were committed, unsecured and ranked *pari passu* with all the other present and future unsecured debt obligations of Parkway Life REIT.

Interest on the above Long Term Facilities is based on floating rate plus a margin.

In addition, Parkway Life REIT has put in place three unsecured and uncommitted short term multi-currency facilities (the "Short Term Facilities") of up to S\$50 million each for general working capital purposes. As at 30 September 2014, S\$15.6 million was drawn down via the Short Term Facilities for 1 month at the bank's cost of fund.

¹ Equivalent to Fitch's rating of BBB

² Moody's only assigns a provisional rating to all MTN programme and will issue a definitive rating upon specific notes issuance

³ Based on the exchange rate of S\$1.165 per JPY100 as at 30 September 2014

Unsecured Medium Term Notes

Parkway Life REIT, through its wholly owned subsidiary, Parkway Life MTN Pte Ltd (the "MTN Issuer"), has established a S\$500 million Multicurrency Medium Term Note Programme (the "MTN Programme") in 2008. Under the MTN Programme, the MTN Issuer may, subject to the compliance with all relevant laws, regulations and directives, from time to time issue notes in series or in tranches in Singapore dollars, United States dollars or any other currency (the "Notes").

The Notes shall constitute direct, unconditional, unsecured and unsubordinated obligations of the MTN Issuer ranking *pari passu*, without any preference or priority among themselves, and *pari passu* with all other present and future unsecured obligations (other than subordinated obligations and priorities created by law) of the MTN Issuer. All sums payable in respect of the Notes will be unconditionally and irrevocably guaranteed by Parkway Life REIT.

As at 30 September 2014, there were no outstanding notes issued under the MTN Programme.

(b) Interest Rate Swaps and Foreign Currency Forwards

For the investment properties acquired in Japan, the Group has entered into various interest rate swaps and fixed rate cross currency swap to hedge its floating rate loans. Further, it has entered into foreign currency forward contracts to hedge the net foreign income from Japan.

The appropriate hedge accounting treatment is applied to the interest rate swaps and fixed rate cross currency swap whereby the effective portion of changes in the fair value are recognised directly in Unitholders' funds. The changes in fair value of the foreign currency forward contracts were recognised in the Statement of Total Return.

As of 30 September 2014, the Group has in place the Japan net income hedge for the next few years, hence there is no impact from the recent volatility in Japanese Yen. This enhances the stability of distribution to Unitholders.

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1(c) Statement of cash flows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

	Notes	3Q 2014 S\$'000	3Q 2013 S\$'000	YTD 3Q 2014 S\$'000	YTD 3Q 2013 S\$'000
Operating activities					
Total return before tax and distribution		19,730	16,806	55,901	53,209
Adjustments for					
Interest income		(3)	(3)	(6)	(6)
Finance costs		2,260	1,936	6,277	5,621
Net change in fair value of financial derivatives		(861)	459	700	(1,914)
Operating income before working capital changes		21,126	19,198	62,872	56,910
Changes in working capital					
Trade and other receivables		(888)	(935)	(859)	(581)
Trade and other payables		461	1,671	1,281	2,154
Security deposits		(433)	2,588	755	2,583
Cash generated from operations		20,266	22,522	64,049	61,066
Income tax paid		(1,093)	(889)	(3,080)	(2,662)
Cash flows generated from operating activities	(a)	19,173	21,633	60,969	58,404
Investing activities					
Interest received		3	3	6	6
Capital expenditure on investment properties		(601)	(489)	(3,333)	(2,079)
Cash outflow on purchase of investment properties (including acquisition related costs)	(b)	(765)	(85,853)	(41,472)	(85,853)
Cash flows used in investing activities	(c)	(1,363)	(86,339)	(44,799)	(87,926)
Financing activities					
Interest paid		(1,978)	(1,600)	(5,540)	(5,128)
Distribution to Unitholders		(17,545)	(15,912)	(51,667)	(48,159)
Proceeds from borrowings		88,888	90,545	157,972	148,695
Buy-back of Floating Rate Notes		-	-	-	(14,250)
Repayment of borrowings		(85,529)	-	(106,578)	(37,800)
Borrowing costs paid		(564)	(1,213)	(858)	(1,213)
Cash flows (used in)/ generated from financing activities	(d)	(16,728)	71,820	(6,671)	42,145
Net increase in cash and cash equivalents		1,082	7,114	9,499	12,623
Cash and cash equivalents at beginning of the period		33,832	30,455	25,613	28,399
Effects of exchange differences on cash balances		(2,193)	(256)	(2,391)	(3,709)
Cash and cash equivalents at end of the period⁴		32,721	37,313	32,721	37,313

⁴ Cash and cash equivalents at the respective period end exclude a cash deposit of JPY154.4 million (S\$1.8 million and S\$2.0 million as at 30 September 2014 and 30 September 2013 respectively) placed with the Group by a vendor, for the purpose of Rental Income Guarantee. For more information on the Rental Income Guarantee, please refer to our announcement dated 13 July 2010 on the acquisition of five Japan properties.

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Note(s):

- (a) The lower cash flows from operating activities in 3Q 2014 mainly due to the absence of one-time higher security deposits in 2014, as compared to 3Q 2013.
- (b) Net cash outflow on purchase of investment properties (including acquisition related costs) is as follows:

	3Q 2014 S\$'000	3Q 2013 S\$'000	YTD 3Q 2014 S\$'000	YTD 3Q 2013 S\$'000
Investment properties	-	83,165	38,182	83,165
Acquisition related costs	765	2,688	3,290	2,688
Net cash outflow/Cash consideration paid	765	85,853	41,472	85,853

- (c) The cash outflow in investing activities in 3Q 2014 is mainly due to payment for capital expenditure on existing properties and acquisition costs for the properties acquired in 3Q 2013 and 1Q 2014. YTD 3Q 2014 included the acquisition of the three Japan properties in March 2014.
- (d) The cash flows in financing activities in 3Q 2014 primarily arose from the payment of 2Q 2014 distribution to Unitholders and new loan drawn down to repay existing debt as part of the Group's pre-emptive refinancing of loans due in 2015. YTD 3Q 2014 included the loan drawn down to finance the March 2014 acquisition.

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1(d)(i) Statement of changes in Unitholders' funds

	Notes	Group 3Q 2014 S\$'000	Group 3Q 2013 S\$'000	Group YTD 3Q 2014 S\$'000	Group YTD 3Q 2013 S\$'000
Unitholders' funds at beginning of period		983,603	954,224	985,798	951,354
Operations					
Total return after tax		18,240	15,437	51,554	49,367
Translation transactions					
Net movement in foreign currency translation reserve	(a)	(614)	(119)	(705)	210
Hedging reserve					
Net movement in hedging reserve	(b)	642	(565)	(654)	293
Unitholders' transactions					
Distribution to Unitholders		(17,545)	(15,912)	(51,667)	(48,159)
Unitholders' funds at end of period		984,326	953,065	984,326	953,065

	Notes	Trust 3Q 2014 S\$'000	Trust 3Q 2013 S\$'000	Trust YTD 3Q 2014 S\$'000	Trust YTD 3Q 2013 S\$'000
Unitholders' funds at beginning of period		1,013,893	971,763	1,030,760	931,132
Operations					
Total return after tax		40,663	13,499	59,214	85,519
Hedging reserve					
Net movement in hedging reserve	(b)	642	(565)	(654)	293
Unitholders' transactions					
Distribution to Unitholders		(17,545)	(15,912)	(51,667)	(48,159)
Unitholders' funds at end of period		1,037,653	968,785	1,037,653	968,785

Note(s):

- (a) Foreign currency translation reserve encompass the exchange differences arising on the translation of foreign controlled entities that form part of the Group's investment in the foreign entities and the gains or losses on instruments used to hedge the Group's net investment in foreign operations that are determined to be effective hedges.
- (b) Hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments used to hedge against cash flow variability arising from interest payments on floating rate loans.

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1(d)(ii) Details of any changes in the units

	3Q 2014 '000	3Q 2013 '000	YTD 3Q 2014 '000	YTD 3Q 2013 '000
Units in issue at beginning and at end of period	605,002	605,002	605,002	605,002

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 our auditors.

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

Not Applicable.

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

The accounting policies and methods of computation applied in the financial statements for the current reporting period are consistent with those disclosed in the audited financial statements for the year ended 31 December 2013.

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.

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6 Earnings per unit (“EPU”) and distribution per unit (“DPU”) for the period

	Notes	3Q 2014 '000	3Q 2013 '000	YTD 3Q 2014 '000	YTD 3Q 2013 '000
Number of units in issue at end of period		605,002	605,002	605,002	605,002
Weighted average number of units for the period		605,002	605,002	605,002	605,002
Earnings per unit in cents (basic and diluted) (EPU)	(a)	3.01	2.55	8.52	8.16
Applicable number of units for calculation of DPU		605,002	605,002	605,002	605,002
Distribution per unit in cents (DPU)	(b)	2.90	2.66	8.62	7.93

Note(s):

(a) In calculating EPU, the total return for the period after tax, and the weighted average number of units issued as at the end of each period is used. The diluted EPU is the same as the basic EPU as there are no dilutive instruments in issue during the period.

(b) In computing DPU, the number of units in issue as at the end of each period is used.

7 Net asset value per unit based on units issued at the end of the period

	Notes	Group 30/09/14 S\$	Group 31/12/13 S\$	Trust 30/09/14 S\$	Trust 31/12/13 S\$
Net asset value (“NAV”) per unit	(a)	1.63	1.63	1.72	1.70
Adjusted NAV per unit (excluding the distributable income)		1.60	1.60	1.69	1.68

Note(s):

(a) Net asset value per unit is calculated based on the number of units in issue as at the respective period end.

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8 Review of the performance

	3Q 2014 S\$'000	3Q 2013 S\$'000	Inc/ (Dec) %	YTD 3Q 2014 S\$'000	YTD 3Q 2013 S\$'000	Inc/ (Dec) %
Gross revenue	25,332	23,345	8.5	75,275	68,957	9.2
Property expenses	(1,647)	(1,526)	7.9	(4,965)	(4,523)	9.8
Net property income	23,685	21,819	8.6	70,310	64,434	9.1
Management fees	(2,541)	(2,363)	7.5	(7,523)	(6,921)	8.7
Trust expenses	(623)	(595)	4.7	(1,786)	(1,518)	17.7
Net foreign exchange gain/(loss)	605	337	79.5	1,871	915	104.5
Interest income	3	3	-	6	6	-
Finance costs	(2,260)	(1,936)	16.7	(6,277)	(5,621)	11.7
Non-property expenses	(4,816)	(4,554)	5.8	(13,709)	(13,139)	4.3
Total return before changes in fair value of financial derivatives	18,869	17,265	9.3	56,601	51,295	10.3
Net change in fair value of financial derivatives	861	(459)	287.6	(700)	1,914	136.6
Total return for the period before tax and distribution	19,730	16,806	17.4	55,901	53,209	5.1
Income tax expense	(1,490)	(1,369)	8.8	(4,347)	(3,842)	13.1
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Net effect of non-tax deductible/(non-taxable) items	70	1,413	(95.0)	2,864	873	228.1
Rollover Adjustment ⁵	-	20	(100.0)	-	20	(100.0)
Amount available for distribution to Unitholders	18,310	16,870	8.5	54,418	50,260	8.3
Amount retained for capital expenditure	(750)	(750)	-	(2,250)	(2,250)	-
Distributable income to Unitholders	17,560	16,120	8.9	52,168	48,010	8.7
Distribution per Unit (cents)	2.90	2.66	8.9	8.62	7.93	8.7
Annualised Distribution per Unit (cents)	11.60	10.64	8.9	11.50	10.58	8.7

3Q 2014 Vs 3Q 2013

Gross revenue for 3Q 2014 was S\$25.3 million, which was higher than 3Q 2013 by S\$2.0 million. The higher revenue was primarily due to rental income contributed from the Japan properties acquired in 2H 2013 and 1Q 2014 offset by the depreciation of the Japanese Yen. Revenue was also driven by higher rent from the Singapore properties mainly due to increased growth rate of CPI + 1% (i.e. 2.81%) in Year 8 of lease commencing 23 August 2014.

Lessing off property expenses, the result was a net property income of S\$23.7 million for 3Q 2014, which was S\$1.9 million higher than 3Q 2013.

The increase in management fees were mainly due to higher deposited property value and higher net property income from the properties acquired in 2H 2013 and 1Q 2014, as well as valuation gains on the existing property portfolio, which led to a corresponding increase in deposited property. The increase was offset by the depreciation of the Japanese Yen.

A realised foreign exchange gain of S\$0.6 million was recognized in 3Q 2014 from the delivery of quarterly Japan net income hedge.

⁵ In FY 2013, this represents the difference between the taxable income previously distributed and the quantum finally agreed with the Inland Revenue Authority of Singapore ("IRAS") for the Year of Assessment 2012 and had been adjusted under the rollover adjustment mechanism agreed with the IRAS.

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Finance costs have increased in tandem with the growth of the portfolio. The increase is mainly due to the additional financing costs incurred to finance the properties acquired in 2H 2013 and 1Q 2014, offset by the depreciation of the Japanese Yen and lower financing costs locked in from the pre-emptive refinancing initiative done in 2013 and 2014.

Overall, annualised distribution per unit (DPU) of 11.60 cents for 3Q 2014 outperformed 3Q 2013's annualised DPU of 10.64 cents by 8.9% or 0.96 cents, mainly led by acquisitions and rental growth of existing properties.

YTD 3Q 2014 Vs YTD 3Q 2013

Gross revenue for YTD 3Q 2014 was S\$75.3 million compared with S\$69.0 million for YTD 3Q 2013, an increase of S\$6.3 million or 9.2%. This was mainly due to revenue contribution from the properties acquired in 2H 2013 and 1Q 2014, and higher rent from the existing properties offset by the depreciation of the Japanese Yen.

Correspondingly, property expenses for YTD 3Q 2014 were S\$5.0 million, an increase of S\$0.4 million or 9.8% as compared to YTD 3Q 2013. The result was a net property income of S\$70.3 million for YTD 3Q 2014, which was S\$5.9 million higher than YTD 3Q 2013.

The Manager's management fees for YTD 3Q 2014 were S\$7.5 million, an increase of S\$0.6 million or 8.7% higher than YTD 3Q 2013. This was due to higher deposited property value and higher net property income as explained earlier offset by the depreciation of the Japanese Yen.

Finance costs and trust expenses have increased with the enlarged portfolio. During the first nine months of 2014, the Group had registered a realised foreign exchange gain amounting to S\$1.8 million from the delivery of Japan net income hedges.

Overall, annualised DPU for YTD 3Q 2014 of 11.50 cents outperformed YTD 3Q 2013's DPU of 10.58 cents by 8.7% or 0.92 cents, mainly due to the acquisitions made in 2H 2013 and 1Q 2014, and higher rent from existing properties.

9 Review of the performance against Forecast/Prospect Statement

Not Applicable.

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.

We believe that the acquisition outlook is improving. The long-term prospects of the regional healthcare industry will continue to be robust due to rising demand for better quality private healthcare services driven by the fast-ageing populations.

Parkway Life REIT's enlarged portfolio of 47 high-quality healthcare and healthcare-related assets places it in a good position to benefit from the resilient growth of the healthcare industry in the Asia Pacific region.

In addition, Parkway Life REIT is supported by favourable rental lease structures, where at least 91% of its Singapore and Japan portfolios have downside revenue protection and 66% of the total portfolio is pegged to CPI-linked revision formulae, ensuring steady future rental growth whilst protecting revenue stability amid uncertain market conditions.

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11 Distributions

(a) Current financial period

Any distributions
declared for the
current financial period: Yes

Name of distribution: Third quarter distribution for the period from 1 July 2014 to 30 September 2014

Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.18
Exempt Income	0.38
Capital	0.34
Total	2.90

Par value of units: Not meaningful

Tax rate : **Taxable Income Distribution**

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%.

All other investors will receive their distributions after deduction of tax at the rate of 17%.

Exempt Income Distribution

Tax-exempt income distribution is exempt from Singapore income tax in the hands of all Unitholders.

Capital Distribution

Capital distribution represents a return of capital to Unitholders for tax purposes and is therefore not subject to income tax. For Unitholders who hold the Units as trading assets, the amount of capital distribution will be applied to reduce the cost base of their Units for the purpose of calculating the amount of taxable trading gains arising from the disposal of the Units.

(b) Corresponding period of the immediately preceding year

Any distributions
declared for the
previous corresponding
financial period: Yes

Name of distribution: Third quarter distribution for the period from 1 July 2013 to 30 September 2013

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Distribution Type	Distribution Rate (cents per unit)
Taxable Income	2.10
Exempt Income	0.29
Capital Income	0.27
Total	2.66

Par value of units: Not meaningful

Tax Rate: **Taxable Income Distribution**

Qualifying investors and individuals (other than those who hold their units through a partnership) will generally receive pre-tax distributions. These distributions are exempt from tax in the hands of individuals unless such distributions are derived through a Singapore partnership or from the carrying on of a trade, business or profession.

Qualifying foreign non-individual investors will receive their distributions after deduction of tax at the rate of 10%.

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(c) **Book closure date:** 7 November 2014

(d) **Date payable:** 28 November 2014

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

Not Applicable.

13 If the group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Parkway Life REIT has not obtained a general mandate from Unitholders for interested parties transactions.

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

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 Parkway Trust Management Limited (as Manager of Parkway Life REIT) which may render these unaudited interim financial results to be false or misleading in any material aspect.

On behalf of the Board of Directors of
Parkway Trust Management Limited
(as Manager of Parkway Life REIT)

Yong Yean Chau
Chief Executive Officer and Executive Director

Lim Kok Hoong
Chairman and Independent Director

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This announcement may contain forward-looking statements that involve assumptions, 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, shifts in expected levels of property rental income, changes in operating expenses, property expenses, 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 the Manager's current view of future events.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.

By Order of the Board
Parkway Trust Management Limited
(as Manager of Parkway Life REIT)
Company Registration No. 200706697Z

Chan Wan Mei
Company Secretary
30 October 2014

This announcement has been prepared and released by Parkway Trust Management Limited, as manager of Parkway Life REIT.

Important Notice

This Announcement is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for units in Parkway Life Real Estate Investment Trust ("**Parkway Life REIT**") and the units in Parkway Life REIT, the "**Units**").

The value of the Units and the income derived from them may fall as well as rise. The Units are not obligations of, deposits in, or guaranteed by, Parkway Trust Management Limited, as manager of Parkway Life REIT (the "**Manager**"), or any of its affiliates. Investors have no right to request the Manager to redeem their Units while the Units are listed. It is intended that unitholders of Parkway Life REIT may only deal in their Units through trading on Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Listing of the Units on the SGX-ST does not guarantee a liquid market for the Units. The past performance of Parkway Life REIT or the Manager is not necessarily indicative of the future performance of Parkway Life REIT or the Manager. An investment in Units is subject to investment risks, including the possible loss of the principal amount invested.