

**AXIS REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION (UNAUDITED)**

	(UNAUDITED) AS AT END OF CURRENT QUARTER 31.12.2010  RM'000	(AUDITED) AS AT PRECEDING FINANCIAL YEAR ENDED 31.12.2009 (RESTATED) RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Investment properties	1,164,382	884,962
<b>Current Assets</b>		
Investment property classified as held for sale	14,300	-
Shariah-based deposits placed with licensed banks	12,285	8,994
Receivables, deposits and prepayments	13,633	6,822
Cash and cash equivalents	4,143	6,813
Tax Recoverable	154	154
<b>TOTAL ASSETS</b>	<b>1,208,897</b>	<b>907,745</b>
<b>LIABILITIES</b>		
<b>Non-Current Liabilities</b>		
Tenant's deposits	19,773	18,383
Term Financing / Loan	218,609	163,932
<b>Current Liabilities</b>		
Payables and accruals	17,233	14,780
Revolving credit	198,000	145,000
Deferred Tax Liabilities (note 1)	52	-
<b>TOTAL LIABILITIES</b>	<b>453,667</b>	<b>342,095</b>
<b>NET ASSET VALUE</b>	<b>755,230</b>	<b>565,650</b>
<b><u>FINANCED BY:</u></b>		
<b><u>UNITHOLDERS' FUND</u></b>		
Unitholders' capital	540,281	406,854
Undistributed distributable income	19,766	15,472
Non-Distributable reserve	195,183	143,324
	<b>755,230</b>	<b>565,650</b>
<b>NUMBER OF UNITS IN CIRCULATION</b>	<b>375,901,000</b>	<b>307,081,200</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- Before income distribution	<b>2.0091</b>	<b>1.8420</b>
- After income distribution (note 2)	<b>1.9566</b>	<b>1.7922</b>

(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 of deferred tax on potential real property gains tax arises on the proposed disposal of Axis Northport LC 1.

Note 2 – Being Net Asset Value after reflecting realised income to be distributed as final 2010 income distribution of 5.25 sen per unit.

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2010	Preceding Year Corresponding Quarter 31.12.2009	Current Year To date 31.12.2010	Preceding Year To date 31.12.2009
	RM'000	RM'000	RM'000	RM'000
<b>TOTAL TRUST REVENUE</b>	26,593	19,508	89,851	71,870
Gross rental income	26,435	19,387	89,213	71,598
Less : Assessment	(492)	(475)	(1,934)	(1,824)
Quit rent	(181)	(119)	(548)	(416)
Other property operating expenditure	(2,558)	(2,637)	(10,479)	(9,421)
Net rental income	23,204	16,156	76,252	59,937
Profit income	158	121	638	272
Change in fair value of investment properties - #	23,013	17,141	45,593	19,098
Net gain on financial liabilities measured at amortised cost	1,800	-	3,210	-
<b>TOTAL TRUST INCOME</b>	<b>48,175</b>	<b>33,418</b>	<b>125,693</b>	<b>79,307</b>
<b><u>EXPENDITURE</u></b>				
Manager's fees	1,785	1,355	6,043	4,808
Trustee's fees	89	66	298	236
Auditors' fees	26	25	103	97
Tax agent's fee	3	3	14	12
(Reversal of)/Allowance for doubtful/bad debts	174	(9)	105	54
Administrative expense	193	256	876	908
Financing / borrowing cost	-	165	-	739
Conventional interest expenses *	-	-	-	784
Islamic financing cost **	4,912	2,791	16,853	9,693
<b>TOTAL TRUST EXPENDITURE</b>	<b>7,182</b>	<b>4,652</b>	<b>24,292</b>	<b>17,331</b>
<b>NET TRUST INCOME</b>	<b>40,993</b>	<b>28,766</b>	<b>101,401</b>	<b>61,976</b>
<b>PROFIT BEFORE TAXATION</b>	<b>40,993</b>	<b>28,766</b>	<b>101,401</b>	<b>61,976</b>
TAXATION ***	(52)	-	(52)	-
<b>PROFIT FOR THE PERIOD</b>	<b>40,941</b>	<b>28,766</b>	<b>101,349</b>	<b>61,976</b>
<b>OTHER COMPREHENSIVE INCOME NET OF TAX</b>				
Cash flow hedge	633	-	68	-
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>	<b>41,574</b>	<b>28,766</b>	<b>101,417</b>	<b>61,976</b>
EARNINGS PER UNIT (sen) ##	10.89	9.37	30.26	22.17

**PROFIT BEFORE TAXATION IS MADE UP AS FOLLOWS:**

Realised ###	16,180	11,625	52,598	42,878
Unrealised - change in fair value of investment properties #	23,013	17,141	45,593	19,098
Unrealised – Net gain on financial liabilities measured at amortised cost	1,800	-	3,210	-
Unrealised – provision of deferred tax liabilities	(52)	-	(52)	-
	40,941	28,766	101,349	61,976

(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.

\*\*\* Being provision of deferred tax on potential real property gains tax arises on the proposed disposal of Axis Northport LC 1.

# 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).

### The realised income distribution for 2010 has been paid / payable as follows:

- i) 1<sup>st</sup> interim income distribution of 3.70 sen per unit paid on 27 May 2010;
- ii) 2<sup>nd</sup> interim income distribution of 4.00 sen per unit paid on 30 August 2010;
- iii) 3<sup>rd</sup> interim income distribution of 3.05 sen per unit paid on 12 October 2010; and
- iv) final income distribution of 5.25 sen per unit payable on 28 February 2011.

Thus, the total income distribution for year 2010 is 16.00 sen per unit.

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

FROM 1 JANUARY 2009 TO 31 DECEMBER 2009 (AUDITED)

	Unitholders' Capital RM'000	<i>Distributable</i> ← <i>Undistributed Income</i> →		Total RM'000
		Realised RM'000	Unrealised RM'000	
<b>As at 1 January 2009</b>				
As previously stated	323,338	282	124,226	447,846
- effect of amended FRS 110	-	20,139	-	20,139
<b>As at 1 January 2009, restated</b>	<b>323,338</b>	<b>20,421</b>	<b>124,226</b>	<b>467,985</b>
<b>Operation for the period ended 31 December 2009</b>				
Net income for the period	-	42,878	19,098	61,976
<i>Increase in net assets resulting from operations</i>	-	42,878	19,098	61,976
<b>Unitholders' transactions</b>				
Placement of units	84,959			84,959
Distribution to Unitholders	-	(47,827)	-	(47,827)
Listing expenses	(1,443)			(1,443)
<i>Increase / (Decrease) in net assets resulting from Unitholders' transactions</i>	83,516	(47,827)	-	35,689
<b>Net assets as at 31 December 2009</b>	<b>406,854</b>	<b>15,472</b>	<b>143,324</b>	<b>565,650</b>

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

FROM 1 JANUARY 2010 TO 31 DECEMBER 2010 (UNAUDITED)

	<b>Unitholders' Capital RM'000</b>	<i>Distributable</i>	<i>Non-Distributable</i>		<b>Total RM'000</b>
		<b>Undistributed Realised Income RM'000</b>	<b>Other Unrealised Income RM'000</b>	<b>Hedging Reserve RM'000</b>	
<b>As at 1 January 2010</b>					
- as previously stated	406,854	15,472	143,324	-	565,650
- effect of adopting FRS 139	-	-	3,766	(726)	3,040
<b>As at 1 January 2010, restated</b>	406,854	15,472	147,090	(726)	568,690
Total comprehensive income for the period	-	52,598	48,751	68	101,417
<i>Increase in net assets resulting from operations</i>	-	52,598	48,751	68	101,417
<b>Unitholders' transactions</b>					
Placement of units	135,575	-	-	-	135,575
Distribution to Unitholders #	-	(48,304)	-	-	(48,304)
Listing expenses	(2,148)	-	-	-	(2,148)
<i>Increase / (Decrease) in net assets resulting from Unitholders' transactions</i>	133,427	(48,304)	-	-	85,123
<b>Net assets as at 31 December 2010</b>	<b>540,281</b>	<b>19,766</b>	<b>195,841</b>	<b>(658)</b>	<b>755,230</b>

# Includes the payment of the final income distribution for financial year 2009 4.98 sen per unit which was paid on 25 February 2010 and the interim 2010 income distributions paid during the year of 10.75 sen per unit.

(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 TWELVE-MONTH PERIOD ENDED 31 DECEMBER 2010 (UNAUDITED)**

	<b>Current Year To Date 31.12.2010 RM'000</b>	<b>Preceding Year To Date 31.12.2009 RM'000</b>
<b>Operating activities</b>		
Profit before taxation	101,401	61,976
Adjustment for :-		
Conventional interest expense	-	784
Islamic financing cost	16,853	9,693
Profit income	(638)	(272)
Change in fair value of investment properties	(45,593)	(19,098)
Net gain on financial liabilities measured at amortised cost	(3,210)	-
<b>Operating income before working capital changes</b>	<b>68,813</b>	<b>53,083</b>
<b>(Increase)/Decrease in working capital</b>		
Receivables, deposits and prepayments	(6,811)	(4,070)
Payables and accruals	1,215	5,233
Tenants' deposit	8,946	-
<b>Net cash generated from operating activities</b>	<b>72,163</b>	<b>54,246</b>
<b>Investing activities</b>		
Profit income received	638	272
Payment for enhancement of investment properties	(10,858)	(4,246)
Purchase of investment property	(237,269)	(138,518)
<b>Cash used in investing activities</b>	<b>(247,489)</b>	<b>(142,492)</b>
<b>Financing activities</b>		
Conventional interest expense paid	-	(784)
Islamic financing cost paid	(16,853)	(9,693)
Proceeds from financing	107,677	108,932
Distribution paid to unitholders	(48,304)	(47,827)
Proceeds from issue of Units	135,575	84,959
Issuing expenses	(2,148)	(1,443)
<b>Cash generated from financing activities</b>	<b>175,947</b>	<b>134,144</b>
Net increase in cash and cash equivalents	621	45,898
Cash and cash equivalents at beginning of period	15,507	(30,391)
<b>Cash and cash equivalents at end of period</b>	<b>16,128</b>	<b>15,507</b>

**Cash and cash equivalents**

Cash and bank balances	4,143	6,813
Shariah-based deposits placed with licensed banks	12,285	8,994
	<hr/>	<hr/>
	16,428	15,807
Shariah-based deposits placed with licensed banks - pledged	(300)	(300)
	<hr/>	<hr/>
	16,128	15,507
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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 4<sup>th</sup> Quarter ended 31 December 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 4<sup>th</sup> quarter under review, Axis-REIT has set aside approximately 99.9% of realized income to be distributed as income distribution amounting to RM 16,163,743 which translates to 4.30 sen per unit. Together with the income distribution for the period from 6 September 2010 to 30 September 2010 of 0.95 sen per unit which was deferred and to be payable together with the income distribution for the current 4<sup>th</sup> quarter, the Trust will be paying a final income distribution of 5.25 sen per unit on 28 February 2011.



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 piece of freehold land held under Geran 207772, Lot 23570, Mukim of Dengkil, District of Sepang, State of Selangor built upon with four (4) storey office building with a lower roof floor together with a lower ground floor and a basement car park for a cash consideration of RM51,250,000;
- c) proposed disposal of Axis North Port LC 1 to Freight Management (M) Sdn Bhd, described as a parcel of leasehold land held under H.S.(D) 116367, PT 183, Bandar Sultan Sulaiman, District Klang, State of Selangor Darul Ehsan for a cash consideration of RM14,500,000;

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 4<sup>th</sup> quarter and the full year of 2010.

Quarter Results

For the quarter ended 31 December 2010, Axis-REIT registered a total revenue of RM26,592,868. Total expenditure for the quarter under review was RM10,412,588 of which RM3,230,477 were attributable to property expenses and RM7,182,111 to non property expenses. For the quarter under review, realized income before taxation and available for distribution amounted to RM16,180,280.

Full Year Results

For the year of 2010, Axis-REIT recorded a total revenue of RM89,851,290. Total expenditure for the year under review was RM37,252,868, of which RM12,960,524 were attributable to property expenses and RM24,292,344 to non-property expenses. For the year under review, realized income before taxation and available for distribution amounted to RM52,598,422.

Todate, Axis-REIT has paid a total income distribution of RM33,011,229 (approximated to 100% of the realized income available for distribution up to 5 September 2010 and the brought forward undistributed distributable income) to the unitholders. Axis-REIT has further set aside RM19,734,803 (approximately 99.9% of realised income before tax for year 2010) as final income distribution for the year of 2010. This translates into a distribution per unit of 16.00 cents for year 2010.

Maintenance costs & major capital expenditure

A total of RM10,857,816 has been incurred for enhancement of properties during the year todate; 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 2011.

**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

During the quarter under review, Axis-REIT has acquired additional three properties i.e. Tesco Hypermarket, Axis PDI Centre and Axis Technology Centre. With the completion of these acquisitions, it brings the total number of properties held by Axis-REIT from 23 to 26 properties.

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

The RM135,575,006 raised as gross proceeds from the earlier placement of 68,819,800 Axis-REIT units in September 2010 was 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 99.9% 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.

B10. FINANCING / BORROWINGS

	Current Quarter 31 Dec 2010 (RM' 000)	Preceding Financial Year End 31 Dec 2009 (RM' 000)
Short term financing		
- Secured revolving credit	198,000	145,000
Long term financing		
- Secured term financing	218,609	163,932

B11. DERIVATIVES

As at 31 December 2010, the Trust has the following Islamic Profit Rate Swap (“IPRS”) to hedge against the fluctuation of future movement in profit rate on its 3 and 5 years term financing.

	Fair Value 31 December 2010 (RM' 000)	<u>Maturity</u>
- 3 years IPRS	85,317	1 year to 3 years
- 5 years IPRS	49,225	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 31.12.2010 RM' 000	Immediate Preceding Quarter Ended 30.9.2010 RM' 000
Number of units in issue (units)	375,901,000	375,901,000
Earnings per unit (EPU) (realized)(sen)	4.30	3.94#
EPU (include unrealized income)(sen)	10.89	7.60#
Net income distribution to unitholders (RM'000)	16,180	12,919
Distribution per unit (DPU) (sen)	4.30	4.00
Net Asset Value (NAV) (RM'000)	755,230	723,022
NAV Per Unit (RM)	2.0091	1.8420
Market Value Per Unit (RM)	2.37	2.16

# Based on weighted average of the number of units in issue. 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.

B15. COMPARATIVE FIGURES

Following the amendments to FRS110 on Events after Reporting Period, certain comparative have been re-stated as follows:-

	Preceding Financial Year 31 December 2009	
	(Restated) <u>RM'000</u>	(As previously stated) <u>RM'000</u>
<b>Current Liabilities</b>		
Provision for Income Distribution	-	15,293
<b>Unitholders' Fund</b>		
Undistributed distributable income	15,472	179

B16. 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 31 December 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 17 January 2011.

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  
17 January 2011