

AXIS REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

	(UNAUDITED) AS AT END OF CURRENT QUARTER 30.9.2010 RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2009 RM'000
ASSETS		
Non-Current Assets		
Investment Properties	941,761	884,962
Current Assets		
Shariah-based deposits placed with licensed banks	5,248	8,994
Receivables, deposits and prepayments	144,155	6,822
Cash and cash equivalents	6,541	6,813
Tax Recoverable	154	154
TOTAL ASSETS	1,097,859	907,745
LIABILITIES		
Non-Current Liabilities		
Tenant's deposits	20,341	18,383
Term Financing / Loan	218,433	163,932
Current Liabilities		
Payables and accruals	11,063	14,780
Revolving credit	125,000	145,000
Provision for Income Distribution (note 1)	12,919	15,293
TOTAL LIABILITIES	387,756	357,388
NET ASSET VALUE	710,103	550,357
<u>FINANCED BY:</u>		
<u>UNITHOLDERS' FUND</u>		
Unitholders' capital	540,281	406,854
Undistributed distributable income	33	179
Non-Distributable reserve	169,789	143,324
	710,103	550,357
NUMBER OF UNITS IN CIRCULATION	375,901,000	307,081,200
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.9234	1.8420
- After income distribution	1.8891	1.7922

(The Condensed Statement of Financial Position should be read in conjunction with the Audited Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.)

Note 1 – Being provision for income distribution for the period from 1 July 2010 to 30 September 2010.

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2010 RM'000	Preceding Year Corresponding Quarter 30.9.2009 RM'000	Current Year To date 30.9.2010 RM'000	Preceding Year To date 30.9.2009 RM'000
	TOTAL TRUST REVENUE	22,389	17,671	63,258
Gross rental income	22,003	17,520	62,778	52,211
Less : Assessment	(481)	(453)	(1,442)	(1,349)
Quit rent	(123)	(99)	(367)	(297)
Other property operating expenditure	(2,826)	(2,445)	(7,921)	(6,784)
Net rental income	18,573	14,523	53,048	43,781
Profit income	386	151	480	151
Change in fair value of investment properties - #	11,701	-	22,580	1,957
Net gain on financial liabilities measured at amortised cost	(29)	-	1,410	-
TOTAL TRUST INCOME	30,631	14,674	77,518	45,889
<u>EXPENDITURE</u>				
Manager's fees	1,480	1,198	4,258	3,453
Trustee's fees	71	56	209	170
Auditors' fees	26	24	77	72
Tax agent's fee	4	3	11	9
Reversal of doubtful / bad debts	49	124	(69)	63
Administrative expense	262	182	683	652
Financing / borrowing cost	-	269	-	574
Conventional interest expenses *	-	46	-	784
Islamic financing cost **	4,478	2,523	11,941	6,902
TOTAL TRUST EXPENDITURE	6,370	4,425	17,110	12,679
NET TRUST INCOME	24,261	10,249	60,408	33,210
PROFIT BEFORE TAXATION	24,261	10,249	60,408	33,210
TAXATION	-	-	-	-
PROFIT FOR THE PERIOD	24,261	10,249	60,408	33,210
OTHER COMPREHENSIVE INCOME NET OF TAX				
Cash flow hedge	173	-	(565)	-
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	24,434	10,249	59,843	33,210
PROVISION FOR INCOME DISTRIBUTION	(12,919)	(11,025)	(36,564)	(31,497)

RETAINED EARNINGS	11,515	(776)	23,279	1,713
EARNINGS PER UNIT (sen) ##	7.60	3.83	19.37	12.80
DISTRIBUTION PER UNIT (sen)	4.00	4.06	11.70	12.06
PROFIT BEFORE TAXATION IS MADE UP AS FOLLOWS:				
Realised	12,589	10,249	36,418	31,253
Unrealised - change in fair value of investment properties #	11,701	-	22,580	1,957
Unrealised – Net gain on financial liabilities measured at amortised cost	(29)	-	1,410	-
	24,261	10,249	60,408	33,210

(The Condensed Statement of Comprehensive Income should be read in conjunction with the Audited Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements)

* Conventional interest expenses refer to interest on conventional loan obtained prior to the reclassification of Axis-REIT to an Islamic REIT effective from 11 December 2008. After the settlement of conventional revolving credit facility of RM32.0 million on 15 July 2009, all financing activities of Axis-REIT comply with Shariah requirements.

** Islamic financing cost is the profit charged by the financier on the Islamic financing facilities taken by Axis-REIT.

The net appreciation on fair values of investment properties is the surplus of the appraised values over acquisition costs arising from acquisitions completed in the reporting period / the last valuation value. This is an unrealised gain and is not available for income distribution.

Based on the weighted average number of units in issue (Refer to Note B14)

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

FROM 1 JANUARY 2009 TO 30 SEPTEMBER 2009 (UNAUDITED)

	Unitholders' Capital RM'000	<i>Distributable</i> ← <i>Undistributed Income</i> →		Total RM'000
		Realised RM'000	Unrealised RM'000	
Net assets as at 1 January 2009	323,338	282	124,226	447,846
Operation for the period ended 30 September 2009				
Net income for the period	-	31,253	1,957	33,210
<i>Increase in net assets resulting from operations</i>	-	31,253	1,957	33,210
Unitholders' transactions				
Placement of units	84,959			84,959
Distribution to Unitholders – Provision	-	(31,497)	-	(31,497)
Listing expenses	(1,443)			(1,443)
<i>Increase / (Decrease) in net assets resulting from Unitholders' transactions</i>	83,516	(31,497)	-	52,019
Net assets as at 30 September 2009	406,854	38	126,183	533,075

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

FROM 1 JANUARY 2010 TO 30 SEPTEMBER 2010 (UNAUDITED)

	<i>Distributable</i>		<i>Non-Distributable</i>		Total RM'000
	Unitholders' Capital RM'000	Undistributed Realised Income RM'000	Other Unrealised Income RM'000	Hedging Reserve RM'000	
As at 1 January 2010					
- as previously stated	406,854	179	143,324	-	550,357
- effect of adopting FRS 139	-	-	3,766	(726)	3,040
As at 1 January 2010, restated	406,854	179	147,090	(726)	553,397
 Total comprehensive income for the period	-	36,418	23,990	(565)	59,843
 <i>Increase in net assets resulting from operations</i>	-	36,418	23,990	(565)	59,843
 Unitholders' transactions					
Placement of units	135,575	-	-	-	135,575
Distribution to Unitholders – Provision #	-	(36,564)	-	-	(36,564)
Listing expenses	(2,148)	-	-	-	(2,148)
 <i>Increase / (Decrease) in net assets resulting from Unitholders' transactions</i>	133,427	(36,564)	-	-	96,863
 Net assets as at 30 September 2010	540,281	33	171,080	(1,291)	710,103

Includes the payment of the interim income distributions on 27 May 2010 and 30 August 2010 totaling RM23,645,252.40 (7.70 sen per unit) in respect of the period from 1 January 2010 to 30 June 2010.

(The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the Audited Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.)

AXIS REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE NINE-MONTHS PERIOD ENDED 30 SEPTEMBER 2010 (UNAUDITED)

	Current Year To Date 30.9.2010 RM'000	Preceding Year To Date 30.9.2009 RM'000
Operating activities		
Profit before taxation	60,408	33,210
Adjustment for :-		
Conventional interest expense	-	784
Islamic financing cost	11,941	6,902
Profit income	(480)	(151)
Change in fair value of investment properties	(22,580)	(1,957)
Net gain on financial liabilities measured at amortised cost	(1,410)	-
Operating income before working capital changes	47,879	38,788
(Increase)/Decrease in working capital		
Receivables, deposits and prepayments	(137,333)	(2,499)
Payables and accruals	(247)	813
Tenants' deposit	2,373	-
Net cash (used in) / generated from operating activities	(87,328)	37,102
Investing activities		
Profit income received	480	151
Payment for enhancement of investment properties	(9,543)	(3,728)
Purchase of investment property	(24,676)	-
Cash used in investing activities	(33,739)	(3,577)
Financing activities		
Conventional interest expense paid	-	(784)
Islamic financing cost paid	(11,941)	(6,902)
Proceeds from financing	34,501	12,022
Distribution paid to unitholders	(38,938)	(47,828)
(Placement) / Uplift of deposit with licensed bank	-	(32,170)
Proceeds from issue of Units	135,575	84,959
Issuing expenses	(2,148)	(1,443)
Cash generated from financing activities	117,049	7,854
Net (decrease)/increase in cash and cash equivalents	(4,018)	41,379
Cash and cash equivalents at beginning of period	15,507	(30,391)
Cash and cash equivalents at end of period	11,489	10,988

Cash and cash equivalents

Cash and bank balances	6,541	10,988
Shariah-based deposits placed with licensed banks	5,248	300
	<hr/>	<hr/>
	11,789	11,288
Shariah-based deposits placed with licensed banks - pledged	(300)	(300)
	<hr/>	<hr/>
	11,489	10,988
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(The Condensed Statement of Cash Flow should be read in conjunction with the Audited Financial Report for the year ended 31 December 2009 and the accompanying explanatory notes attached to the financial statements.)

AXIS REAL ESTATE INVESTMENT TRUST

Quarterly Unaudited Financial Results for the 3rd Quarter ended 30 September 2010

NOTES TO THE QUARTERLY REPORT

A DISCLOSURE REQUIREMENTS AS PER FINANCIAL REPORTING STANDARD (“FRS”)134

A1. BASIS OF PREPARATION

The quarterly financial report is unaudited and has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial information of Axis Real Estate Investment Trust (“Axis-REIT” or “Trust”) for year ended 31 December 2009.

A2. AUDIT REPORT OF PRECEDING FINANCIAL YEAR ENDED 31 DECEMBER 2009

The audit report of the financial statements of Axis-REIT for the preceding year i.e. the financial year ended 31 December 2009 was not qualified.

A3. SEASONALITY OR CYCLICALITY OF OPERATIONS

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

A4. UNUSUAL ITEMS

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

A5. CHANGES IN ESTIMATES

This is not applicable as no estimates were previously reported.

A6. DEBT AND SHARIAH-COMPLIANT EQUITY SECURITIES

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

A7. INCOME DISTRIBUTION

During the quarter under review, Axis-REIT has declared a 3rd interim income distribution of 3.05 sen per unit (includes a non taxable portion of approximately 0.12 sen per unit derived from utilization of capital allowance and tax exempt profit income) amounting to RM9,365,977 in respect of the realized income of the period from 1 July 2010 to 5 September 2010 and the brought forward undistributed retained earnings as at 1 July 2010 to existing unitholders prior to the issuance of the 68,819,800 new Axis-REIT units. The 3rd interim income distribution has been paid on 12 October 2010.

The Trust has further made a provision of income distribution of 99% of the realized income before tax for the period from 6 September 2010 to 30 September 2010 amounting to RM3,553,577. This payment will be deferred and paid together with the final 2010 income distribution before end of February 2011 for cost effectiveness purpose.

A8. SEGMENTAL REPORTING

No segment information is prepared as Axis-REIT's activities are in one industry segment in Malaysia.

A9. VALUATIONS OF PROPERTY, PLANT AND EQUIPMENT

The investment properties are valued based on valuations performed by independent registered valuers.

A10. MATERIAL EVENTS

There was no material event as at the latest practicable date from the date of this report except for the following:

- a) proposed acquisition of a portion of land identified as Plot D8, Distripark A, Pelepas Free Zone, forming part of the land held under H.S.(D) 303868 for Lot PTD No. 2423, Mukim of Tanjung Kupang, Daerah Johor Bahru built upon with a single storey warehouse and two (2) storey office building for a cash consideration of RM30,000,000;
- b) proposed acquisition of a parcel of leasehold land held under H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok Panglima Garang, District of Kuala Langat, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM85,000,000 where unitholders' approval was obtained on 25 August 2010. The proposed acquisition has been completed on 15 October 2010;
- c) proposed acquisition of a parcel of leasehold land held under H.S.(D) 167497, PT No. 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM49,000,000 where unitholders' approval was obtained on 25 August 2010;
- d) proposed acquisition of a parcel of freehold land held under H.S. (D) 457193, Lot PTD 163837, Mukim Pulai, District of Johor Bahru, State of Johor built upon with a two (2) storey Hypermarket complex for a cash consideration of RM75,600,000. This proposed acquisition has been completed on 1 October 2010; and
- e) the placement of 68,819,800 new Axis-REIT units was completed with the successful listing of the units on Bursa Malaysia Securities Berhad on 15 September 2010.

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

Axis-REIT's fund size was increased from 307,081,200 units to 375,901,000 units with the successful issuance and listing of the 68,819,800 Final Tranche Placement Units on 15 September 2010

A12. CONTINGENT LIABILITIES OR CONTINGENT ASSETS

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

B. ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF BURSA MALAYSIA SECURITIES BERHAD'S MAIN MARKET LISTING REQUIREMENTS

B1. REVIEW OF PERFORMANCE

Axis REIT Managers Berhad, the management company of Axis-REIT ("Manager") is pleased to report to unitholders the results for the 3rd quarter and the nine-month ended 30 September 2010.

Quarter Results

For the quarter ended 30 September 2010, Axis-REIT registered a total revenue of RM22,388,914. Total expenditure for the quarter under review was RM9,799,905 of which RM3,429,434 were attributable to property expenses and RM6,370,471 to non property expenses. For the quarter under review, realized income before taxation and available for distribution amounted to RM12,589,009.

Nine-Month Results

For the nine-month period ended 30 September 2010, Axis-REIT recorded a total revenue of RM63,258,421. Total expenditure for the period under review was RM26,839,763, of which RM9,730,047 were attributable to property expenses and RM17,109,716 to non-property expenses. For the period under review, realized income before taxation and available for distribution amounted to RM36,418,658.

During the nine-month period, Axis-REIT paid a total of RM23,645,252 for the first six months ended 30 June 2010 as the 1st and 2nd interim distributions which translates to 7.70 sen per unit. Axis-REIT has also declared a 3rd interim distribution of RM9,365,977 which approximated to 100% of the realized income available for distribution in respect of the period from 1 July 2010 to 5 September 2010 and the brought forward undistributed retained earnings as at 1 July 2010 to the existing unitholders prior to the issuance of 68,819,800 new Axis-REIT units.

A further provision of income distribution of 99% of the realized income before tax was made for the period from 6 September 2010 to 30 September 2010 amounting to RM3,553,577. This payment will be deferred and paid together with the final 2010 income distribution before end of February 2011 for cost effectiveness purposes.

Maintenance costs & major capital expenditure

A total of RM9,543,000 has been incurred for enhancement of properties during the nine months period to date; with most of the expenses being spent for the refurbishment of Quattro West and Menara Axis respectively.

B2. MATERIAL CHANGES IN INCOME BEFORE TAXATION FOR THE QUARTER AS COMPARED WITH THE IMMEDIATE PRECEDING QUARTER

There were no material changes in the income before taxation for the quarter under review.

B3. PROSPECTS

The Manager is optimistic that in view of the current satisfactory performance of Axis-REIT's existing investment portfolio and its growth strategy to actively pursue quality acquisitions, it will be able to maintain its current performance for the coming quarter and the rest of the financial year ending 31 December 2010.

B4. INVESTMENT OBJECTIVES

The Manager is pleased to report that since the listing of Axis-REIT, the Trust has been successful in achieving the investment objectives where the Trust has set out to provide the unitholders with a stable income distribution and to achieve growth in net asset value per unit of the Trust by acquiring high quality accretive properties with strong recurring rental income. There was no change in the investment objectives of Axis-REIT as at the date of this report.

B5. STRATEGIES AND POLICIES

There was no change in the strategies and policies employed since the last 2009 Annual Report of Axis-REIT.

B6. PORTFOLIO COMPOSITION

There was no change to the total number of properties held by Axis-REIT (23 properties as at 30 September 2010) since the last reporting period.

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

During the current financial quarter, an amount of RM135,575,006 was raised as gross proceeds from the final tranche placement of 68,819,800 new Axis-REIT units. This amount will be used to pare down the financing of Axis-REIT.

B8. TAXATION

Trust Level

Pursuant to the amendment of Section 61A of the Income Tax Act, 1967 under the Finance Act 2006 which was gazetted on 31 December 2006, where in the basis period for a year of assessment, 90% or more of the total income of the trust is distributed to unitholder, the total income of the trust for that year of assessment shall be exempted from tax.

Thus, based on the income distribution for the current year to date of 99% of the realized income before tax, Axis-REIT should not incur any tax expense for the financial year.

Unitholders' Level

Pursuant to the amended Section 109D(2) of the Income Tax Act, 1967 under the Finance Act 2009 which was gazetted on 8 January 2009, the following withholding tax rates would be applicable on distribution of income which is tax exempt at Axis-REIT's level:

Resident unitholder:

- | | |
|--|---|
| a) Resident company: | Tax flow through; thus no withholding tax |
| b) Unitholder other than a resident company: | Withholding tax at 10% |

Non-resident unitholder

- | | |
|---|------------------------|
| a) Non-resident company: | Withholding tax at 25% |
| a) Non-resident institutional investor: | Withholding tax at 10% |
| a) Non-resident other than company and institutional investors: | Withholding tax at 10% |

B9. STATUS OF CORPORATE PROPOSAL

There were no corporate proposals announced but not completed at the latest practicable date from the issuance of this report save for the following:-

(a) On 25 August 2010, Axis-REIT has obtained the approval from unitholders at the Unitholders' Meeting for the following proposed acquisitions:-

(i) proposed acquisition of a parcel of leasehold land held under H.S.(D) No. 4568, Lot No. PT 3609, Mukim Telok Panglima Garang, District of Kuala Langat, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM85,000,000. This proposed acquisition has been completed on 15 October 2010 ; and

(ii) proposed acquisition of a parcel of leasehold land held under H.S.(D) 167497, PT No. 13, Town of Petaling Jaya, District of Petaling, State of Selangor Darul Ehsan together with all the industrial buildings erected thereon for a cash consideration of RM49,000,000 and is expected to be completed by end of the year.

B10. FINANCING / BORROWINGS

	Current Quarter 30 Sept 2010 (RM' 000)	Preceding Financial Year End 31 Dec. 2009 (RM' 000)
Short term financing / borrowings		
- Secured revolving credit	125,000	145,000
Long term financing / borrowings		
- Secured term financing / loan	218,433	163,932

B11. DERIVATIVES

As at 30 September 2010, the Trust has the following Islamic Profit Rate Swap ("IPRS") to hedge against the fluctuation of future movement profit rate on its 3 and 5 years term financing.

	Fair Value 30 September 2010 (RM' 000)	Maturity
- 3 years IPRS	85,063	1 year to 3 years
- 5 years IPRS	48,846	More than 3 years

B12. MATERIAL LITIGATION

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

B13. SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager or its delegates during the quarter under review.

B14. SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Quarter Ended 30.9.2010 RM' 000	Immediate Preceding Quarter Ended 30.6.2010 RM' 000
Number of units in issue (units)	375,901,000	307,081,200
Earnings per unit (EPU) (realized)(sen)	3.94#	3.95
EPU (include unrealized income)(sen)	7.60#	7.12
Net income distribution to unitholders (RM'000)	12,919	12,283
Distribution per unit (DPU) (sen)	4.00*	4.00
Net Asset Value (NAV) (RM'000)	710,103	565,161
NAV Per Unit (RM)	1.8891	1.8404
Market Value Per Unit (RM)	2.16	2.02

Based on weighted average of the number of units in issue of 319,049,861 (30/6/2010: 307,081,200). The total number of units issued had increased from 307,081,200 to 375,901,000 arising from the issuance of 68,819,800 additional new units on 15 September 2010.

* Includes the 3rd interim income distribution of 3.05 sen per unit based on the number of units in issue of 307,081,200; paid on 12 October 2010.

B15. RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of Axis-REIT as at 30 September 2010 and of its financial performance and cash flows for the quarter/ period ended on that date and duly authorized for release by the Board of the Manager on 20 October 2010.

BY ORDER OF THE BOARD

YEOH CHONG KEAT
REBECCA LEONG SIEW KWAN
Company Secretaries
AXIS REIT MANAGERS BERHAD (649450-W)
(As the Manager of AXIS REAL ESTATE INVESTMENT TRUST)

Kuala Lumpur
20 October 2010