

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED BALANCE SHEET (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.03.2006 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2005 * RM'000
<u>INVESTMENTS</u>		
Investment Properties	332,200	332,200
Deposits placed with licensed banks	450	4,350
	332,650	336,550
<u>OTHER ASSETS</u>		
Trade and other receivables	4,840	2,799
Cash and cash equivalents	29	222
Tax Recoverable	-	61
	4,869	3,082
TOTAL ASSETS	337,519	339,632
<u>LIABILITIES</u>		
Trade and other payables	12,339	12,104
Borrowings	40,658	40,000
Provision for Income Distribution	6,417	9,677
Taxation	16	-
	59,430	61,781
	278,089	277,851
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	234,892	234,892
Undistributed income	43,197	341
Revaluation Reserve	-	42,618
	278,089	277,851
NET ASSET VALUE PER UNIT (RM)	1.351	1.349

(The Condensed Balance Sheet should be read in conjunction with the Audited Financial Statements for the period ended 31 December 2005.)

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED INCOME STATEMENT (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2006 RM'000	Preceding Year Corresponding Quarter 31.03.2005 RM'000	Current Year To date 31.03.2006 RM'000	Preceding Year To date 31.03.2005 RM'000
TOTAL TRUST REVENUE	9,434	N/A	9,434	N/A
Gross rental income	9,408	N/A	9,408	N/A
Less : Assessment	(248)	N/A	(248)	N/A
Quit Rent	(32)	N/A	(32)	N/A
Other Property operating expenditure	(1,346)	N/A	(1,346)	N/A
Net rental income	7,782	N/A	7,782	N/A
Interest income	26	N/A	26	N/A
TOTAL TRUST INCOME	7,808	N/A	7,808	N/A
<u>EXPENDITURE</u>				
Manager's fees	487	N/A	487	N/A
Trustee's fees	35	N/A	35	N/A
Auditor's fees	10	N/A	10	N/A
Tax agent's fee	3	N/A	3	N/A
Administrative expenses	83	N/A	83	N/A
Interest Expense	435	N/A	435	N/A
TOTAL TRUST EXPENDITURE	1,053	N/A	1,053	N/A
INCOME BEFORE TAXATION	6,755	N/A	6,755	N/A
TAXATION	(100)	N/A	(100)	N/A
INCOME AFTER TAXATION	6,655	N/A	6,655	N/A
PROVISION FOR INCOME DISTRIBUTION	(6,417)	N/A	(6,417)	N/A
RETAINED EARNINGS	238	N/A	238	N/A
EARNINGS PER UNIT	3.23	N/A	3.23	N/A
DISTRIBUTION PER UNIT (sen)	3.12	N/A	3.12	N/A

(The Condensed Income Statement should be read in conjunction with the Audited Financial Statements for the period ended 31 December 2005)

AXIS REAL ESTATE INVESTMENT TRUST

**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FROM 31 DECEMBER 2005 TO 31 MARCH 2006 (UNAUDITED)**

	Unitholders' Capital RM'000	<i>Non- distributable</i> Revaluation Reserve RM'000	<i>Distributable</i> Undistributed Income RM'000	Total RM'000
Net assets as at 1 January 2006	234,892	42,618	341	277,851
Prior period adjustment				
- FRS 140	-	(42,618)	42,618	-
<i>Restated balance</i>	234,892	-	42,959	277,851
Operation for the period ended 31 March 2006				
Net income for the period	-	-	6,655	6,655
<i>Increase in net assets resulting from Operations</i>	-	-	6,655	6,655
Unitholders' transactions				
Distribution to Unitholders – Provision	-	-	(6,417)	(6,417)
<i>Decrease in net assets resulting from Unitholders' transactions</i>	-	-	(6,417)	(6,417)
Net assets as at 31 March 2006	234,892	-	43,197	278,089

AXIS REAL ESTATE INVESTMENT TRUST

**CONDENSED CASH FLOW STATEMENT
FOR THE QUARTER ENDED 31 MARCH 2006 (UNAUDITED)**

	31.03.2006 (RM)	31.03.2005 (RM)
Cash flow from operating activities		
Income before taxation	6,755	N/A
Adjustment for :		
Interest expense	435	N/A
Interest income	(26)	N/A
Operating profit before working capital charges	<u>7,164</u>	N/A
 (Increase)/Decrease in working capital		
Trade and other receivables	(2,041)	N/A
Trade and other payables	<u>235</u>	N/A
Cash generated from operating activities	5,358	N/A
Tax paid	<u>(23)</u>	N/A
Net cash generated from operating activities	<u>5,335</u>	N/A
 Cash flows from investing activities		
Interest received	<u>26</u>	N/A
Net cash generated from investing activities	<u>26</u>	N/A
 Cash flows from financing activities		
Interest paid	(435)	N/A
Distribution paid to unitholders	<u>(9,677)</u>	N/A
Net cash used in financing activities	<u>(10,112)</u>	N/A
 Net decrease in cash and cash equivalents	(4,751)	N/A
Cash and cash equivalents at beginning of period	<u>4,122</u>	N/A
Cash and cash equivalents at end of period	<u>(629)</u>	N/A
 Cash and cash equivalents		
Cash and bank balances	29	N/A
Bank overdraft	<u>(658)</u>	N/A
	<u>(629)</u>	N/A

AXIS REAL ESTATE INVESTMENT TRUST

Quarterly Unaudited Financial Results for the 1st Quarter ended 31 March 2006

NOTES TO THE QUARTERLY REPORT

A DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARDS (“FRS”) 134 (FORMERLY KNOWN AS MALAYSIAN ACCOUNTING STANDARDS BOARD (“MASB”) 26)

A1. BASIS OF PREPARATION

The quarterly financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Chapter 9 Part K of the 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 statements of Axis-REIT for period ended 31 December 2005 except for the accounting policy changes that are expected to be reflected in the financial statements for the year ending 31 December 2006. Details of these changes in accounting policies are set out in Note A2.

A2. CHANGES IN ACCOUNTING POLICIES

The MASB has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB’s Issues Committee’s Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

In 2006, the MASB issued another two revised FRSs (i.e. FRS 117, *Leases* and FRS 124, *Related Party Disclosures*). These two FRSs are effective for annual periods beginning on or after 1 October 2006.

The FRSs that will be effective in the annual financial statements for the year ending 31 December 2006 may be affected by the issue of additional interpretation(s) or other changes announced by the MASB subsequent to the date of issuance of this quarterly report. Therefore the policies that will be applied in the Axis-REIT’s financial statements for the period cannot be determined with certainty at the date of issuance of this quarterly financial report.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this quarterly financial report.

A2. CHANGES IN ACCOUNTING POLICIES (CONTINUED)

Investment properties (FRS 140, Investment Properties)

In prior year, investment properties are stated at cost and no depreciation is provided on investment properties. It is Axis-REIT's practice to appraise the investment properties at least once every year, by independent professional valuers based on open market value, and to maintain these properties in such condition that the residual value is high so that any depreciation, if applicable, would be insignificant. Any surplus arising there from will be incorporated in the financial statements.

With effect from 1 January 2006, in accordance with FRS 140, investment properties are stated at fair value. Gain or loss arising from a change in the fair values of investment properties is recognised in income statement for the period in which it arises.

In accordance with the transitional provisions under FRS 140, an adjustment to the opening balance of retained profit for fair values of investment properties is made.

Effect on opening balances of net asset value at 1 January 2006:

	Unitholders' Capital RM'000	<i>Non-distributable</i> Revaluation Reserve RM'000	<i>Distributable</i> Undistribut ed Income RM'000	Total RM'000
Net assets as at 1 January 2006				
<i>As previously stated</i>	234,892	42,618	341	277,851
Prior period adjustment				
- FRS 140	-	(42,618)	42,618	-
<i>Restated balance</i>	234,892	-	42,959	277,851

A3. QUALIFIED AUDIT REPORT

The audit report of the financial statements for the preceding year, for the period ended 31 December 2005 was not qualified.

A4. COMMENTS ON SEASONALITY OR CYCLICALITY OF OPERATIONS

The business operations of the Axis-REIT are not affected by material seasonal or cyclical factors.

A5. UNUSUAL ITEMS

There were no unusual items to be disclosed for the quarter under review.

A6. CHANGES IN ESTIMATES

This is not applicable as no estimates were previously reported.

A7. DEBT AND EQUITY SECURITIES

There was no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and year-to-date.

A8. INCOME DISTRIBUTION

During the quarter under review, Axis-REIT paid a final income distribution of 4.70 sen per unit, totaling RM 9,677,347, in respect of the financial period ended 31 December 2005 on 28 February 2006. A provision was made to distribute 95.0% of the income before tax (unaudited) for the quarter ended 31 March 2006 amounting to RM 6,417,363.

A9. SEGMENTAL REPORTING

Not applicable.

A10. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

For the quarter under review, there were no changes in the values of the investment properties held.

A11. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report.

A12. EFFECT OF CHANGES IN THE COMPOSITION OF THE TRUST

There were no change in the composition of Axis-REIT for the current quarter and the Fund size stands at 205,901,000 units.

A13. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.22 OF BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

The Manager is pleased to report to Unitholders for the first quarter ended 31 March 2006.

For the Quarter ended 31 March 2006, Axis-REIT recorded a total revenue of RM 9,433,706 including interest income of RM 25,925. Total expenditure for the quarter

B1. REVIEW OF PERFORMANCE (CONTINUED)

under review was RM 2,678,586, of which RM 1,626,190 were attributable to property expenses and RM 1,052,396 to non property expenses. For the quarter under review, income before taxation and available for distribution amounted to RM 6,755,120.

Pursuant to the Distribution Policy as disclosed in Axis-REIT's Prospectus dated 30 June 2005, an amount of RM 6,417,364 (equivalent to 95.0% of the earnings before tax) will be set aside as provision for income distribution. This leaves an undistributed income before taxation of RM 337,756. Accounting for a tax provision of RM 100,093 the retained earnings after tax amounted to RM 237,663.

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

Barring unforeseen circumstances, the rental income of Axis-REIT is expected to improve during the year considering the additional rental income stream arising from completion of recently announced new acquisitions of Kayangan Depot and Lot 24, Jalan Lebu 1, Kawasan Perusahaan Sultan Sulaiman, North Port, Port Klang.

B4. VARIANCES

This is not applicable as no profit forecast or profit guarantee was issued for this financial quarter.

B5. TAXATION

The breakdown of the tax components is as follows:-

	Current Quarter RM'000	Year-to-date RM'000
Taxation on current period's profit	100	100
Deferred tax relating to originating and reversal of temporary differences	-	-
Taxation expense for the period	100	100

B5. TAXATION (CONTINUED)

A reconciliation of income tax expense applicable to income before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Axis-REIT is as follows:-

	Current Quarter RM'000	Year-to-date RM'000
Income before taxation	6,755	6,755
Taxation at Malaysia statutory tax rate of 28%	1,891	1,891
Effect of income not subject to tax	(1,797)	(1,797)
Effect of expenses not deductible for tax Purposes	6	6
Effect of income distribution exempted from Tax at the trust level	-	-
Tax expense for the period	100	100

B8. PROFITS ON SALE OF INVESTMENT IN UNQUOTED SECURITIES/ PROPERTIES

There was no disposal of investment in unquoted securities during the current quarter and financial year to-date.

B7. PARTICULARS OF PURCHASE OR DISPOSAL OF INVESTMENT IN QUOTED SECURITIES

(a)

	Current Quarter RM'000	Year-to-date RM'000
Total purchase of quoted securities	-	-
Total proceeds from disposal of quoted Securities	-	-
Total profit from disposal of quoted securities	-	-

(b)

	RM'000
Total investments at cost/carrying value	-
Total investments at book value	-
Total investments at market value at end of reporting period	-

B8. STATUS OF CORPORATE PROPOSAL

- (a) There were no corporate proposals announced but not completed at the latest practicable date from the date of the issuance of this report.
- (b) There were no proceeds raised from any corporate proposal during the current quarter and financial year to-date.

B9. BORROWINGS AND DEBT SECURITIES

	Current Quarter <u>RM' 000</u>	Preceding Quarter <u>RM' 000</u>
Short term borrowings		
– Secured	40,658	40,000

B10. OFF BALANCE SHEET FINANCIAL INSTRUMENTS

Axis-REIT has no financial instrument with off balance sheet risks as at the latest practicable date from the date of the issuance of this report that might materially affect the position or business of Axis-REIT.

B11. MATERIAL LITIGATION

There was no pending material litigation as at the latest practicable date from the date of issuance of this report.

B12. INCOME DISTRIBUTION

In line with the new tax transparency regime introduced by the Government through the Finance Act 2004, income distributed to the unitholders by Axis-REIT is exempted from tax at the trust level. However, unitholders will be taxed at their respective tax rates on the income distributed. Income distributed to non-resident unitholders will be subject to withholding tax of 28%.

- (a) (i) A provisional income distribution for the quarter have been provided in this quarter results.
- (ii) Provision:- for the current quarter ended 31 March 2006
Distribution per unit (DPU) - 3.12 sen (Tax exempt at trust level)
- (iii) Previous corresponding period - Nil
- (iv) Actual for the period 3 August to 31 December 2005
Distribution per unit (DPU) - 4.70 sen (Tax exempt at trust level)

B13. DISTRIBUTION PER UNIT - PROVISION

	Provisional Current Quarter Ended 31.03.2006 RM' 000	Actual Year to-date Ended 31.12.2005 RM' 000
Net income attributable to unitholders (RM'000)	6,417	10,052
Number of units in issue ('000 units)	205,901	205,901
Basic earnings per unit (sen)	3.23	4.88
Distribution per unit (DPU) (sen)	3.12 *	4.70
Diluted earnings per unit (sen)	N/A	N/A

* Provision for income distribution.

B14. AUTHORISATION FOR ISSUE

The interim financial statements were authorized for issue by the Board of Directors of Axis REIT Managers Berhad in accordance with a resolution on 5 May 2006.

BY ORDER OF THE BOARD

YEOH CHONG KEAT

Company Secretary

AXIS REIT MANAGERS BERHAD (649450-W)

(As the Manager of AXIS REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur

8 May 2006