

c. Projects Planned for 2012/2013

Infinite Centre

The enhancement of Infinite Centre is aimed to give this 30 year old building a very contemporary look, improve building efficiency and to re-establish it as a premier business park destination in Petaling Jaya. It will restore its competitive edge in the market and ultimately assist the leasing team to manage tenant retention and rental growth in the medium/long term. The proposed design is a modern and vibrant architectural concept and will be coupled with an upgrade of existing M&E services, lobbies and toilets which are timely given the age of the building.

The new design will feature the following elements:

- New cladding and external staircase
- Upgrading of toilets and lobbies
- Upgrading of M&E systems
- Creating additional car parking bays

The project is scheduled to commence in 1Q 2012 and targets completion by the end of 3Q 2012.



Wisma Bintang

The repositioning of Wisma Bintang is vital to address the market needs and to achieve the highest and best use of the land and buildings. This will create an opportunity for prospects looking for office space, showroom, storage facilities and data centres within the complex.

The new design is targeted to increase the total NLA by 50,000 sq ft, create an additional 140 car parking bays and provide the necessary infrastructure to cater for MSC status readiness.



MANAGER'S REPORT

Our Strategic Direction

Axis-REIT celebrated its 6th anniversary on 3 August 2011. Within this period, we have grown the Fund's assets under management, its profitability and given Unitholders much to cheer about.

We continue to keep the Fund transparent and are guided by an articulated strategy plan.

However, we realise more than ever that we have to be resilient and careful in the light of what is seen as a period of volatility in the global capital markets.

The Manager meets annually in December for a series of closed door meetings to review our strategic direction and make adjustments to the existing strategic plan to accommodate the possible changes to the capital and property markets.

We wish to share with you the direction the Fund we will be taking in the next 5 years.

Our Vision and Mission statement remains unchanged as follows:

Mission

To provide consistent distributions to Unitholders through growing the property portfolio, displaying the highest level of corporate governance, excellent capital and risk management and preserving capital values.

Vision

To successfully benchmark Axis REIT against the world's most successful REITs in total return to Unitholders and be REIT of choice for Shariah and non-Shariah Investors.

In order to achieve this we have resolved to take the following steps:

Define our Sector Focus

- The focus will be on Shariah-compliant properties.
- Logistics facilities with long leases from grade A tenants.
- Location focus will continue to be Petaling Jaya and Klang Valley, with secondary locations in Penang and Johor.
- Examine the possible conversion of our commercial assets to MSC compliant buildings and apply for status.
- Look at the redevelopment potential of our assets in Section 13 Petaling Jaya.
- Upgrading our buildings to include a Green agenda as a way of fetching premiums.

Create New Deal Flows

- We have commenced working with the SC through the MRMA to enable MREITs to do development provided that there is a sale and leaseback in place.
- Multi-tenanted office or office/industrial properties in prime areas with future redevelopment potential.
- Retail warehousing.
- Commercial properties.
- Location focus will continue to be Petaling Jaya and Klang Valley, with secondary locations in Penang and Johor.
- Examine the possible conversion of our commercial assets to MSC compliant buildings and apply for status.
- Look at the enhancement potential of our assets in Section 13 Petaling Jaya.
- Upgrading our buildings to include a Green agenda as a way of fetching premiums.

Capital Management

- Issuance of sukuk in 2012.
- Continue to maintain an optimum mix of long term financing and short term debt funding.
- To target an average cost of funds at 4.5% p.a.
- We will continue to use the model of raising equity to pare down debt and leverage up for future acquisitions.
- Gearing will be maintained at 35%.
- Stress test the cash flow in an environment of rising interest rates.
- Monitor the capital markets - keep close with our financiers.

Raise Capital and Grow the Fund

- Through the MRMA by lobbying the SC to allow REITs with AUM's under 2 Billion Ringgit to have multiple placements to grow their market capitalization.
- For Related Party Transactions ("RPT") to examine the possibility of exchanging assets for units in lieu of payment to maintain their equity in the Fund at levels that provide comfort to investors that there is an alignment of interest.
- Request for faster rights issues programs for MREITs taking a cue from Singapore.
- Leverage on our Islamic credentials to attract foreign Islamic capital.

Corporate Governance

- To work with our internal auditors to continuously benchmark our management practices against the Corporate Code of Governance and the APREA Best Practices Handbook.
- To be as transparent in all our dealings with our stakeholders.
- To continuously educate the Board to ensure that they have the requisite skill sets in a rapidly evolving and sophisticated capital market.

Risk Management

- Focus on addressing the issues raised in the Risk Register and ensure that action is taken to resolve all issues to minimize risk.

Excellence in Lease and Facilities Management

- Filling up vacancies will be a core priority for the Manager.
- Retention of existing tenants is critical to our success and will be focused on.
- Continue to reposition our properties through timely upgrades and redesign to qualify for stronger rents and higher valuations.
- Embrace new technologies in IT to enhance the service delivery and control costs.
- Development in human capital will be a cornerstone of our success.

Development of Human Capital

- The Manager recognizes the importance in developing the skills of its workforce and is investing heavily in the training of its workforce at all levels.
- It is also looking to attract the best and brightest when they recruit for new positions.
- Productivity of all members of staff is a key metrics that we benchmark our performance as a Manager.

Directors Benefits

For the year ended 31 December 2011, no Director of the Manager has received or become entitled to receive any benefit by reason of a contract made by the Fund or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest except as disclosed in Note 24 of the Financial Statements.

There were no arrangements during and at the end of the twelve month period which had the object of enabling Directors of the Manager to acquire benefits by means of acquisition of Units or debentures of the Fund or any other body corporate.

Manager's Fees

The Manager receives a fee of 1% per annum of the NAV of Axis-REIT, calculated on a monthly basis and payable to the Manager monthly in arrears. There will be no payment due to the Manager by way of remuneration for its services upon the subscription for the purchase or sale of Axis-REIT Units or upon any distribution of income and capital.

Any increase in the maximum permitted level of the Manager's fees of 1% per annum must be approved by the Trustee and Unitholders by way of an ordinary resolution of the Unitholders passed at a Unitholders' meeting convened in accordance with the Deed.

For the year under review, the Manager's fee was RM 7,706,733, representing 1.0% per annum of the NAV of Axis-REIT for the period 1 January 2011 to 31 December 2011. The Manager did not receive any soft commissions during the period.

The Manager is also entitled to an acquisition and disposal fee of 1% and 0.5% respectively based on the purchase and disposal consideration of the real estate assets upon the completion of the acquisition and disposal. For the period under review there were a total of two (2) acquisitions and one (1) disposal successfully completed which resulted in a fee of RM 861,250 and RM 76,850 being paid to the Manager.

Save for the expenses incurred for the general overheads and costs of services which the Manager is expected to provide, or falling within the normal expertise of the Manager, the Manager has the right to be reimbursed the fees, costs, charges, expenses and outgoings incurred by it that are directly related and necessary to the business of the Fund.

MANAGER'S REPORT

Other Statutory Information

Before the financial statements of Axis-REIT were made out, the Manager took reasonable steps to ascertain that all current assets have been stated at the lower of cost and net realizable value.

At the date of this report, the Manager is not aware of any circumstances:

- i) that would render the value attributed to the current assets in the Axis-REIT financial statements misleading, or
- ii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of Axis-REIT misleading or inappropriate, or
- iii) not otherwise dealt with in this report or the financial statements, that would render any amount stated in the financial statements of Axis-REIT misleading.

At the date of this report, there does not exist:

- i) any charge on the assets of Axis-REIT that has arisen since the end of the financial period and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of Axis-REIT that has arisen since the end of the financial period.

No contingent liability or other liability of Axis-REIT has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial period which, in the opinion of the Manager, will or may substantially affect the ability of Axis-REIT to meet its obligations as and when they fall due.

In the opinion of the Manager, the results of the operations of Axis-REIT for the financial year ended 31 December 2011 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial period and the date of this report.

Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

This concludes the Managers Report.

For and on behalf of Axis REIT Managers Berhad signed in accordance with a resolution of the Directors.



Stephen Tew Peng Hwee
Director



George Stewart LaBrooy
Chief Executive Officer/Executive Director

Kuala Lumpur

Date: 15 February 2012



THE
AXIS-REIT
TEAM

THE AXIS-REIT TEAM



Front, from left to right:

Leong Kit May
Chief Financial Officer/Executive Director

George Stewart LaBrooy
Chief Executive Officer/Executive Director

Stephanie Ping
Head of Business Development
and Investor Relations

Back, from left to right:

Sinnasamy Raman
Head of Real Estate

Chan Wai Leo
Chief Financial Officer, Funds Management

Julian Candiah
Head of Strategy and Capital Markets

Rajesh Kumar Tharmalingam
Head of Special Projects



Front, from left to right:

Tan Kee Hong
Accountant

Nikki Ng
Accountant

Selina Khor
Property Manager

David About
Head of Development & Global Real Estate

Back, from left to right:

Siva Shankar
Head of Facilities Management

Jackie Law
Head of Leasing and Property Management

Rebecca Leong
External Company Secretary from
Archer Corporate Services Sdn Bhd

THE AXIS-REIT TEAM

George Stewart LaBrooy

Chief Executive Officer/ Executive Director

Stewart LaBrooy is responsible for the overall management and operations of Axis-REIT. He works closely with the Executive Committee and the Board of Directors to formulate the strategic direction for the Fund. Together with the members of his management team, he works to ensure that all business activities are in alignment with the Fund's strategic goals.

Stewart has been a spokesperson for the Malaysian REIT Industry since listing and has been an invited speaker at several prominent international, regional and local property & REIT conferences.

He is an active member of APREA ("Asian Public Real Estate Association") where he serves as Vice President on the Executive Board and is the Chairman of the Malaysian REIT Managers Association (MRMA).

Leong Kit May

Chief Financial Officer/ Executive Director

Leong Kit May joined Axis REIT Managers Berhad, being the Manager of Axis Real Estate Investment Trust ("Axis-REIT") in 2006 and was promoted to be the Chief Financial Officer of the Company on 5 August 2008. She headed the project to convert Axis-REIT into the first Islamic Office/Industrial REIT in the world.

On 15 November 2011, in recognition of her contribution to the Company, she was appointed as an Executive Director to the Board.

She graduated with a Bachelor of Business (Accountancy) from RMIT Australia and is a member of Malaysian Institute of Accountants and Certified Practising Accountants of Australia. She is responsible for treasury, equity and capital management, financial reporting and compliance of the Fund and the Company. She has also been designated the Risk Management Officer in charge of risk management in the company. Kit May has also been an invited speaker in the area of Islamic finance and capital management.

Prior to joining Axis REIT Managers Berhad, she was with the UOA Group of companies from year 2001 to 2006, where she was instrumental in the listing of UOA REIT. Preceding that she was with Ernst & Young where she gained her audit and accounting skills.

Julian Candiah

Head of Strategy and Capital Markets

Julian Suresh Candiah joined Axis REIT Managers Berhad, being the Manager of Axis-REIT on 11 October 2011 as Head of Strategy and Capital Markets. Previously an engineer, he began his banking career in the derivatives marketing group at Credit Suisse Financial Products "CSFP" in London in 1993. In 1996, he relocated to CSFP in Hong Kong, as part of the Greater China derivatives marketing team. After spending a year during the Asian crisis in 1997/98 as a Director at Bear Stearns in Hong Kong, he moved to Singapore to work for JP Morgan, as a Director in Swaps Marketing.

In 2000, he joined BNP Paribas in Singapore, as Head of Structured Products for South East Asia, and was promoted to be a Managing Director in 2004. At BNP Paribas, he was responsible for marketing and originating in Malaysia and the region, several complex fixed income financing and derivatives transactions related to risk management, yield enhancement and cost reduction, with major banks and corporates. As a senior member of the Fixed Income group, he was involved in and responsible for several strategic business decisions regarding new opportunities, client marketing and staff hiring. After a short stint at Merrill Lynch in 2006, Julian left the industry in January 2007, pre dating the financial crisis, to focus on private equity and investments.

In April 2009, as a form of national service, he served as Special Advisor to the Chief Minister of Penang, on a 1 year contract on a pro-bono basis, focusing on key strategic and operational issues related to several high impact economic projects in Penang. This included acting as Deputy General Manager for the Penang Development Corporation and as advisor to the Board.

He received his secondary education at English College in Johor Bahru.

At school, he was House Captain and Sportsman of the Year in 1987. He won a Sime Darby/Cambridge Commonwealth Scholarship to Magdalene College, Cambridge University, where he read Engineering in 1988. He graduated in 1991 with a double First Class degree, scoring the 4th highest mark in his year. He continued at Cambridge to read a Masters in Manufacturing Engineering in 1992.

Rajesh Kumar Tharmalingam

Head of Special Projects

Rajesh was appointed as Head of Special Projects on 1 December 2011. With over 18 years work experience in finance, research, corporate advisory and investment banking, he was a key advisor to one of the largest mining companies in the world making a multi-billion dollar land acquisition and investment in Malaysia. He has also been actively involved in the Malaysian property sector having worked in the property consultancy firm of Hall Chadwick Asia. Most recently, he was actively developing and promoting Wasatah Capital, an investment company in the Middle East that was a joint venture between Malaysian and investors from Gulf Corporation Countries from 2009 to 2011. At Wasatah Capital, he was initially involved in the structuring and formation of the company that saw him work together with the founders to raise over RM750 million in capital commitments. As Deputy Chief Executive Officer, he worked on the business strategy, revamping the management structure of the Company and handled government, investors and shareholder relations. In addition, he also managed over RM250 million in investments, cash and equities.

He started his career in Arthur Andersen and has worked across the Asia Pacific region and the Middle East. Past experiences include Research Manager for Malaysian Investment Bank K&N Kenanga and General Manager at Chain Cycle where he helped develop an industrial process and pilot plant for the Government of Malaysia. He was educated in Sydney Australia, and has a Bachelor of Commerce Degree from the University of New South Wales, majoring in Accounting and Finance.

Chan Wai Leo

Chief Financial Officer,
Funds Management

Chan Wai Leo was appointed Chief Financial Officer, Funds Management on 1 December 2011. Prior to this appointment, Leo was the Head of Business Development and Investor Relations. In his capacity as Head of Business Development, he was in charge of acquisition origination (which involved identification, structuring, negotiating and closing of transactions) and capital raising for the Fund. Together with Kit May, he has executed various successful equity raisings for the Fund. In addition, his investor relations role required him to keep an open channel of communication with all stakeholders and the investment community ensuring that they are kept well informed on the developments of the Fund.

Prior to joining the Manager, he was the Senior Finance Manager of Axis Development Sdn Bhd, the private equity arm of the Promoters (of Axis REIT) which were principally involved in property investments and the holding company of the Manager. He is a Fellow Member of The Chartered Association of Certified Accountants, UK and a member of the Malaysian Institute of Accountants. In 2006, he was with Citibank Malaysia as Assistant Vice President, Financial Control. Prior to that, he was with the Pacific Star Group, a Singapore-based real estate investment company as the Group Accountant. He was responsible for all aspects of the finance functions of the Group which includes management reporting, cashflow management and budgeting. Leo started his career with Arthur Andersen, Assurance Division handling statutory audits and profit forecasts. Subsequently, he was with the Transaction Advisory Division where he was involved in the execution of financial advisory assignments which include valuations, corporate debt restructuring and privatization concept papers.

David About

Head of Development & Global Real Estate

David heads the development of the pipeline of assets for the group, both within Malaysia and regionally. This

includes the identification of projects, the conduct of feasibility studies, planning and implementation of these projects. In addition he oversees major refurbishment projects of existing assets within the REIT with a view to repositioning these assets and unlocking unrealized value. Previously David was the Head of Real Estate within Axis-REIT, where he was responsible for the daily operations of the portfolio including running the marketing, projects and facilities team. In addition David is part of the acquisitions team for Axis-REIT.

David is an Australian citizen who has lived and worked in S.E. Asia since the early 1990's. He holds tertiary qualifications in Economics and Business [University of New South Wales & University of Queensland, Australia] and he is a qualified Valuer and a member of the Australian Property Institute.

Prior to joining Axis REIT Managers Bhd he was the Managing Director of a boutique development and project management group, Opus Estate Capital, which is involved in the placement of investments in Malaysian real estate to Middle Eastern clients. In the period 1999 to 2007 David was with Colliers International where he served as the Director of Corporate Services, Singapore and Malaysia. In this position he was responsible for the servicing of many large corporate clients with operations in Singapore and Malaysia and was involved in many significant commercial and industrial deals in these two countries.

He has a well developed network amongst the corporate property industry in Asia and brings a wealth of management experience to Axis-REIT.

Sinnasamy Raman

Head of Real Estate

Sinnasamy Raman was appointed as the Head of Real Estate effective from 1 March 2011 where he is responsible for the daily operations of the portfolio including running the marketing and facilities team as well as overseeing the upgrading projects within the portfolio. Prior to his appointment he was the Head of Facilities Management where he is responsible for facilities

management and asset enhancement of entire Axis-REIT portfolio. Sinnasamy Raman holds Msc Project Management (Construction), Southern Pacific University, KL, Bachelor of Surveying (Property Management & Valuation), University of Technology Malaysia and Certificate in Real Estate Investment and Finance (CREIF), APREA. Currently, he is a Probationary Valuer (Board of Valuers, Appraisers and Estate Agents) and Member of Royal Institution of Surveyors Malaysia (RISM).

Prior to joining Axis-REIT, he was Senior Vice President with Cheston International (KL) Sdn Bhd (1999-2010), where he was involved in Property Management functions, Valuation and Estate Agency practices. He was also attached with AIG Global Real Estate Inc as Regional Vice President (1996-1999), where he was responsible of facilities planning and facilities management of 900 offices across Malaysia, Singapore, Indonesia, India and Brunei, supporting multiple AIG companies involved in Insurance, Asset Management, Investment, Consumer Finance, BPO, Data Centre, System Solutions and Support.

He was also attached to AIA Berhad as Vice President-Property (2000-2005), where he was managing entire portfolio and mainly providing real estate support to Insurance section. He also worked with EAC Holdings Sdn Bhd as Senior Manager-Property & Projects (1997-2000) and Appraisal (Malaysia) Sdn Bhd as a Valuation Executive.

Stephanie Ping

Head of Business Development and Investor Relations

Stephanie Ping was appointed Head of Business Development and Investor Relations on 18 April 2011. Her roles include asset acquisitions, assisting on capital raising initiatives and investor relations for the Fund. On the asset acquisition side, Stephanie covers the identification, evaluation of opportunities and the documentation for the closing of the transactions. In addition, she heads up the investor relations function which includes liaising with investors, fund managers, analysts and potential new investors.

THE AXIS-REIT TEAM

Stephanie lived in the United States for twelve years where she obtained a B.A. in Economics and a minor in Mathematics from Stanford University in the San Francisco Bay Area. Stephanie went on to enroll in the Stanford University School of Engineering and received her M.S. in Management Science and Engineering in 2003. She later joined United Airlines, Inc. as a Senior Executive Business Analyst in Chicago before moving on to be a Product Manager at Enova Financial.

Stephanie has also worked at SEVEN Inc., a Silicon Valley-based start-up specializing in smart phone application development as well as interned at JP Morgan Chase's Tokyo office in their Equities Research department. After living abroad for many years, she moved to Malaysia to live and work in the country she was born and bred in and to spend her energy getting to know the South East Asia region.

Selina Khor Property Manager

Selina Khor Siew Suan is a member of the Board of Valuers and the registered owner of Axis Property Services, the appointed Property Manager of Axis-REIT since 1 January 2007. Selina is a graduate from the Royal Melbourne Institute of Technology where she obtained an Associate Diploma in Valuation. She served at Rahim & Co for a period of 23 years where she was an Executive Director.

She is responsible for the management of all the properties in Axis-REIT which includes the building and maintenance management as well as the fit out projects and enhancements. She works closely with David Aboud and Sinnasamy Raman on the tenant leasing and care and with the CEO on matters on valuation regarding existing and new properties.

Jackie Law Head of Leasing and Property Management

Jackie Law Chong Lian is the Head of Leasing and Property Management. Jackie holds a Master of Science in Facilities Management from Herriot-Watt University, United Kingdom and Certificate in Real Estate Investment and Finance from APREA.

Her main responsibility include marketing and leasing of space involving negotiating new and existing tenancies, and property management of the Axis-REIT portfolio. In addition she handles the structuring and preparation of all tenancy agreement as well as overseeing the Tenant Care Programme to maintain good landlord-tenant relationships.

Jackie has extensive real estate experience in various aspect of real estate management and operations spanning across marketing, leasing and asset management functions. She has served in several administrative functions in the Axis Group.

Tan Kee Hong Accountant

Tan Kee Hong was appointed as the Accountant effective on 16 May 2011. His responsibilities includes preparation of the monthly and statutory financial statements as well as working closely with the Chief Financial Officer on matters related to corporate finance and regulatory compliance.

Prior to his employment with Axis-REIT Managers Berhad, he was with Ernst & Young where he was with the Assurance Division.

He graduated from University of Melbourne with a Bachelor of Commerce majoring in Accounting & Finance and is a member of Malaysian Institute of Accountants and Certified Practising Accountants of Australia.

Nikki Ng Accountant

Nikki Ng was appointed as the Accountant effective on 15 September 2008 where her responsibilities involve overseeing the accounting department which includes the management reporting as well as budgeting processes. She also works closely with the Chief Financial Officer in dealing with matters related to corporate finance and regulatory compliance.

Before assuming her current role in Axis REIT Managers Berhad, she was the Finance Manager of Paxelent Corporation Berhad where she has been involved in the dealings of financial management as well as corporate planning since

2004. She was also attached to IGB Corporation Berhad where she has served for 6 years before moving forward to her next level of career in Paxelent Corporation Berhad.

Nikki holds a Bachelor of Accountancy (Hons) degree from the Oxford Brookes University, United Kingdom.

Siva Shankar Head of Facilities Management

Siva Shankar was appointed as the Head of Facilities Management (FM) effective from June 2011, where he leads a team of Facility Managers in managing the properties owned by AXIS-REIT.

Siva has 16 years of working experience in real estate professional services in Malaysia and overseas. Prior joining AXIS-REIT, he has worked for Jones Lang Wotton, Brunei Investment Arm (BIA) and Jerudong Park Medical Centre, amongst others.

His experience covers all aspect of property and facilities management, project management and property consultancy.

Rebecca Leong External Company Secretary from Archer Corporate Services Sdn Bhd

Ms Rebecca Leong is the External Company Secretary of Axis REIT Managers Berhad appointed on 20 April 2006. She handles the corporate secretarial works of Axis REIT Managers Berhad and advises the Board and the senior management on compliance issues applicable to the Manager as well as Axis-REIT.

She is an Associate Member of The Malaysian Institute of Chartered Secretaries and Administrators.

THE PROPERTY MANAGER



From left to right : Joey Lim, Zulkifli Aziz, Siva Shankar, Jackie Law, Selina Khor, Sinnasamy Raman, David Aboud and James Georgey

Axis Property Services is the Property Manager of Axis-REIT since 1 January 2007. Selina Khor Siew Suan, a member of the Board of Valuers, is the registered owner of Axis Property Services. Prior to managing Axis Property Services, she was with Rahim & Co. for 23 years as an Executive Director.

She works closely with Sinnasamy Raman, David Aboud, Jackie Law, Siva Shankar and the Axis Facilities Management Team on tenant related matters and the management of Axis-REIT's properties.

SHARIAH ADVISOR'S REPORT



To the Unitholders of AXIS REAL ESTATE INVESTMENT TRUST ("AXIS-REIT")

We have acted as the Shariah Adviser of **AXIS-REIT** effective from 11 December 2008. Our responsibility is to ensure that the procedures and processes employed by **AXIS REIT Managers Berhad** and that the provisions of the Deed dated 3 April 2009 are in accordance with Shariah principles.

In our opinion, **AXIS REIT Managers Berhad** has managed and administered **AXIS-REIT** in accordance with Shariah principles and complied with applicable guidelines, rulings and decisions issued by the Securities Commission pertaining to Shariah matters for the financial year ended 31 December 2011.

In addition, we also confirm that the investment portfolio of **AXIS-REIT** is Shariah-compliant, which comprises:

1. Rental income from properties which complied with the Guidelines for Islamic Real Estate Investment Trust; and
2. Cash placements and liquid assets, which are placed in Shariah-compliant investments and/or instruments.

For **IBFIM**

MOHD NASIR ISMAIL

Shariah Advisor/Designated Person Responsible for Shariah Advisory

Kuala Lumpur

IBFIM (763075-W)

3rd Floor, Dataran Kewangan Darul Takaful, Jalan Sultan Sulaiman, 50000 Kuala Lumpur, MALAYSIA
Tel: +603 2031 1010 Fax: +603 2078 5250 E-mail: info@ibfim.com Website: www.ibfim.com

THE INVESTMENT PROPERTY PORTFOLIO

as at 31 December 2011



1. MENARA AXIS
No. 2, Jalan 51A/223
46100 Petaling Jaya
Selangor.

2. CRYSTAL PLAZA
No. 4, Jalan 51A/223
46100 Petaling Jaya
Selangor.

3. AXIS BUSINESS PARK
No. 10, Jalan Bersatu 13/4, 46200
Petaling Jaya
Selangor.

4. INFINITE CENTRE
Lot 1, Jalan 13/6
46200 Petaling Jaya
Selangor.

5. WISMA KEMAJUAN
No. 2, Jalan 19/1B
46300 Petaling Jaya
Selangor.

6. AXIS PLAZA
Lot 5, Jalan Penyair U1/44, Off Jalan
Glenmarie, Temasya Industrial Park,
Batu Tiga, 40150 Shah Alam
Selangor.

7. KAYANGAN DEPOT
No. 3, Jalan 15/16
Section 15, 40000 Shah Alam
Selangor.

8. AXIS SHAH ALAM DC1
Lot 2-22, 2-24, 2-26, 2-28,
Jalan SU 6A, Taman Perindustrian
Subang (Lion Industrial Park),
Section 22, 40300 Shah Alam
Selangor.

9. WISMA BINTANG
Lot 13A & 13B, Jalan 225,
Section 51A, 46100 Petaling Jaya
Selangor.

THE INVESTMENT PROPERTY PORTFOLIO as at 31 December 2011



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10. QUATTRO WEST

No. 4, Lorong Persiaran Barat
46100 Petaling Jaya, Selangor.

11. NESTLE OFFICE & WAREHOUSE

Lot 14, Jalan Delima 1/1
Subang Hi-Tech Industrial Park,
Batu Tiga, 40000 Shah Alam
Selangor.

12. FCI SENAI

PL0 205, Jalan Cyber 14
Senai IV Industrial Area
81400 Johor.

13. BMW CENTRE PTP

Lot D21, Jalan Tanjung A/3
Port of Tanjung Pelepas
81560 Johor.

14. NIRO WAREHOUSE

PL0 419-421, Jalan Emas 2
Pasir Gudang Industrial Estate,
81700 Pasir Gudang, Johor.

15. GIANT HYPERMARKET

Jalan Lencongan Barat
08000 Sungei Petani
Kedah.

16. STRATEQ HQ (formerly known as Kompakar CRC HQ)

No. 12 Jalan Bersatu 13/4,
Section 13, 46200 Petaling Jaya
Selangor.

17. DELFI WAREHOUSE

PL0 563, Jalan Keluli 8
Pasir Gudang Industrial Estate,
81700 Pasir Gudang, Johor.

18. AXIS VISTA

No. 11, Jalan 219
Section 51A, 46100 Petaling Jaya
Selangor.



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19. AXIS STEEL CENTRE

Lot 19, Lebu Hishamuddin 1, Kawasan 20, Selat Klang Utara, 42000 Pelabuhan Klang

20. BUKIT RAJA DISTRIBUTION CENTRE

No. 43 & 44, Lengkok Keluli 1, Kawasan Perindustrian, Bukit Raja Selatan, Sek 7, 40000 Shah Alam, Selangor

21. SEBERANG PRAI LOGISTIC WAREHOUSE 2

Plot 23, Tingkat Perusahaan 6 Kawasan Perusahaan Prai Phase 4 Seberang Prai Tengah, Pulau Pinang

22. SEBERANG PRAI LOGISTIC WAREHOUSE 1

Plot 24, Tingkat Perusahaan 6 Kawasan Perusahaan Prai Phase 4 Seberang Prai Tengah, Pulau Pinang

23. TESCO BUKIT INDAH HYPERMARKET

No. 1, Jalan Bukit Indah, 81200 Johor

24. AXIS PDI CENTRE

Lot 7316, Off Jalan Klang/Banting, Locality of Sijangkang, 42500 Telok Panglima Garang, Selangor

25. AXIS TECHNOLOGY CENTRE

No. 13, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor

26. D8 LOGISTICS WAREHOUSE

Lot D8, Jalan Tanjung A/4 Port of Tanjung Pelepas Gelang Patah, 81560 Johor

27. AXIS EUREKA

3539, Jalan Teknokrat 7 63000 Cyberjaya Selangor

PORTFOLIO DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-11 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
1 Menara Axis	03/08/2005	71,400	78,068	106,000	182,859
2 Crystal Plaza	03/08/2005	56,400	61,460	101,000	205,102
3 Axis Business Park	03/08/2005	84,600	85,967	108,000	341,467
4 Infinite Centre	03/08/2005	25,450	25,881	37,000	146,364
5 Axis Plaza	03/08/2005	22,500	22,597	31,000	117,244
6 Wisma Kemajuan	16/12/2005	29,000	33,716	54,200	200,930
7 Kayangan Depot	30/06/2006	16,100	16,906	22,000	162,222
8 Wisma Bintang	30/06/2006	32,500	32,751	47,100	Lot 13A - 65,816 Lot 13B - 107,151
9 Axis Shah Alam DC1	01/08/2007	18,500	19,613	20,200	110,406
10 Giant Hypermarket	07/09/2007	38,000	38,776	39,200	138,000
11 FCI Senai	15/11/2007	12,300	12,565	14,000	136,619
12 Nestle Office & Warehouse	16/11/2007	7,200	8,220	9,000	Office - 19,288 W/hse - 8,266
13 Quattro West	30/11/2007	39,800	49,842	52,000	104,196

Address	Gross Revenue for the period ended 31-12-11 (RM'000)	Occupancy Rate as at 31-12-11	Major Tenants
No. 2, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	10,632	100%	Fujifilm (M) Sdn Bhd American International Assurance Berhad Sportathlon (M) Sdn Bhd Philips Malaysia Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd
No. 4, Jalan 51A/223, 46100 Petaling Jaya, Selangor.	10,299	100%	Tenaga Nasional Bhd Scope International (M) Sdn Bhd DHL Asia Pacific Shared Services Sdn Bhd Asiaworks Training Sdn Bhd
No. 10, Jalan Bersatu 13/4, 46200 Petaling Jaya, Selangor.	11,165	98.76%	Fuji Xerox Asia Pacific Pte Ltd Invida (Singapore) Pte Ltd eBworx Berhad Honeywell Engineering Sdn Bhd Johnson & Johnson Sdn Bhd
Lot 1, Jalan 13/6, 46200 Petaling Jaya, Selangor.	3,784	97.71%	UTAR Konica Minolta Business Solutions (M) Sdn Bhd FJ Benjamin (M) Sdn Bhd C Melchers GmbH & Co
Lot 5, Jalan Penyair U1/44, Off Jalan Glenmarie, Temasya Industrial Park, Batu Tiga, 40150 Shah Alam, Selangor.	2,904	89.25%	Ricoh (Malaysia) Sdn Bhd CSE Automotive Technologies Sdn Bhd Electrolux Commercial Products Sdn Bhd EMS Asia Group Sdn Bhd
No. 2, Jalan 19/1B, 46300 Petaling Jaya, Selangor.	5,092	78.93%	Goucera Marketing Sdn Bhd Hong Leong Marketing Sdn Bhd EP2M Services Sdn Bhd Fossil Time Malaysia Sdn Bhd Silverlake Infrastructure & Logistics Sdn Bhd
No. 3, Jalan 15/16, Section 15, 40000 Shah Alam, Selangor.	1,722	69.39%	Courts Mammoth Sdn Bhd DHL Supply Chain (M) Sdn Bhd R-Logic Sdn Bhd Nineteen-O-One Sdn Bhd BIS Safety Sdn Bhd Mattress Factory Outlet Sdn Bhd
Lot 13A & 13B, Jalan 225, Section 51A 46100 Petaling Jaya, Selangor.	2,860	100%	Cycle & Carriage Bintang Berhad
Lots 2-22,2-24,2-26,2-28, Jalan SU 6A Taman Perindustrian Subang, (Lion Industrial Park), Section 22, 40300 Shah Alam, Selangor.	1,640	100%	Upeca Aerotech Sdn Bhd
Jalan Lencongan Barat, 08000 Sungei Petani, Kedah.	3,196	100%	GCH Retail (Malaysia) Sdn Bhd
PLO 205, Jalan Cyber 14, Senai IV Industrial Area, 81400 Johor.	1,312	100%	FCI Connectors Malaysia Sdn Bhd
Lot 14, Jalan Delima 1/1, Subang Hi-Tech Industrial Park, Batu Tiga, 40000 Shah Alam, Selangor.	691	100%	Nestle Products Sdn Bhd
No. 4 Lorong Persiaran Barat, 46100 Petaling Jaya, Selangor.	4,559	89.45%	Mangosteen Beverages (M) Sdn Bhd Kenanga Investment Bank Bhd Vads Business Process Sdn Bhd

PORTFOLIO DETAILS

Property Name	Acquisition Date	Purchase Price (RM'000)	Total Investment Outlay including enhancement as of 31-12-11 (RM'000)	Book Value based on latest valuation (RM'000)	Net Lettable Area (sq ft)
14 Strateq HQ (formerly known as Kompakar CRC HQ)	25/01/2008	37,000	38,566	41,000	104,903
15 BMW Centre PTP	30/04/2008	27,000	27,605	28,500	161,474
16 Niro Warehouse	30/04/2008	14,500	15,186	16,000	167,193
17 Delfi Warehouse	04/08/2008	12,500	12,754	13,900	130,743
18 Axis Vista	09/12/2008	32,000	33,249	35,800	118,017
19 Axis Steel Centre	20/10/2009	65,000	65,882	75,000	366,839
20 Bukit Raja Distribution Centre	14/12/2009	71,750	72,636	84,300	456,435
21 Seberang Prai Logistic Warehouse 1	05/03/2010	17,390	17,695	18,990	106,092
22 Seberang Prai Logistic Warehouse 2	05/03/2010	6,860	6,981	7,490	41,893
23 Tesco Bukit Indah	01/10/2010	75,600	76,750	86,000	233,579
24 Axis PDI Centre	15/10/2010	85,000	86,146	92,000	58,009
25 Axis Technology Centre	15/11/2010	49,000	49,713	52,000	170,730
26 D8 Logistics Warehouse	01/03/2011	30,000	30,521	31,300	171,000
27 Axis Eureka	18/4/2011	51,250	52,247	53,200	116,743

Address	Gross Revenue for the period ended 31-12-11 (RM'000)	Occupancy Rate as at 31-12-11	Major Tenants
No. 12 Jalan Bersatu 13/4, Section 13, 46200 Petaling Jaya, Selangor.	3,631	100%	Strateq Data Centre Sdn Bhd (formerly known as Kompakar CRC Sdn Bhd)
Lot D21, Jalan Tanjung A/3, Port of Tanjung Pelepas, 81560 Johor	3,416	100%	BMW Asia Technology Centre Sdn Bhd
PLO 419-421, Jalan Emas 2, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,638	100%	Niro Ceramic (M) Sdn Bhd
PLO 563, Jalan Keluli 8, Pasir Gudang Industrial Estate, 81700 Pasir Gudang, Johor	1,306	100%	Delfi Cocoa (Malaysia) Sdn Bhd
No. 11, Jalan 219, Section 51A 46100 Petaling Jaya Selangor.	3,183	100%	Cergazam Sdn Bhd Melco Sales Malaysia Sdn Bhd Samsung Malaysia Electronics (SME) Sdn Bhd
Lot 19, Lebuhr Hishamuddin 1, Kawasan 20, Selat Klang Utara, 42000 Pelabuhan Klang	7,056	100%	Konsortium Logistik Berhad
No. 43 & 44, Lengkok Keluli 1, Kawasan Perindustrian, Bukit Raja Selatan, Sek 7, 40000 Shah Alam, Selangor	5,977	100%	IDS Logistics Services (M) Sdn Bhd
Plot 23, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Pulau Pinang	1,450	100%	IDS Logistics Services (M) Sdn Bhd
Plot 24, Tingkat Perusahaan 6, Kawasan Perusahaan Prai Phase 4, Seberang Prai Tengah, Pulau Pinang	573	100%	IDS Logistics Services (M) Sdn Bhd
No 1, Jalan Bukit Indah, 81200 Johor	6,166	100%	Tesco Stores (M) Sdn Bhd
Lot 7316, Off Jalan Klang / Banting, Locality of Sijangkang, 42500 Telok Panglima Garang, Selangor	8,604	100%	Konsortium Logistik Bhd
No 13, Jalan 225, Section 51A, 46100 Petaling Jaya, Selangor	4,781	100%	Packet One Networks (M) Sdn Bhd Fresenius Kabi Malaysia Sdn Bhd Fresenius Medical Care Malaysia Sdn Bhd Sigma Elevator (M) Sdn Bhd
Lot D8, Jalan Tanjung A/4 Port of Tanjung Pelepas Gelang Patah, 81560 Johor	2,462	100%	Nippon Express (M) Sdn Bhd
3539, Jalan Teknokrat 7 63000 Cyberjaya Selangor	4,154	99%	Scicom (MSC) Berhad Multimedia Development Corporation Sdn Bhd Wolters Kluwer Enterprise Services Partners Sdn Bhd

A vintage brass compass is the central focus, resting on an old, yellowed map with a black grid overlay. The compass face is white with black markings for degrees and cardinal directions (N, S, E, W). The needle is pointing towards the top right. The background is a warm, golden-brown color with a subtle grid pattern.

CBRE PROPERTY MARKET OVERVIEW

PROPERTY MARKET OVERVIEW 2011



Positive news details the continuation of dividend income derived from Real Estate Investment Trusts (REITs) to be maintained at 10% final withholding tax from 2012 until 2016. This was announced in the 2012 Malaysian Budget announced by the Prime Minister which apparently had 2011 as its final year of the discounted tax rate. Normal corporate tax rate stands marginally higher at 25% whilst income tax rate stands at 26%.

1.0 Klang Valley

1.1 Market Overview

The Kuala Lumpur property market reported a total transaction value of RM 17.14 billion for 23,301 property units as of 3Q 2011, an increase of 18.2% in terms of value against RM 14.50 billion (20,443 units) recorded as of 3Q 2010. The Selangor property market saw 73,826 property units transacted at a total value of RM32.01 billion as of 3Q 2011, compared to RM 26.10 billion (65,066 units) as at 3Q 2010. Total property transactions for Kuala Lumpur during 2010 amounted to RM 20.03 billion whilst Selangor recorded RM 36.61 billion in value of transactions. The Klang Valley property market remained comparatively active after the economic downturn in 2008/2009, evidenced by the 21.0% growth in total transaction values as at 3Q 2011 across Kuala Lumpur and Selangor (Source: JPPH).

The Klang Valley property market still remains in the limelight with the Federal Government's Mass Rapid Transit (MRT) project which is the biggest infrastructure project in the country. The recent turn of events has seen appointments of a few local contractors for the construction of viaduct guideways and other associated works notably from Maluri Portal to Plaza Phoenix Station. The two separate multi-million ringgit contracts which have been issued out respectively are part of eight complete packages in the elevated civil works portion of the project.

1.2 Purpose Built Offices

The Klang Valley office market has remained stable as even as business sentiments have dipped slightly as concerns over eurozone financial stability looked weak. GDP growth however remained strong with growth in 3Q 2011 recorded at 5.8%.

Office developments are still expected to grow, with new supply anticipated to increase sharply over the coming three years especially in 2012 and 2014/15. Concerns remain about the impending oversupply of office space, but the first impact of this should not be felt until early-2012. During the year, the market has seen robust take up amid strong demand from the oil & gas sector and companies looking to house back office operations. Total demand is not expected to weaken and rental rates in high grade office buildings remained stable with no significant adjustment.

Majority of investment transactions in 2011 involved local institutional funds, particularly developers and Malaysian real estate investment trusts (MREITs) on the investment front. MREITs in particular are actively on the lookout for quality properties which are capable of achieving high yields.

CBRE Research analysis calculates the average transaction price of purpose built office space in Kuala Lumpur at RM821 per sq ft in 2011. This is an indication of stability in capital values of office space in Kuala Lumpur even with the anticipated sharp increase of new office supply.

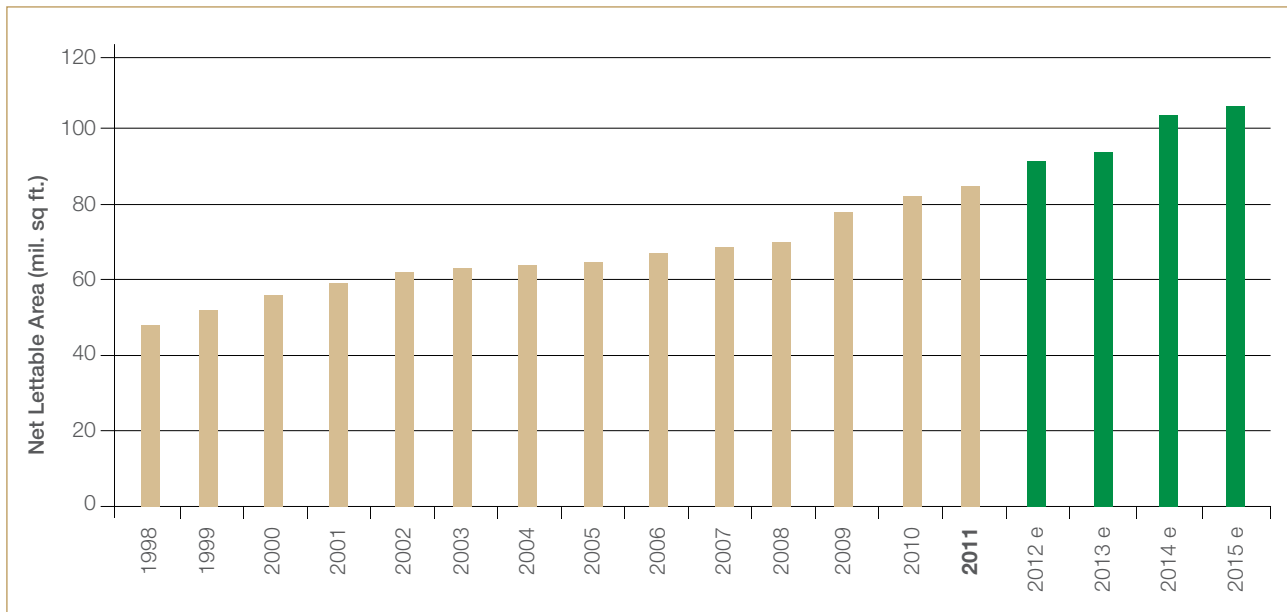
1.2.1 Existing Supply

The cumulative supply of purpose built office space was 83.34 million sq ft as at end-2011, of which 66.49 million sq ft is located in Kuala Lumpur. Eight (8) office buildings were completed during the year with seven (7) in Kuala Lumpur and one (1) in Selangor totalling 3.02 million sq ft. The new buildings include Menara Prestige, Menara Bank Islam, Hampshire Place Office Tower, Persada Putra, PJ Exchange, KL Sentral Park, The Horizon Phase 2 (Blocks 7-10) and Dijaya Plaza.

PROPERTY MARKET OVERVIEW

2011

Cumulative Supply of Purpose Built Office Space in the Klang Valley



Source: CBRE Research

1.2.2 Future Supply

There are a total of 69 office buildings identified which will potentially offer more than 26.12 million sq ft of net lettable office space in Klang Valley. Of this total, 16.45 million sq ft of office space within 43 office buildings are currently under construction.

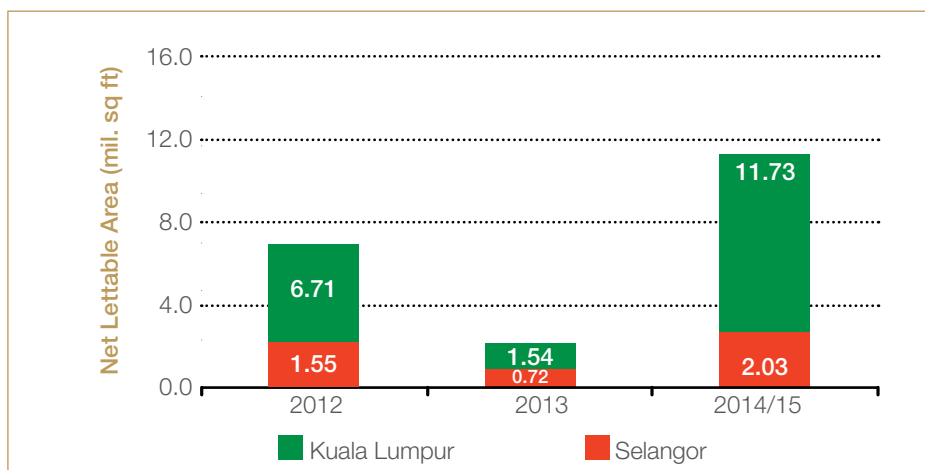
The year 2012 will see an estimated 8.27 million sq ft of office space completing in the Klang Valley, of which 81.14% (6.71 million sq ft) will be located in Kuala Lumpur, and the remaining 18.86% (1.55 million sq ft) in Selangor. The expected new completions will include Menara Worldwide, Menara Carigali, Menara Binjai, Integra Tower and Menara Felda in Kuala Lumpur, as well as Menara Taragon, Menara Mudajaya and Plaza 33 in Selangor.

Barring any delays to construction, a further 2.26 million sq ft of office space is expected to be added to supply by the end of 2013.

Office building developments in Klang Valley which were still at planning stage as at December 2011 may bring another 7.83 million sq ft by year 2014/2015 if the developers start construction within 2012.

Other major office developments being planned include the Kuala Lumpur International Financial District (KLIFD) and Warisan development both which are expected to be completed at end 2015 or early 2016.

Future Supply of Purpose Built Office Space in the Klang Valley

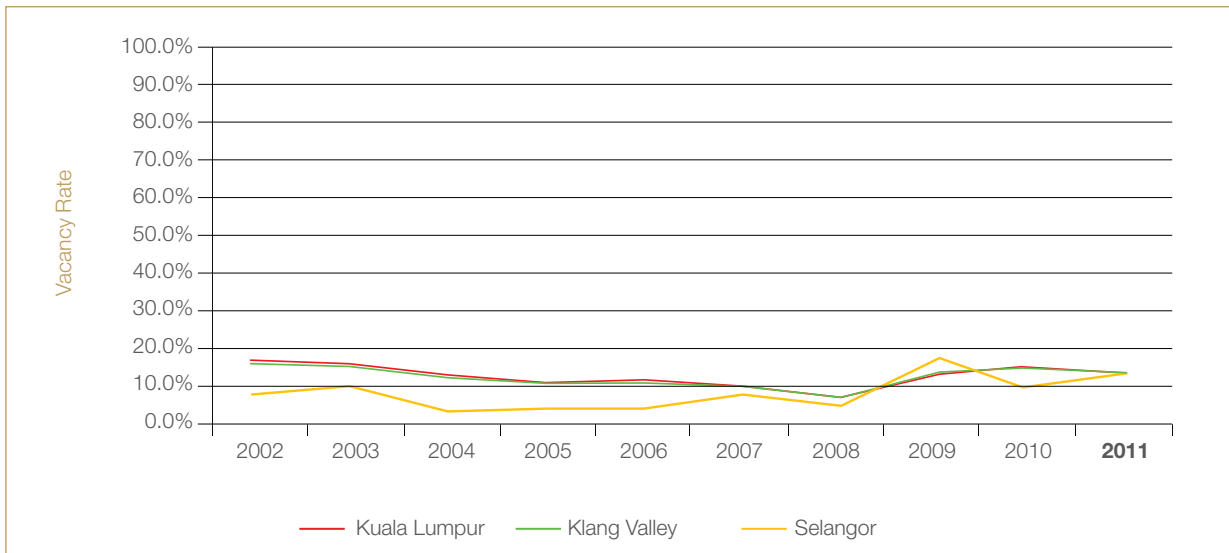


Note: Year 2014/15 indicates projects at planning stage
 Source: CBRE Research

1.2.3 Average Asking Rental Rates

Average vacancy rates in the Klang Valley fell to 13.0% in 2011 compared with 14.3% in 2010. This was due to a high rate of pre-occupied space in Dijaya Plaza @ Jalan Tun Razak, Persada Putra and KL Sentral Park being launched into the market. The mentioned buildings had pre-occupied space ranging between 60% to 93%.

Vacancy Rate of High Grade Purpose Built Office Space in Klang Valley



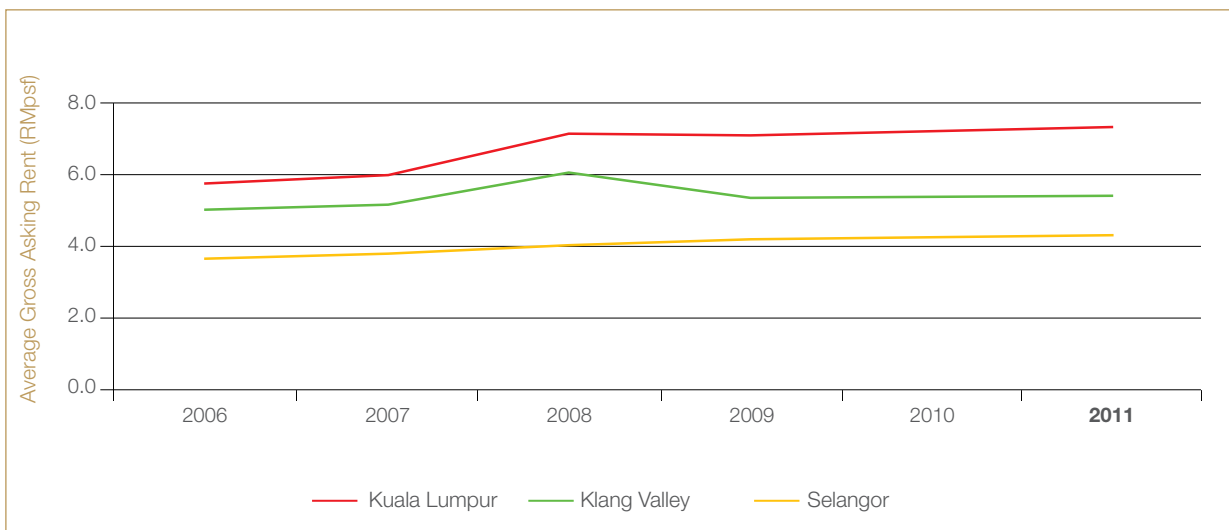
Source: CBRE Research

1.2.4 Average Asking Rental Rates

Average gross asking rents for selected high grade buildings in the Klang Valley has marginally increased by 0.9% to RM 5.41 per sq ft in 2011 riding steadily on the back of economic recovery since 2009. Average asking prime rents in the Kuala Lumpur city centre registered RM 7.32 per sq ft and suburban Selangor areas at RM 4.30 per sq ft in 2011.

Prime rents in Kuala Lumpur currently range between RM 5.50 to RM 10.00 per sq ft. In Petaling Jaya, prime office buildings generally average between RM 3.20 to RM 4.80 per sq ft with MSC status buildings achieving up to RM 5.50 per sf.

Average Gross Asking Rents for Prime Office Space in Klang Valley



Source: CBRE Research

PROPERTY MARKET OVERVIEW 2011

1.2.5 Major Transactions

11 major purpose-built office building transactions were reported in 2011, with three of the acquisitions involving real estate investment trusts (REITs). Significant deals involving REITs include the transaction of Putra Place via public auction and Prima 9 and Prima 10 office buildings in Cyberjaya. Other transactions included the involvement of foreign companies with the likes of Wisma Goldhill, Bangkok Bank and U1 Office Tower as well as local corporations.

Major Transactions of Purpose Built Office Buildings in Klang Valley in 2011

Buildings	Location	NLA (sf)	Consideration	
			RM mil	RM per sf
Kuala Lumpur				
Dua Sentral Tower ¹	Jalan Tun Sambanthan	430,000	232.00	-
Putra Place ²	Jalan Putra	311,000	513.95	-
Block 6 (Type G), The Horizon (Phase 1)	Bangsar South	46,100	36.00	780
Wisma Goldhill	Jalan Raja Chulan	266,750	174.50	654
Menara Multi-purpose	Jalan Munshi Abdullah	541,424	375.00	693
Menara Prudential	Jalan Sultan Ismail	147,812	142.23	962
Bangkok Bank @ Berjaya Corporate Suites ³	Jalan Sultan Ismail	99,950	105.00	-
U1 Office Tower	Jalan Kuching	GFA: 92,700	29.00	-
Selangor				
Prima 9	Cyberjaya	111,224	72.00	647
Prima 10	Cyberjaya	100,272	61.00	608
Bangunan Takaful Ikhlas	Petaling Jaya	GFA: 173,193	27.00	-

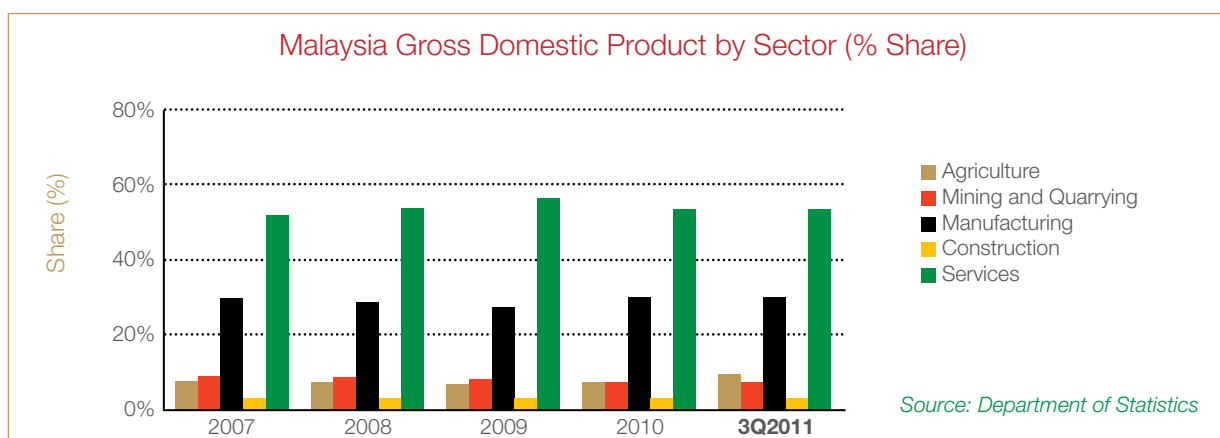
Notes:

^{1&2} The transaction of Dua Sentral Tower and Putra Place includes other components such as retail, hotel and car park bays.

³ The transaction of Bangkok Bank @ Berjaya Corporate Suites includes 6,000 sq ft of retail.

Source: Annual Reports, Bursa Malaysia, CBRE Research & The Star

1.3 Industrial Property



Malaysia saw the stabilisation of the economy after a year of recovery in 2010, with GDP for Q1 2011 and Q2 2011 registered at 5.2% and 4.3% growth respectively, before climbing to 5.8% in Q3 2011.

The Industrial Production Index (IPI) in 2011 registered 0.4% growth to 107.6 against the preceding year. The slight growth saw the decline of the Mining Index by -7.5% whilst the Manufacturing and Electricity Outputs increased slightly by +4.2% and +0.8% respectively.

The Department of Statistics Malaysia reported that the total trade as at October 2011 was valued at RM 1.052 trillion, compared to RM 967.28 billion as at the same time last year. The total for the whole of 2010 was at RM 1.169 trillion. Malaysia also recorded a trade surplus of RM 102.44 billion as at October 2011 with the total exports and imports at RM 577.16 billion and RM 474.72 billion respectively.

The country also attracted RM 45.47 billion total proposed capital investment in the manufacturing sector as at November 2011. Foreign investments were reported at RM25.55 billion against local investments of RM 19.92 billion.

1.3.1 Existing Supply

The total existing supply of industrial properties in Kuala Lumpur and Selangor stands at about 5,160 and 34,515 units respectively. The total has increased by 30 units in Kuala Lumpur and 194 units in Selangor. The existing industrial properties are largely terraced factories comprising 73.9% of the combined supply in Kuala Lumpur and Selangor.

1.3.2 Future Supply

The future supply of industrial properties in the Klang Valley is largely in Selangor, with terraced factories making up the bulk of supply. A total of 2,834 units are currently under construction in Selangor and another 1,869 units have been approved but have yet to commence construction. Kuala Lumpur, by contrast, has limited future supply with only 35 industrial units currently under construction and 153 planned units.

Supply of Industrial Properties in Klang Valley

State	Type of Property	Existing Supply					Future Supply	
		2007	2008	2009	2010	2011	Incoming Supply	Planned
Kuala Lumpur	Terraced	2,975	2,975	2,975	2,975	2,989	35	111
	Semi-Detached	457	457	471	471	487	0	0
	Detached	553	553	554	554	554	0	41
	Flatted Factory	1,116	1,116	1,116	1,116	1,116	0	0
	Industrial Complex	14	14	14	14	14	0	1
	Total	5,115	5,115	5,130	5,130	5,160	35	153
Selangor	Terraced	25,599	26,277	26,310	26,310	26,357	2,199	573
	Semi-Detached	3,227	3,313	3,323	3,399	3,531	553	516
	Detached	3,956	4,199	4,218	4,236	4,250	79	745
	Flatted Factory	270	270	270	270	270	0	7
	Industrial Complex	101	104	105	106	107	3	28
	Total	33,153	34,163	34,226	34,321	34,515	2,834	1,869

Source: JPPH, Ministry of Finance

1.3.3 Rental

Rents remained stable for quality industrial properties in prime locations within Klang Valley in 2011 with the bulk of the demand leaning towards warehousing as well as logistic facilities.

Asking rents for detached factories/warehouses in prime traditional industrial areas such as Sections 13, 51 and 51A remained stable ranging between RM 1.50 to RM 2.00 per sq ft. Average rents for other Klang Valley areas meanwhile fetched between RM 0.70 to RM 2.00 per sq ft whilst showrooms are expected to reach rents of up to RM 2.50 per sq ft depending on location.

PROPERTY MARKET OVERVIEW 2011

2.0 Johor

2.1 Market Overview

The Johor property market recorded a total transaction value of RM 13.31 billion for 40,864 property units as of 3Q 2011 a large increase against RM 6.46 billion (18,596 units) recorded in the preceding year. This shows that the Johor property market was hugely active in the first 3 quarters of 2011, registering an increase of 119.75% and 105.91% in terms of volume and value of property transactions. (Source: JPPH).

The recent joint venture between Iskandar Investment Berhad and Zhouda Real Estate Group from China as well as the involvement of Johor Corp Berhad and UM Land also signals the continuous spur of interest in Iskandar Malaysia. As of September 2011, Iskandar Malaysia recorded a total cumulative committed investment of RM 77.82 billion from various sectors. 60 per cent (RM4 6.63 billion) was domestic investments with the remaining 40 per cent (RM 31.19 billion) coming from overseas. The figures reflect the confidence domestic investors have in Iskandar Malaysia, as well as its appeal to both foreign and local investors.

Iskandar Malaysia's Development Roadmap has 2006 to 2010 as its first phase of the development which is the planning phase whilst 2011 is noted to have kicked off the second phase which includes strengthening and generating growth. 2012 meanwhile sees a number of catalytic projects in the education and tourism sectors such as Educity and Legoland and has been earmarked as a tipping point for Iskandar Malaysia's development. Respective developments and business ventures involve thorough upstream and downstream support throughout their value chain. (Source: The Star)

2.2 Purpose Built Offices

Based on government data, there was a cumulative supply of about 8.22 million sq ft of purpose-built office space in 104 office buildings in the Johor Bahru district in 2011. The 21 buildings that are currently under construction are expected to add another 2.25 million sq ft of office space to the market upon completion. In the longer term, 15 approved buildings will bring in another 6.32 million sf office space once construction has commenced.

The average occupancy rate for all office buildings in the district of Johor Bahru in 2011 remained stable at 73.8%, slightly down from 75.1% in 2010. In general, prime office space in the city centre is let at a monthly gross rental of between RM 2.30 to RM 3.20 per sq ft, with other city offices asking between RM 1.40 to RM 2.60 per sf.

Iskandar Investment Malaysia has provided some insights on development plans for the 902 ha Medini in Iskandar, Johor which is divided into four components for mixed development; Medini North, Business, Central and South. RM 4 billion has already been committed and spent on infrastructure works to date. Amongst notable commercial projects include a RM688 million commercial project by WCT in Medini Business District and Bina Puri integrated mixed development of shop/offices, a 32-storey SOHO tower and a 32-storey office tower which has a estimated GDV of RM 485 million. These projects are expected to do well due to its strategic location near the Second Link as well as special incentives which include 10-year tax exemption, no bumiputra quota and the freedom to source capital and labour globally. (Source: The Edge)

2.3 Industrial Properties

State	Type of Property	Existing Supply					Future Supply	
		2007	2008	2009	2010	2011	Incoming Supply	Planned
Johor	Terraced	7,466	7,459	7,459	7,469	7,471	264	495
	Semi-Detached	2,700	2,745	2,779	2,779	2,825	174	700
	Detached	2,653	2,688	2,712	2,734	2,750	171	1,286
	Flatted Factory	0	0	0	0	0	0	0
	Industrial Complex	468	470	470	470	470	10	23
	Total	13,287	13,362	13,420	13,452	13,516	619	2,504

Source: JPPH, Ministry of Finance

Johor is the second largest supplier of industrial units in the country, ranked after Selangor and followed by Penang and Perak. Johor has a total of 13,516 industrial units, which make up 14.48% of the total in Malaysia. In 2011, the state recorded 64 additional units of industrial properties, made up of detached factories in Johor Bahru, Batu Pahat and Kulajaya.

Total proposed capital investments in Johor as of November 2011 remained strong at RM 6.34 billion, although down from RM 7.46 billion in 2010. A total of 170 projects were approved of which 49.2% (RM 3.12 billion) were foreign investments. (Source: MIDA)

Rents for good industrial locations in Johor remained relatively stable in 2011. The ports and free trade areas such as Pasir Gudang and Port of Tanjung Pelepas continue to achieve average rents ranging between RM 1.10 to RM 1.50 per sq ft, whereas other active non-port industrial areas such as SiLC, Tebrau, Nusajaya, Senai and Tampoi Industrial are asking for rents between RM 0.80 to RM 1.50 per sf.

A notable event in the industrial sector sees a planned RM 60 billion refinery and petrochemical integrated development (RAPID) petrochemical complex in Pengerang, southern Johor. The complex will include a power plant and development is expected to be commissioned either solely by the national oil company or by a joint venture agreement by end of 2016. The RAPID development is also expected to fuel massive spin offs in related sectors which is clearly shown by the recent appointment of a local developer by the Johor government to carry out a separate comprehensive mixed development said to complement the RAPID development. (Source: The Star, The Edge)

3.0 Penang

3.1 Market Overview

The transactional activities in Penang property market paced up as of 3Q 2011, with transactions amounting to RM 9.18 billion for 27,334 property units against RM 6.46 billion for 18,596 property units as at 3Q 2010. This indicates a substantial increase of 47.0% and 42.0% in terms of volume and value of property transactions in Penang. The average property transaction value however decreased from RM 347,631 to RM 335,722 per transaction as at 3Q 2011.

3.2 Purpose Built Offices

The total supply of purpose built office space in Penang remained stable at 11.81 million sq ft in 2011, with 76.8% of the office space located on the Penang island. New supply included 183,869 sq ft of office space added to the market during the year in Kepala Batas as well as the CEO Smart Office Suites in Bukit Jambul. The bulk of supply is located in Georgetown (i.e. 150 office buildings out of the total 235 buildings in Penang). Occupancy rates of office buildings in Penang averaged at 78.0% in 2011.

Rents for high grade office buildings remained stable, and office buildings along Jalan Sultan Ahmad Shah did not see major changes in rents ranging between RM 2.60 to RM 2.80 per sq ft. Office buildings within the MSC Zone are able to command a comparatively premium rent due to the MSC status and the limited supply. This type of office space reaches up to RM 3.30 per sq ft in terms of rent.

The Penang Development Corporation (PDC) approved a multi-billion ringgit mixed development in Bayan Mutiara, Penang in 2011 known as Penang World City (PWC). The development includes a mixture of residences, office suites, office towers, retail lots, a shopping mall and a hotel. Jointly developed by two local corporations, PWC is expected to be carried out over five to eight years. (Source: The Sun, The Edge)

PROPERTY MARKET OVERVIEW 2011

3.3 Industrial Properties

State	Type of Property	Existing Supply					Future Supply	
		2007	2008	2009	2010	2011	Incoming Supply	Planned
Penang	Terraced	4,794	4,794	4,817	4,862	4,862	98	217
	Semi-Detached	1,109	1,109	1,109	1,109	1,109	78	30
	Detached	1,279	1,279	1,320	1,333	1,336	3	325
	Flatted Factory	333	333	333	333	333	59	0
	Industrial Complex	42	42	42	42	42	0	0
	Total		7,557	7,557	7,621	7,679	7,682	238

Source: JPPH, Ministry of Finance

Penang has the third highest number of industrial units in the country, after Selangor and Johor. The state of Penang has a total of 7,682 industrial units or 8.23% of total industrial properties in Malaysia. In 2011, Penang registered only 3 units of new industrial properties, all being detached factories.

Gross monthly rental for warehouses in Penang remained stable at RM 1.50 to RM 2.00 per sq ft. Detached factories with proper facilities and amenities for manufacturing purposes are able to command higher rents at RM 2.50 per sq ft.

Total proposed capital investments in Penang as of November 2011 fell to RM 6.01 billion, from RM 12.24 billion in 2010. A total of 90 projects were approved of which 69.6% (RM 4.19 billion) were foreign investments. (Source: MIDA)

2011 saw the Penang State government launch a number of initiatives such as the Small Medium Enterprises (SME) Market Advisory, Resource and Training (SMART) Centre to provide guidance for SMEs', and the Penang SME Centre in Bayan Lepas Industrial Park to nurture and spawn SMEs. This was a move towards expanding growth in SME's which are an integral part of Penang's industrialization programme. The presence of mature SME bases with the right technological knowledge and capabilities to support existing Multinational Corporations (MNC) is a major attraction for Penang. In addition to that, the Penang industrial market saw a number of corporations expanding their facilities during the period. (Source: The Edge)

Submitted on behalf of **CB Richard Ellis (Malaysia) Sdn Bhd**



Christopher Boyd
Executive Chairman
February 2012



CORPORATE
SOCIAL
RESPONSIBILITY

CORPORATE SOCIAL RESPONSIBILITY

Axis-REIT Donated a New Van to Pertubuhan Rumah Amal Cahaya Tengku Ampuan Rahimah ("RACTAR")



Our 2011 CSR project – A new van donated to RACTAR



Mr. Stewart LaBrooy handing over a mock key to the new van to RACTAR patron, YAM Puan Seri Tengku Puteri Nor Zehan

Being a concerned corporate citizen, it has always been Axis-REIT's mission to continue to contribute towards the economic and social development of our country. We believe that the future of our nation lies with our children and this has become the focus of our Corporate Social Responsibility Programs. Being a Real Estate Investment Trust we also seek to engage in programs which are sustainable and which derive long term benefits for the recipients of our programs, ultimately making a difference in their lives.

Every year Axis-REIT sets aside a budget for its Corporate Social Responsibility ("CSR") program and in 2011, we identified RACTAR, a home to 56 underprivileged children as the programs recipient. Based in Subang Jaya, RACTAR is a non-profit and non-government organization ("NGO") established since 19 June 1990 and today houses Muslim girls who are either orphans or from broken homes that are being referred by the Jabatan Kebajikan Masyarakat. The home provides shelter, education, skill training and caters to the needs of the children of ages ranging from 10 months to 20 years old from all over Malaysia.

The home was in need of a van to fetch the children to school as the only vehicle that they have was already 15 years old and frequently broke down. Also, the home had to frequently incur large repair bills for the existing vehicle.

Reviewing this need the Board recommended to our Trustees to allocate a budget of approximately RM 97,000 towards the purchase of a brand new van (Nissan Urvan; a 14-seater microbus) to replace RACTAR'S 15 year old vehicle. In line with our sustainability agenda the van will be under the ownership of Axis-REIT for the first five years, during which Axis-REIT will bear all the insurance, road tax and maintenance cost of the van.

At the handing over ceremony on December 2011, Mr Stewart LaBrooy the CEO of the Manager handed over a mock key together with the new Van to RACTAR patron, YAM Puan Seri Tengku Puteri Nor Zehan. Members of the Axis Team arrived to the home with packed meals and a magic and clown show to entertain the children.



Axis-REIT Debut at The Edge-Bursa Kuala Lumpur Rat Race for Charity 2011

For the first time, Axis-REIT participated in the annual Kuala Lumpur Rat Race organised by Bursa Securities and The Edge.

Modeled after the Carey Wall Street Rat Race in New York, the Kuala Lumpur Rat Race idea draws from the realization that besides getting caught in the proverbial rat race to climb the corporate ladder of success, corporations are keen to fulfill their corporate social responsibilities.

Celebrating its 12th run since its inaugural race back in 2000, this years event was held on 20 September 2011, starting and finishing at the grounds of Bursa Securities. Axis-REIT contributed RM 15,000 towards this charitable event and even sent in a team to participate in the race .

Our team consisted of 5 runners who successfully completed the 4.5 km run, with a ranking of 33 out of 55 teams in the 'Open Category'.

The 2011 Rat Race raised a total of RM 1.933 million which was are channeled to 20 beneficiaries, including the National Kidney Foundation - Adopt an NKF Patient, Persatuan Kebajikan Kanak-Kanak Rhema Seremban (Rhema Home), Persatuan Kebajikan Rumah Grace Klang, Persatuan Kebajikan Anak-Anak Yatim Nurul Ihsan, House of Hope and Pusat Jagaan Orang Tua Jireh.

All the staff had so much fun that they are now looking forward to participating in this years event and have asked the management to make it an permanent part of our annual CSR program. Our cheerleaders are all preparing to put on a good show at the 13th Annual Rat Race.





DETAILS OF
THE INCOME
DISTRIBUTION
REINVESTMENT
PLAN

On 9 February 2011 the Manager announced a proposed recurrent and optional reinvestment plan that allows unitholders of Axis-REIT to reinvest their income distribution in new Units through a Income Distribution Reinvestment Plan (“IDRP”).

On 26 July 2011, the Unitholders approved the IDRP at the Unitholders’ meeting which allows unitholders of Axis-REIT to reinvest their income distribution in new units in Axis-REIT.

Following the said approval, the Manager decided that the IDRP should apply to the third interim income distribution that was declared on 17 October 2011, in which the gross electable portion of 2.10 sen per Unit (of which 2.00 sen per Unit is taxable and 0.10 sen per unit is non-taxable in the hands of unitholders) (“Electable Portion”) out of the third interim income distribution of 4.30 sen per Unit could be elected to be reinvested in new Units and the remaining 2.20 sen per Unit (which is taxable in the hands of Unitholders) would be paid in cash.

The new Units were issued at the issue price of RM 2.30 per unit as determined on 17 October 2011 (“Price Fixing Date”). The issue price of RM 2.30 per Unit was based on the 5-day volume weighted average market price (“VWAMP”) of the Units up to and including 14 October 2011, being the last trading day prior to the Price-Fixing Date of RM 2.44 per Unit, and after adjusting for a discount of RM 0.14 per Unit which is approximately 5.7% discount to the 5-day VWAMP of 2.44 per unit.

Pursuant to the IDRP, Axis-REIT allotted 2,732,896 new Units on 9 December 2011 and these Units were listed on the Main Market of Bursa Securities on 12 December 2011. The new Units of 2,732,896 represented a successful take up rate of approximately 86.06% of the 3,176,665 total number of new Units that would have been issued pursuant to the IDRP, had all entitled Unitholders of Axis-REIT elected to re-invest their respective Electable Portion in new Units.

The net proceeds from the IDRP of RM 5,971,481 (after deducting estimated expenses for the IDRP) was utilised to refurbish and/or renovate the properties held by OSK Trustees Berhad, the Trustee for Axis-REIT (“Trustee”). The refurbishment and/or the renovation of the properties held by the Trustee is expected to enhance the future income to be generated from the said properties moving forward.

Here are some of the frequently asked questions of the IDRP:

1. How does it work?

Whenever a cash income distribution (either an interim or final income distribution) is announced, the Manager may,

in its absolute discretion, determine that the IDRP will apply to the whole or a portion of the income distribution (called the **Electable Portion**) and where applicable, any remaining portion of the income distribution will be paid in cash (called the **Remaining Portion**).

Each Unitholder has the following options in respect of the Electable Portion:

- (i) choose to receive the Electable Portion in cash; or
- (ii) choose to reinvest the entire Electable Portion in new Units credited as fully paid-up at an issue price to be determined on a Price-Fixing Date subsequent to the receipt of all relevant regulatory approvals for the IDRP; or
- (iii) choose to receive part of the Electable Portion in cash, and to reinvest the remaining part of the Electable Portion in new Units credited as fully paid-up at an issue price to be determined on the Price-Fixing Date.

2. Will I still have withholding tax deducted?

All gross income distribution with respect to the Electable Portion and the Remaining Portion will still be subject to the usual withholding tax. The net income distribution (net of withholding tax) will either be paid in cash and/or reinvested in new Units at its equivalent amount (as the case may be).

There is no tax advantage to be gained by Unitholders in any of the abovementioned options elected.

3. Will the units I receive be at a discount?

Unitholders will be able to receive new Units at an issue price with an implied discount.

For the purpose of computing the number of new Units to be issued under the IDRP, the issue price of such new Units shall not be more than 10% discount to the 5-day VWAMP of the Units immediately before the Price-Fixing Date.

DETAILS OF THE INCOME DISTRIBUTION REINVESTMENT PLAN

4. When will I get my Units?

An announcement on the book closure date will be made after the Price-Fixing Date.

Subsequently, copies of the notice of election in relation to the IDRP and information memorandum will be despatched to Unitholders. The Expiry Date will be stated in the Notice of Election.

Within 8 market days from Expiry Date or such date as may be prescribed by Bursa Securities, Axis-REIT will allot and issue the new Units on the Allotment Date, the Remaining Portion and the Electable Portion (where the Unitholders choose to receive the income distribution in cash), as the case may be, will be paid to the respective Unitholders in the usual manner. An announcement will also be made on the listing of and quotation for the new Units to be issued under the IDRP on the Main Market of Bursa Securities.

As the new Units to be issued under the IDRP are prescribed securities, the new Units will be credited directly into the respective Central Depository System accounts of the Unitholders and shall, upon allotment and issue, rank equally in all respects with the existing Units. However the new Units will not be entitled to any distributable income, right, benefit, entitlement and/or any other distributions that may be declared before the Allotment Date.

Following is a timeline from the announcement date until the listing of new Units pursuant to the IDRP.

Description	Timeline
Announcement of Book Closure Date ("BCD") for income distribution for period end (at least 10 market days from the BCD)	T
BCD	T + 10
Despatch of withholding tax confirmation letter	T + 11
Dateline for withholding tax confirmation	T + 16
Despatch of Notice of Election	T + 18
Expiry Date	T + 28
Allotment and Payment	T + 36
Listing of new Units	T + 37

5. Manager's Authority

The Manager has full authority to determine if the IDRP will apply to a particular income distribution. If the Manager has decided not to apply the IDRP to a particular income distribution then the income distribution declared in that quarter concerned will be paid in cash to the Unitholders in the usual manner.

The maximum number of new Units to be issued under the IDRP will depend on the Manager's decision on the size of the Electable Portion, the total number of Units held by the Unitholders who elect to reinvest the Electable Portion in new Units and the issue price which will be determined by the Manager on the Price-Fixing Date.

6. What happens if I elect not to participate?

If Unitholders do not expressly elect in writing to participate in the IDRP according to the terms and conditions, they will receive their Electable Portion in cash. As such, Unitholders need not take any action if they wish to receive their Electable Portion entirely in cash.

7. Manager authority to cancel the availability of the IDRP

Notwithstanding any provision of the IDRP, if at any time after the Manager has determined that the IDRP shall apply to any income distribution and before the Allotment Date in respect of the Electable Portion, the Manager shall consider that by reason of any event or circumstance (whether arising before or after such determination) or by reason of any matter whatsoever, it is no longer expedient or appropriate to implement the IDRP in respect of the Electable Portion, the Manager may, in its absolute discretion and as it deems fit in the interest of the Fund and without assigning any reason thereof, cancel the application of the IDRP in relation to the Electable Portion. In such an event, the Electable Portion shall be paid entirely in cash to Unitholders in the usual manner.

8. Who is Eligible to participate?

All Unitholders are eligible to participate in the IDRP, subject to the restrictions on the Unitholders with registered addresses outside Malaysia as at the relevant BCD for the income distribution to which the IDRP applies.

This is also subject to the requirement that such participation by the Unitholder will not result in a breach of any other restriction on such Unitholder's unitholding in Axis-REIT which may be imposed by any statute, law or regulation in force in Malaysia or any other relevant jurisdiction, as the case may be, or prescribed in the deed dated 3 April 2009 constituting Axis-REIT.

9. What about Odd lots?

A Unitholder who elects to reinvest the Electable Portion in new Units to which his Notice of Election relates, may receive such new Units in odd lots. Unitholders who receive odd lots of new Units and who wish to trade such odd lots on Bursa Securities should do so on the Odd Lot Market, which allows trading of odd lots with a minimum of 1 Unit.

10. Can the IDRП be terminated?

The IDRП may be modified, suspended (in whole or in part) or terminated at any time by the Manager as the Manager deems fit or expedient by giving notice in writing to all Unitholders.

11. Other issues relating to the proposed IDRП

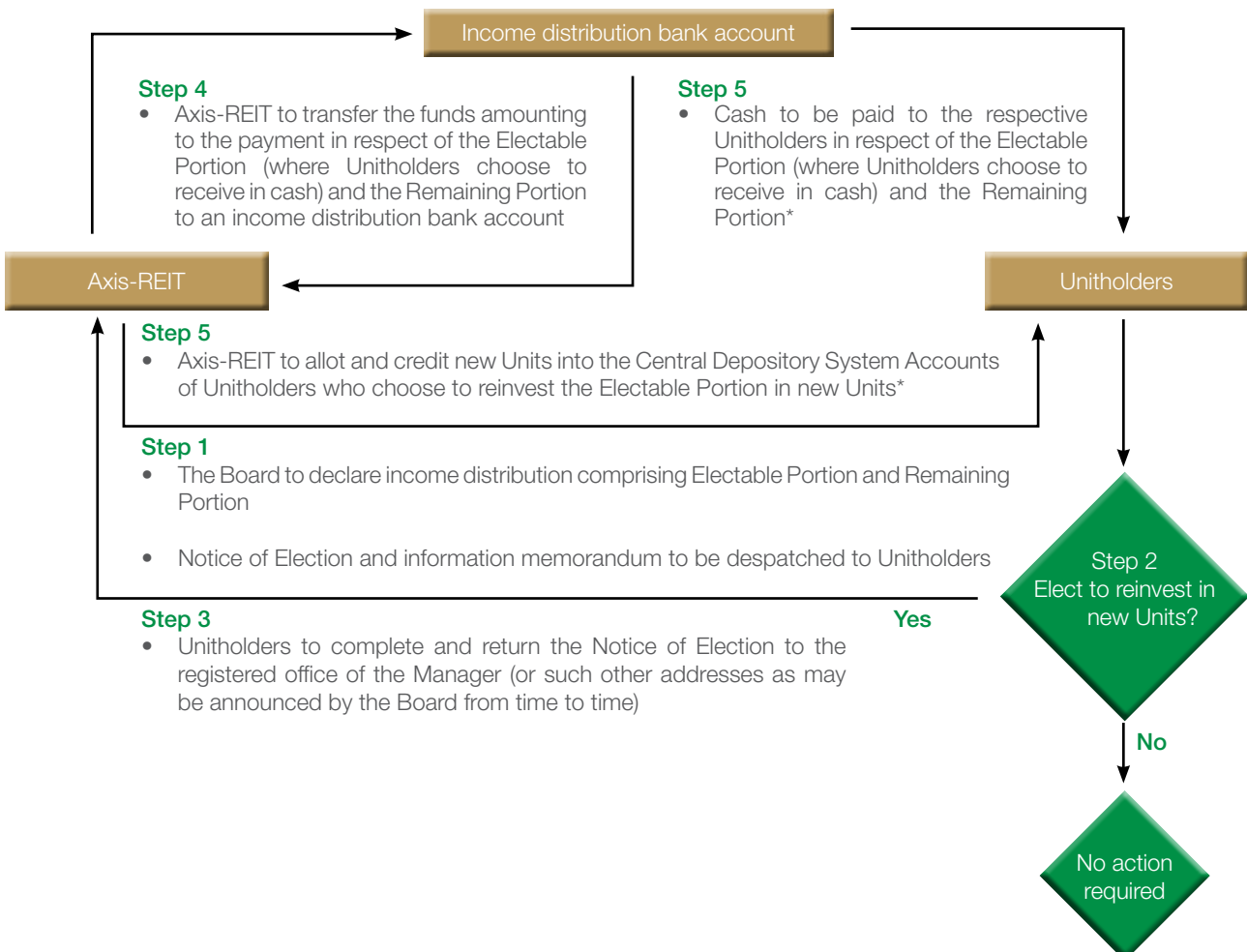
It should be noted that the grant of the right to participate in the IDRП, i.e. to elect to reinvest the Electable Portion in new Units, is made to all Unitholders, including the Directors and major shareholder of the Manager, major Unitholders and persons connected to them who hold Units.

The net proceeds from the IDRП (after deducting estimated expenses for the IDRП) will be utilised to refurbish and/or renovate the properties held by the Trustee, and/or for any other purpose that the Manager and the Trustee deem fit and in the best interest of the Unitholders. The refurbishment and/or the renovation of the properties held by the Trustee is expected to enhance the future income to be generated from the said properties moving forward.

A Unitholder's unitholding in Axis-REIT will be diluted if he/she chooses to receive the Electable Portion in cash. The extent of such dilution will depend on the size of the Electable Portion, the total number of Units held by the Unitholders who elect to reinvest the Electable Portion in new Units and the issue price which will be determined by the Manager on the Price-Fixing Date.

The total amount of income distribution to be declared, the size of the Electable Portion and consequently, the maximum number of new Units to be issued under the IDRП would depend on the financial performance and cash flow position of Axis-REIT, and prevailing economic conditions. The size of the Electable Portion will be determined by the Manager in its sole and absolute discretion from time to time.

The process flow chart in relation to any proposed income distribution and the IDRП is set out below:





CORPORATE
GOVERNANCE

CORPORATE GOVERNANCE

Axis REIT Managers Berhad (“the Manager”) recognizes that an effective corporate governance culture is critical to the performance of the Manager and consequently the success of Axis Real Estate Investment Trust (“Axis –REIT” of “the Fund”).

As a result, the Manager has adopted a comprehensive corporate governance framework that meets best practice principles. In particular the Manager has to act honestly, with due care and diligence, and in the best interest of the Unitholders of Axis-REIT.

The following sections describe the Manager’s main corporate governance practices and policies. They are designed to ensure that applicable securities laws and regulations, the Guidelines on Real Estate Investment Trusts (“REITs”) issued by the Securities Commission (“SC”) (“SC’s Guidelines on REITs”) as well as SC’s Guidelines on Islamic REITs, the Listing Requirements of Bursa Securities (“Bursa Securities”) and the Malaysian Code on Corporate Governance (Revised 2007) [“Code”] are complied with, where applicable, and that the Manager’s obligations as described in the Deed constituting Axis-REIT (“Deed”) are properly and efficiently carried out.

The Manager of Axis-REIT

Axis REIT Managers Berhad is the appointed Manager of Axis-REIT in accordance with the terms of the Deed. The Deed outlines the functions and duties of the Manager as well as the circumstances under which the Manager can be retired.

In view that Axis-REIT is externally managed by the Manager and as such, it has no employees. The Manager appoints experienced and well qualified personnel to handle its day to day operations. All directors and employees of the Manager are remunerated by the Manager and not by the Fund.

The Manager has the general power over the assets of the Fund. The Manager’s main responsibility is to manage the assets and liabilities of Axis-REIT for the benefit of the Unitholders.

The primary role of the Manager is to set the strategic direction of the Fund and make recommendations to the Trustee of Axis-REIT on acquisitions, divestments and enhancements in line with the agreed strategy.

The Manager is also responsible for the risk management of the Fund. Its other main functions are listed below:

- Using its best endeavors to carry on and conduct its business in a proper and efficient manner and conduct all transactions of the Fund in a transparent manner and at arm’s length.
- Preparing reports to the Board of Directors which may contain proposals and forecasts on net income, distribution per unit (“DPU”), capital expenditure, valuations frequency, explanations on variances

to previous forecasts, written reports on the future potential rental income stream generated by the portfolio of properties owned by Axis-REIT and the underlying assumptions, operational costs and any other assumptions.

- Ensuring compliance with all legislations, rules and guidelines issued by the SC and Bursa Securities, where applicable.
- Ensuring compliance with any tax rulings issued by the Inland Revenue Board of Malaysia.
- Attending to all queries from Unitholders and keeping the investing public informed of the performance of Axis-REIT.
- Supervising the Property Manager which performs the facilities management, lease and marketing management, project management services, and fit-out management services.

Board of Directors

The Board of Directors of the Manager oversees the management and corporate governance of the Manager including the establishment of Key Performance Indicators for senior management and the monitoring achievement of the same. All Board members participate in matters relating to corporate governance, business operations, risk management and financial performance of Axis-REIT.

The Board meets regularly at least once a quarter, to discuss and approve the release of the interim and annual financial results, review acquisitions or disposals, the annual budget, capital management proposals, property reports, investor relations reports, performance of the Manager (including its related entities) and Axis-REIT against the previously approved budget. When necessary, the Board meets to review and approve acquisitions or disposals for recommendation to the Trustee or any other issues requiring the immediate attention of the Board.

Notices of meetings setting out the agenda and accompanied by relevant meeting papers are provided to directors in a timely manner in order to enable the directors to have a comprehensive understanding on matters to be deliberated. All members of the Board have access to information in relation to the Manager and Axis-REIT as well as the advice and services of the Company Secretary who attends all the Board meetings of the Manager. Where necessary, the Board may also have access to the services of independent professional advisers in carrying out their duties.

Changes to regulations, policies, guidelines and accounting policies are monitored closely. The directors are briefed on any changes to current practices at regular Board meetings, specially convened meetings or via circularized board papers/memorandum.

CORPORATE GOVERNANCE

Composition of Board & Board Committees

Board of Directors and Meeting Attendance

Directors	Designation	Attendance (No. of meetings held : 4)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Independent Non-Executive Chairman	4/4	No Change
Dato' Abas Carl Gunnar Bin Abdullah	Non-Independent Executive Deputy Chairman	3/4	No Change
Alternate Director: Alex Lee Lao			
Tew Peng Hwee @ Teoh Peng Hwee	Non-Independent Non-Executive Director	3/4	No Change
George Stewart LaBrooy	Chief Executive Officer/ Executive Director	4/4	No Change
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Independent Non-Executive Director	4/4	No Change
Mohd Sharif Bin Hj Yusof	Senior Independent Non-Executive Director	3/4	No Change
Leong Kit May	Chief Financial Officer/ Executive Director	Not applicable	Appointed on 15 November 2011
Alvin Dim Lao	Non-Independent Non-Executive Director	Not applicable	Appointed on 30 December 2011
Yin-Yong Lee Lao	Non-Independent Non-Executive Director	4/4	Resigned on 30 December 2011

Audit Committee and Meeting Attendance

Audit Committee Members	Designation	Attendance (No. of meetings held : 4)	Remarks
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Chairman	4/4	No Change
Mohd Sharif Bin Hj Yusof	Member	4/4	No Change
Alvin Dim Lao	Member	Not applicable	Appointed on 30 December 2011
Yin-Yong Lee Lao	Member	4/4	Resigned on 30 December 2011

Remuneration Committee and Meeting Attendance

Remuneration Committee Members	Designation	Attendance (No. of meetings held : 1)	Remarks
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1	The segregated Remuneration Committee took effect from year 2011 onwards
Dato' Abas Carl Gunnar Bin Abdullah	Member	1/1	
Tew Peng Hwee @ Teoh Peng Hwee	Member	1/1	

Nomination Committee and Meeting Attendance

Nomination Committee Members	Designation	Attendance (No. of meetings held : 1)	Remarks
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	Chairman	1/1	The segregated Nomination Committee took effect from year 2011 onwards
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	Member	1/1	
Mohd Sharif bin Hj Yusof	Member	1/1	

As of 31 December 2011, the Board comprises of eight (8) members, three (3) of whom are independent directors in compliance with the SC's Guidelines on REITs. The Executive Deputy Chairman has an appointed Alternate Director.

The following principles guide the Board composition:

- The Chairman of the Board should be an Independent Non-Executive Director.
- The Board should comprise of directors with a broad range of commercial experience including expertise in fund management and the property market.
- At least 1/3 of its members should be independent directors.

Encik Mohd Sharif Bin Hj Yusof is the Senior Independent Non-Executive Director, to whom concerns of the Unitholders of Axis-REIT may be conveyed to.

The composition of the Board is reviewed annually to ensure that it has the best mix of expertise and experience.

Chairman And Chief Executive Officer ("CEO")/ Executive Director

The position of Chairman and CEO/Executive Director is held by separate persons in order to maintain an effective segregation of duties.

The Chairman ensures that members of the Board work together with the Management in a constructive manner to address strategies, business operations, financial performance and risk management issues.

The CEO/Executive Director has full executive responsibilities over the execution of the agreed business policies and directions set by the Board and of all operational decisions in managing Axis-REIT.

With 1/3 of the Board being independent directors, it enables the Management to tap their expertise and broad business experience in deliberating issues presented before the Board. This promotes a healthy and professional relationship between the Board and the Manager.

Board Remuneration

The remuneration of the Directors is paid by the Manager and not from the Fund. Details on the Remuneration Committee which is responsible over the determination of the remuneration policy framework of the Manager's Directors and senior management is set out below under Remuneration and Nomination Committees section.

Board Committees

The Board has established the following committees to assist in discharging its duties. The board committees are:

- The Executive Committee
- The Audit Committee
- The Remuneration Committee
- The Nomination Committee

The Executive Committee

The Executive Committee operates under the delegated authority from the Board and the following are the Executive Committee Members as of 31 December 2011:

Dato' Abas Carl Gunnar Bin Abdullah (Chairman)
 – Non-Independent Executive Deputy Chairman

Stephen Tew Peng Hwee (member)
 – Non-Independent Non-Executive Director

Stewart LaBrooy (member)
 – CEO/Executive Director

This committee oversees the day-to-day activities of the Manager and Axis-REIT on behalf of the Board which includes:

- Make recommendations to the Board on all acquisitions, investments and disposals;
- Make recommendations to the Board on any financing offers, capital management proposals and additional banking facilities;
- Report and recommend to the Board any corporate exercise, including the issuance of new Axis-REIT Units;
- Make recommendations to the Board on financial budgets; and

CORPORATE GOVERNANCE

- Forward summary reports on activities undertaken by the Manager and minutes of Executive Committee meetings to all Audit Committee and Board members, where applicable.

The Executive Committee has met formally a total of seven (7) times in 2011. However there have been several informal meetings held between members of the committee during the year.

Audit Committee

The Board has an overall responsibility in ensuring a balanced and understandable assessment of Axis-REIT's positions and prospects is presented and the Audit Committee plays an important role in assisting the Board in this area. The Audit Committee also assists the Board in the area of risk management and internal controls. The Audit Committee Report is set out as a separate section of this Annual Report.

Further details on risk management are set out below under "Risk Management" section and details on the internal audit function are contained in the Statement of Internal Control.

The Remuneration and Nomination Committees

The compositions of the Remuneration and Nomination Committees as of 31 December 2011 respectively are as follows:

(i) Remuneration Committee

- Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor (Chairman)
– Independent Non-Executive Director
- Dato' Abas Carl Gunnar Bin Abdullah (member)
– Non Independent Executive Deputy Chairman
- Stephen Tew Peng Hwee (member)
– Non Independent Non-Executive Director

(ii) Nomination Committee

- Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor (chairman)
– Independent Non-Executive Director
- YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin (member)
– Independent Non-Executive Chairman
- Mohd Sharif bin Hj Yusof (member)
– Independent Non-Executive Director

The responsibilities of the Remuneration Committee are:

- To establish and recommend to the Board the policy framework in determining the remuneration of the Executive and Non-Executive Directors of the Board, members of senior management and to review changes to the remuneration policy from time to time, so as to ensure that the Manager attracts and retains individuals of the highest calibre.

- To establish a formal and transparent framework or policy for the individual remuneration packages of Executive Directors and designated executive management, including but not limited to bonuses, incentives and units option (if any).
- Review and recommend to the Board on an annual basis the remuneration packages of Executive Directors and executive management, drawing from outside advice as necessary.

During the year under review, the Remuneration Committee had reviewed the remuneration packages of the Directors and senior management staff and made recommendations to the Board accordingly.

The responsibilities of the Nomination Committee are:

- To recommend to the Board, candidates for directorships proposed by other board members, the Executive Committee, shareholder of the Manager or Unitholder of Axis-REIT, where applicable;
- To recommend to the Board, any director(s) to fill seats on Board committees.
- To assess the effectiveness of the Board as a whole, Board committees and the contribution of each individual director.
- To determine appropriate training for directors and review the fulfillment of such training, where appropriate.

During the year under review, assessments and independent performance evaluation had been carried out by the Nomination Committee to ensure that the Board and its committees (Audit Committee, Remuneration Committee and Nomination Committee) have been functioning effectively. The Nomination Committee had also during the financial year reviewed the proposed appointment of new Directors and made recommendation to the Board on the same.

Other Obligations Observed by The Directors of The Manager

Trading in Axis-REIT Units

In general the Manager encourages the directors and employees to hold Axis-REIT Units. However, dealings in Axis-REIT Units will be subject to compliance with Chapter 14 of the Listing Requirements of Bursa Securities.

Directors' Training

All the Directors of the Manager have attended trainings during the year in compliance with the Listing Requirements of Bursa Securities. Some of the Directors had been invited to participate as speakers and presented talks at conferences and seminars. The details are as follows:

Directors	Training attended and activities participated
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	<ul style="list-style-type: none"> Update of Corporate Governance Blueprint 2011 IREI/APREA Asia Investor Roundtable 2011
Dato' Abas Carl Gunnar Bin Abdullah	<ul style="list-style-type: none"> Update of Corporate Governance Blueprint 2011
Tew Peng Hwee @ Teoh Peng Hwee	<ul style="list-style-type: none"> Update of Corporate Governance Blueprint 2011
George Stewart LaBrooy	<ul style="list-style-type: none"> Update of Corporate Governance Blueprint 2011 IREI/APREA Asia Investor Roundtable 2011 The 8th IREF Summit 2011 (London) ASLI Summit – 4th National Housing & Property Summit Islamic Real Estate World Asia 2011 Conference (Hong Kong) Securities Commission - Why invest in REITs? APREA - Property Leaders Forum 2011 IFN Asia Forum - Equity and Equity Linked Products: Moving Forward London IREF Summit
Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor	<ul style="list-style-type: none"> The 8th IREF Summit 2011 (London) Invest Malaysia 2011 MABC Speaker Series Lunch Directors' Training on Corporate Governance in Malaysia and FRS Development FIABCI Brown Paper Bag Seminar ASLI Summit – 4th National Housing & Property Summit MBAM Construction Industry Seminar Islamic Real Estate World Asia 2011 Conference (Hong Kong)
Mohd Sharif Bin Hj Yusof	<ul style="list-style-type: none"> Update of Corporate Governance Blueprint 2011
Yin-Yong Lee Lao	<ul style="list-style-type: none"> Update of Corporate Governance Blueprint 2011
Alex Lee Lao (alternate director)	<ul style="list-style-type: none"> Legal Corner: Property, Ownership & Real Estate Taxation
Leong Kit May	<ul style="list-style-type: none"> Update of Corporate Governance Blueprint 2011 APREA - Property Leaders Forum 2011

The new Directors, appointed during the financial year 2011, Ms Leong Kit May and Mr Alvin Dim Lao will be attending the Mandatory Accreditation Programme within the prescribed timeframe stipulated by Bursa Securities.

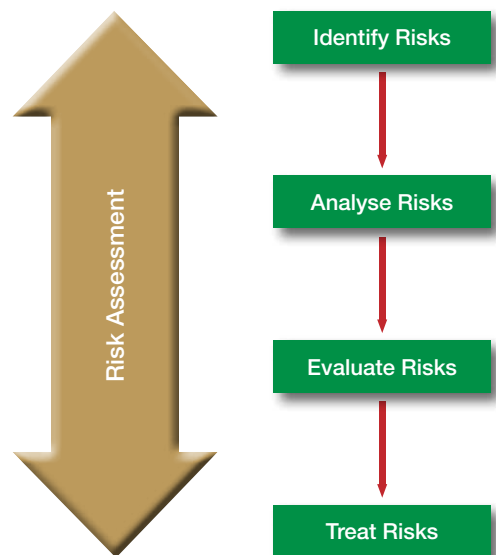
Risk Management

Effective risk management is a fundamental part of the Manager's business strategy in order to ensure there are no adverse disruptions to the income distribution and to mitigate any potential loss which may impact negatively upon all the Unitholders so as to preserve their investments. Risk management has been part of the Manager's day-to-day operations and there is an Operations Manual (reviewed and updated from time to time) which provides an overview of the Manager's responsibilities and guidance in relation to the management of Axis-REIT to ensure consistency of operational procedures and practices within the organization. The commitment to achieve effective risk management is ultimately driven by the Board, which in turn is implemented by the management team and extended to all employees of the Manager.

The Manager had formulated and developed the Risk Management Framework and put in place a Risk Register where key risk profile was established and the management led by the Risk Management Officer, Ms Leong Kit May periodically reviews, monitors and updates the Risk Register for reporting to the Audit Committee.

Approach to Risk Management

The approach to risk management is driven by a systematic process designed to identify potential risks that may affect the entity, and manage those risk to provide reasonable assurance regarding the achievement of Axis-REIT's objective.



The above risk management processes are supported by the:

- Establishment of a risk management reporting structure consisting of head of departments reporting to the Risk Management Officer and CEO who in turn will compile, validate and report to the Audit Committee;
- Development of Detailed Risk Register for each departmental units with quarterly review; summarized in the Departmental Risk Profile; and
- Reporting of the Corporate Risk Profile to the Audit Committee and the Board.

CORPORATE GOVERNANCE

Dealings with Conflicts of Interest

The Manager has established the following procedures to deal with potential conflicts of interest issues which it (including its directors, executive officers and employees) may encounter in managing Axis-REIT:

- The Manager will be a dedicated manager of Axis-REIT and will not manage any other real estate investment trust or be involved in any other real property business;
- All Executive Officers will be employed by the Manager;
- Any related party transactions must be duly disclosed by the related parties to the Audit Committee and the Board;
- The Board shall ensure 1/3 of its members are Independent Directors;
- In circumstances where any directors or officers of the Manager may have a direct or indirect interest in any related party transactions they will abstain from deliberation and voting at any Board meeting and will require Trustee's approval prior to entering into any agreement.

The directors of the Manager are under a fiduciary duty towards Axis-REIT to act in the best interest in relation to decisions affecting Axis-REIT when they are voting as a member of the Board. In addition, the Executive and Non-Executive Directors (including the CEO) and the Executive Officers of the Manager are expected to act with honesty and integrity at all times.

Under the Deed, the Related Parties of the Manager (as defined in the Deed) are prohibited from voting their Units at, or being part of a quorum for, any meeting of Unitholders convened to approve matter or business in which any of the Related Parties has an interest.

Dealings with Related Party Transactions

The Manager will comply with all requirements as laid out in the SC's Guidelines on REITs on related party transactions including provisions contained in the Deed.

The Manager will establish procedures that will ensure that such transactions are undertaken in full compliance to the SC's Guidelines on REITs and are carried out on an arm's length basis and under normal commercial terms and in the best interest of the Unitholders. The Manager would have to demonstrate to the Audit Committee that transactions (whether purchase of services or property) would be taken on normal commercial terms, which may include in the case of the purchase of services the obtaining of quotations from parties unrelated to the Manager, or in the case of purchase of property the obtaining of valuation from an independent valuer.

Related party transactions shall require the Trustee to ensure that such transactions are at arm's length, based on normal commercial terms and not prejudicial to the

interest of the Unitholders. Furthermore, the Trustee has the ultimate discretion under the Deed to decide whether or not to enter into a transaction involving a related party of the Manager. If the Trustee is to sign any contract with a related party of the Trustee or the Manager, the Trustee will review the contract documentation to ensure it complies with the requirements and provisions relating to related party transactions contained in the SC's Guidelines on REITs and the Deed.

All related party transactions are subject to regular periodic review by the Audit Committee prior to recommendation to the Board. If a member of the Audit Committee has an interest in a transaction he is to abstain from participating in the review and recommendation process in relation to that transaction.

Communication with Unitholders

The Manager has established a strong culture of continuous disclosure and transparent communication with Unitholders and the investing community. The Manager achieves this through timely and full disclosure of all material information relating to Axis-REIT by way of public announcements on the Bursa Securities website and through its own website at www.axis-reit.com.my as well as through analyst briefings and retail roadshows.

Unitholders' meetings will also be convened at least once yearly in order to keep the Unitholders updated with the performance, activities, progress and prospects of Axis-REIT.

Further details on communication with Unitholders, analysts and fund managers will be covered under the section on Investor Relations.

Compliance with The Code

The Board considers that Axis-REIT and the Manager are substantially in compliance with the best practices set out in part 2 of the Code throughout the financial year ended 31 December 2011. The Board is committed and will continue to enhance compliance with the best practices in corporate governance where applicable.

Other Information

Relationship

There are no family relationships among the Directors of the Manager and/or substantial unitholders of Axis-REIT.

Conflict of Interest

None of the Directors of the Manager has any conflict of interest with Axis-REIT.

Conviction for Offences

None of the Directors has been convicted for any offences other than traffic offences within the past ten (10) years.



AUDIT
COMMITTEE
REPORT &
STATEMENT
ON INTERNAL
CONTROL

AUDIT COMMITTEE REPORT

Recognizing that an audit committee plays a crucial role in the corporate governance process of an organization, the Board of Directors of Axis REIT Managers Berhad, the management company of Axis Real Estate Investment Trust ("Axis-REIT"), had established an Audit Committee on a voluntary basis and this Committee has the delegated oversight responsibilities from the Board in ensuring that the interests of the Unitholders of Axis-REIT are protected.

1. Composition of Audit Committee

The Audit Committee comprises of three (3) Non-Executive members, two of whom (including the Chairman) are Independent Non-Executive Directors of the Board.

The composition of the Committee as at 31 December 2011 is:

- 1) YAM Tunku Dato' Seri Shahabuddin
Bin Tunku Besar Burhanuddin
- Independent Non-Executive Chairman
- 2) Mohd Sharif Bin Hj Yusof
- Independent Non-Executive Director
- 3) Alvin Dim Lao (appointed on 30 December 2011)
- Non-Independent Non-Executive Director
- 4) Yin-Yong Lee Lao (resigned on 30 December 2011)
- Non-Independent Non-Executive Director

2. Terms of Reference

Constitution

The Board of Directors has constituted and established a committee of the Board to be known as the Audit Committee ("the Committee").

Membership

- The Committee shall be appointed by the Board from amongst the directors of the Company and shall comprise of at least three (3) members, all of whom must be non-executive directors, with a majority of them being independent.
- At least one (1) member of the Committee:-
 - (i) must be a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:-
 - he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he must be a member of one (1) of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(iii) fulfils such other requirements as prescribed or approved by the Exchange.

- No alternate director shall be appointed as a member of the Committee.
- The members of the Committee shall elect a Chairman from among their number who shall be an Independent Non-Executive Director.
- The Company Secretary or such other person(s) authorised by the Board shall act as the Secretary to the Committee.
- If a member of the Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.
- The term of office and performance of the Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether such Committee and its members have carried out their duties in accordance with their terms of reference.

Meetings and Minutes

- The Committee shall meet at least four (4) times in a financial year, although additional meetings may be called at any time at the Committee Chairman's discretion.
- The quorum for the meeting of the Committee shall consist of not less than two (2) members, a majority of whom must be independent Directors.
- Other than in circumstances which the Chairman of the Committee considers inappropriate, Chief Financial Officer and the representatives of the external auditors and internal auditors will normally attend any meeting of the Committee to make known their views on any matter under consideration pertaining to Axis-REIT, by the Committee or which in their opinion, should be brought to the attention of the Committee. Other Board members, employees and external professional advisers shall attend any particular meetings upon invitation by the Committee.
- The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company, and shall be open for inspection by any member of the Committee and the Board.

- A circular resolution in writing signed by the members of the Committee who are sufficient to form a quorum, shall be valid and effectual as if it had been passed at a meeting of the Committee duly convened. Any such resolution may consist of several documents in like form, each signed by one (1) or more members of the Committee.
- Any member of the Committee may participate in any meeting of the Committee via telephone conferencing, video conferencing or by means of any communication equipment which allows all persons participating in the meeting to hear each other. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly.

Authority

- The Committee is authorised by the Board to investigate any matter within the Committee's terms of reference. It shall have full and unrestricted access to any information pertaining to Axis-REIT or the Company (if required) and shall have the resources it requires to perform its duties. All employees of the Company are required to comply with the requests made by the Committee.
- The Committee is authorised by the Board to obtain outside legal or external independent professional advice and secure the attendance of outsiders with relevant experience and expertise if it considers this necessary, the expenses of which will be borne by the Company and/or Axis-REIT, where applicable.
- The Committee shall have direct communication channels with the external auditors and internal auditors.
- The Committee shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and management, whenever deemed necessary, in order to enable the Committee and the external auditors or the internal auditors or both, to discuss problems and reservations and any other matter pertaining to Axis-REIT or the Company (if any), the external auditors or internal auditors may wish to bring up to the attention of the Committee.

Functions and Duties

- The Committee shall, amongst others, discharge the following functions:-
 - (a) Review the following and report the same to the Board of the Company:-
 - with the external auditors, the audit plan of Axis-REIT, the nature and scope of work and ascertain that it will meet the needs of the Board, the unitholders and regulatory authorities;

- with the external auditors, their evaluation of the quality and effectiveness of entire accounting system and the adequacy and integrity of the internal control system of Axis-REIT;
- with the external auditors, their audit report;
- the assistance given by management to the external and internal auditors;
- the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
- the internal audit programme, processes and results of the internal audit programme, processes, major findings of internal investigation and management's response and whether or not appropriate action is taken on the recommendations of the internal audit function;
- the quarterly results, annual and semi-annual financial statements of Axis-REIT prior to the approval by the Board, focusing particularly on:-
 - i. changes in or implementation of major accounting policies and practices;
 - ii significant and unusual events;
 - iii significant adjustments arising from the audit;
 - iv compliance with accounting standards, other statutory and legal requirements and the going concern assumption;
 - v. the accuracy and adequacy of the disclosure of information essential to a fair and full presentation of the financial affairs of Axis-REIT;
 - vi. any related party transactions and conflict of interest situations that may arise within the Company and/or Axis-REIT including any transaction, procedure or course of conduct that raises questions of management integrity;
 - vii. any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external and internal auditors, particularly any comments and responses in management letters as well as the assistance given by the employees of the Company in order to be satisfied that appropriate action is being taken.

AUDIT COMMITTEE REPORT

viii. to review the Statement of Internal Control for recommendation to the Board for approval.

ix. to ensure the internal audit function reports directly to the Committee and the said internal audit function shall have direct access to the Chairman of the Committee on all matters of control and audit pertaining to Axis-REIT or the Company (if necessary).

- (b) Recommend for Board's approval, the nomination of a person or persons as external auditors and internal auditors and their proposed audit fees, review or appraise the performance of the external auditors and internal auditors (where necessary), and to discuss issues relating to the resignation or dismissal of external auditors or internal auditors.
- (c) Promptly report to the Exchange on any matter reported by it to the Board of the Company which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of the Exchange.
- (d) Carry out any other functions that may be mutually agreed upon by the Committee and the Board which would be beneficial to Axis-REIT and/or the Company and ensure the effective discharge of the Committee's duties and responsibilities

3. Responsibilities of Audit Committee

The role of the Audit Committee is to monitor and evaluate the effectiveness and adequacy of the Manager's internal controls and financial management.

The Audit Committee's responsibilities also include:

- Reviewing external audit reports to ensure that where deficiencies in financial management internal controls have been identified, appropriate and prompt remedial action is taken by management;
- Monitoring legislation regulated by applicable securities laws, the SC's Guidelines on REITs the Main Market Listing Requirements and taxation laws and rulings;
- Reviewing internal audit reports pertaining to risk management, operations manual compliance and internal controls ensuring that actions and changes recommended and agreed on are promptly implemented by the management;
- Reviewing the quality and reliability of information prepared for inclusion in interim financial reports and annual financial statements of Axis-REIT for reporting the Board;

- Monitoring the procedures established for related party transactions and reviewing such transactions to ensure compliance with the REIT Guidelines and the Deed of Axis-REIT;
- Recommending to the Board the appointment of the external and internal auditors; and
- Annually evaluating the appointed External Auditors of Axis-REIT and if appropriate, to recommend to the Board and Trustee of Axis-REIT their re-appointment.

4. Summary of Activities Carried Out by The Committee During The Financial Year

- (i) reviewed the quarterly reports and the audited financial statements of Axis-REIT to ensure adherence to legal and regulatory reporting requirements before recommending to the Board for approval;
- (ii) reviewed and recommended for Board's approval the Audit Committee Report and Internal Control Statement for inclusion into the Annual Report of Axis-REIT;
- (iii) reviewed the internal audit plan and internal audit reports with the Internal Auditors;
- (iv) reviewed with External Auditors, their audit planning memorandum, audit approach and reporting requirements prior to the commencement of audit works;
- (v) evaluated and recommended to the Board the re-appointment of the External Auditors of Axis-REIT in respect of the financial year ended 31 December 2011 for onward recommendation to the Trustee of Axis-REIT;
- (vi) reviewed the implementation of the income distribution reinvestment plan in conjunction with income distribution(s) of Axis-REIT;
- (vii) met with the External Auditors, in the absence of the Management, to discuss problems and reservations (if any) which the External Auditors may wish to highlight to the Committee; and
- (viii) ensured that Axis-REIT's appointed External Auditors were duly registered with the Audit Oversight Board.

5. Relationship with The External & Internal Auditors

The Board via the Audit Committee maintains a formal and transparent relationship with the External Auditors as well as the Internal Auditors and the Audit Committee has direct and unrestricted access to both the External and Internal Auditors.

STATEMENT ON INTERNAL CONTROL PURSUANT to Paragraph 15.26(B) of The Main Market Listing Requirements

The Board of Directors of the Company, being the management company ("Manager") of Axis Real Estate Investment Trust ("Axis-REIT") has voluntarily adopted the best practices in corporate governance by establishing an Audit Committee and setting up an Internal Audit Function, which had been outsourced to an independent professional firm, although it is not compulsory for Axis-REIT, being a real estate investment trust, to comply with such requirements under the Main Market Listing Requirements of Bursa Securities. This is because the Board is committed to maintaining a sound and effective system of internal control to safeguard the interests of the Unitholders of Axis-REIT, the investments and assets of Axis-REIT as well as the shareholder's interests and assets of the Manager.

The Board has overall responsibility for the reviewing and ensuring the effectiveness, adequacy and integrity of the system of internal control of Axis-REIT and the Manager. Because of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate, the risk of failure to achieve corporate objectives. In pursuing these objectives, internal control can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Key Elements of the Internal Control System Established

Internal Audit Function and Risk Management Policy

Risk management has been part of the Management's day-to-day operations and there is an Operations Manual which provides an overview of the Manager's responsibilities in relation to the management of Axis-REIT. This Operations Manual is a guide to daily activities and operations of Axis-REIT and is subject to periodic reviews and updates. The Management team of the Manager is committed to be guided by the Operations Manual and this ensures consistency of operational procedures and practices within the organization.

In accordance with the *Statement on Internal Control - Guidance for Directors of Public Listed Companies*, Axis-REIT and the Manager have in place, an ongoing process for identifying, measuring and controlling the significant risks faced by Axis-REIT and the Manager and the Board, through the Audit Committee, reviews this process from time to time. With the assistance rendered by the outsourced Internal Auditors, Axis-REIT and the Manager have formulated and developed a Risk Management Policy ("RMP") and put in place a Risk Register where a key risk profile was established. The Manager is committed towards applying the mechanism under the RMP in order to identify, analyse, evaluate and treat risks facing Axis-REIT and the Manager, with the main focus areas being financial, asset management, business development & investor relations, human resource and information technology. As an on-going process under risk management, Management shall review, monitor and update the Risk Register periodic and as and when the need arises basis.

Reporting and Review

The outsourced Internal Auditors report directly to the Audit Committee and assist the Board in monitoring and managing risks and internal controls. The reports are presented at the Audit Committee's meetings for review and discussion upon completion of each internal audit cycle or follow-up assignment. The Audit Committee will then report to the Board the findings, improvement recommendations and implementation outcomes accordingly.

Summary of Internal Audit Activities

Based on an agreed internal audit plan, the outsourced Internal Auditors had assisted the Manager and reported the outcome to the Audit Committee of the Manager the following internal audit work carried out during the financial year ended 31 December 2011 of Axis-REIT:

1. internal audit review on tendering and evaluation processes for property enhancement and scheduled maintenance and insurance coverage for Axis-REIT's properties;
2. internal audit review on debts monitoring and payroll controls;
3. internal audit review on compliance with the Manager's duties stipulated in Axis-REIT's Trust Deed; and
4. internal audit review on financial controls in the areas of payment processing, revenue cycle and information technology or system general controls.

The costs incurred by the Manager for the outsourced Internal Audit Function in respect of the financial year ended 31 December 2011 amounted to RM60,000.

There were no control deficiencies noted during the financial year under review which had a material impact on Axis-REIT or the Manager's financial performance or operations.

STATEMENT ON DIRECTORS' RESPONSIBILITY for preparing The Annual Audited Financial Statements

In accordance with Paragraph 15.26(a) of the Listing Requirements of Bursa Securities, the Board of Directors of Axis REIT Managers Berhad, the management company of Axis Real Estate Investment Trust ("Axis-REIT"), is pleased to report that, the financial statements of Axis-REIT for the year ended 31 December 2011, have been drawn up in accordance with the provisions of the Deed of Axis-REIT dated 3 April 2009, Securities Commission's Guidelines on Real Estate Investment Trusts, applicable securities laws and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of Axis-REIT as at 31 December 2011 and of the results of its operations and cash flows for the year then ended. The Directors have:

- adopted appropriate accounting policies and applied them consistently;
- made judgments and estimates that are reasonable and prudent;
- considered that all relevant approved accounting standards have been followed subject to any material departures being disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis.

The Directors have a general responsibility for taking such steps to safeguard the assets of Axis-REIT, and to detect and prevent fraud as well as other irregularities.



FINANCIAL STATEMENTS

- 100** Statement of Financial Position
- 101** Statement of Comprehensive Income
- 103** Statement of Changes in Net Asset Value
- 104** Statement of Cash Flows
- 105** Notes to the Financial Statements
- 130** Statement by the Manager
- 131** Statutory Declaration
- 132** Trustee's Report
- 133** Independent Auditors' Report

STATEMENT OF FINANCIAL POSITION

As At 31 December 2011

	Note	2011 RM'000	2010 RM'000
Assets			
Non-current assets			
Investment properties	4	1,276,180	1,164,382
Equipment	5	102	-
		1,276,282	1,164,382
Current assets			
Asset classified as held for sale	6	-	14,300
Receivables, deposits and prepayments	7	14,621	13,633
Current tax asset		154	154
Cash and cash equivalents	8	7,374	16,428
		22,149	44,515
Total assets		1,298,431	1,208,897
Financed by:			
Unitholders' funds			
Unitholders' capital	9.1	728,217	540,281
Reserves	9.3	215,880	214,949
Total unitholders' funds		944,097	755,230
Non-current liabilities			
Tenants' deposits	10	27,033	19,773
Financing	11	149,103	218,609
		176,136	238,382
Current liabilities			
Payables and accruals	10	15,963	17,233
Financing	11	162,235	198,000
Liability classified as held for sale	6	-	52
		178,198	215,285
Total liabilities		354,334	453,667
Total unitholders' funds and liabilities		1,298,431	1,208,897
Net asset value ("NAV")		944,097	755,230
Number of units in circulation ('000 units)		453,814	375,901
NAV per unit (RM)			
- Before income distribution		2.0804	2.0091
- After income distribution		2.0664 [#]	1.9566

NAV after reflecting proposed final 2011 income distribution of 1.40 sen per unit for the period 26 November 2011 to 31 December 2011 payable on 29 February 2012.

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Gross revenue			
- realised	12	114,311	89,213
- unrealised (in relation to unbilled lease income receivable)	12	3,415	-
		117,726	89,213
Property operating expenses	13	(17,359)	(12,961)
Net property income		100,367	76,252
Profit income		421	638
Net loss on disposal of investment properties		(258)	-
Change in fair value of investment properties			
- as per valuation		16,013	45,593
- unbilled lease income receivable		(3,415)	-
Net gain on financial liabilities measured at amortised cost		154	3,210
Net investment income		113,282	125,693
Manager's fees	1(b)	7,707	6,043
Trustee's fees	1(c)	377	298
Auditor's fees			
- audit		93	93
- other services		9	17
Tax agent's fees		15	14
Bad debts written off/(recovered)		3	(108)
Impairment losses of trade receivables		69	213
Depreciation		2	-
Administrative expenses		890	549
Islamic financing cost		22,890	16,853
Valuation fees		228	320
Total expenses		32,283	24,292
Net income before tax		80,999	101,401
Income tax benefit/(expense)	14	52	(52)
Net income for the year attributable to unitholders		81,051	101,349
Other comprehensive income, net of tax			
Cash flow hedge		(994)	68
Total comprehensive income for the year attributable to unitholders		80,057	101,417
Net income for the year is made up as follows:			
Realised		64,832	52,598
Unrealised			
- Unrealised rental income (in relation to unbilled lease income receivable)		3,415	-
- Change in fair value of investment properties			
- as per valuation		16,013	45,593
- unbilled lease income receivable		(3,415)	-
- Gain on financial liabilities measured at amortised cost		154	3,210
- Provision for deferred tax liabilities		52	(52)
		16,219	48,751
		81,051	101,349
Earnings per unit (sen)	15	21.26	30.95
Earnings per unit (before manager's fees)			
- Gross (sen)		23.28	32.80
- Net (sen)		23.28	32.80

STATEMENT OF COMPREHENSIVE INCOME

For The Year Ended 31 December 2011 (continued)

	Note	2011 RM'000	2010 RM'000
Net income distribution			
Interim income distribution of 15.80 sen per unit paid on 31 May 2011, 26 August 2011, 9 December 2011 and 22 December 2011 (2010: 10.75 sen per unit paid on 27 May 2010, 30 August 2010 and 12 October 2010)		59,392	33,011
Proposed final income distribution of 1.40 sen per unit payable on 29 February 2012 (2010: 5.25 sen per unit paid on 28 February 2011)		6,353	19,735
	16	65,745	52,746
Distribution per Unit			
- Gross (sen) - interim	16	15.80	10.75
- final	16	1.40	5.25
- Net (sen) * - interim	16	15.80	10.75
- final	16	1.40	5.25

* Withholding tax will be deducted for distributions made to the following categories of unitholders:

	Withholding tax rate		
	2012	2011	2010
Resident corporate	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	25%	25%	25%
Non-resident institutional	10%	10%	10%

[^] to tax at prevailing rate

STATEMENT OF CHANGES IN NET ASSET VALUE

For The Year Ended 31 December 2011

	Total unitholders' capital RM'000	Distributable Realised income RM'000	<-Non-distributable-> Unrealised income RM'000	Hedging reserves RM'000	Total Unitholders' funds RM'000
At 1 January 2010					
- as previously stated	406,854	179	143,324	-	550,357
- effect of amended FRS 110	-	15,293	-	-	15,293
	406,854	15,472	143,324	-	565,650
- effect of adopting FRS 139	-	-	3,766	(726)	3,040
As at 1 January 2010, restated	406,854	15,472	147,090	(726)	568,690
Net income for the year	-	52,598	48,751	-	101,349
Cash flow hedge	-	-	-	68	68
Total comprehensive income for the year	-	52,598	48,751	68	101,417
Placement of units	135,575	-	-	-	135,575
Issuing expenses	(2,148)	-	-	-	(2,148)
Distribution to unitholders	-	(48,304)	-	-	(48,304)
Total contributions from/ (distributions to) unitholders	133,427	(48,304)	-	-	85,123
At 31 December 2010	540,281	19,766	195,841	(658)	755,230
Note 9					
At 1 January 2011	540,281	19,766	195,841	(658)	755,230
Net income for the year	-	64,832	16,219	-	81,051
Cash flow hedge	-	-	-	(994)	(994)
Realisation of unrealised income	-	1,043	(1,043)	-	-
Total comprehensive income/(loss) for the year	-	65,875	15,176	(994)	80,057
Placement of units	190,477	-	-	-	190,477
Issuing expenses	(2,541)	-	-	-	(2,541)
Distribution to unitholders	-	(79,126)	-	-	(79,126)
Total contributions from/ (distributions to) unitholders	187,936	(79,126)	-	-	108,810
At 31 December 2011	728,217	6,515	211,017	(1,652)	944,097

Note 9

STATEMENT OF CASH FLOWS

For The Year Ended 31 December 2011

	Note	2011 RM'000	2010 RM'000
Cash flows from operating activities			
Net income before taxation		80,999	101,401
<i>Adjustments for:</i>			
Islamic financing cost		22,890	16,853
Profit income		(421)	(638)
Change in fair value of investment properties		(16,013)	(45,593)
Depreciation of equipment	5	2	-
Net gain on financial liabilities measured at amortised cost		(154)	(3,210)
Net loss on disposal of investment property		258	-
Operating income before changes in working capital			
Receivables, deposits and prepayments/payments		(988)	(6,811)
Payables and accruals		(2,264)	1,215
Tenants' deposits		7,414	8,946
Net cash from operating activities			
Cash flows from investing activities			
Profit income received		421	638
Acquisition of investment properties		(82,571)	(237,269)
Acquisition of equipment		(104)	-
Enhancement of investment properties		(13,214)	(10,858)
Net proceeds from disposal of investment property		14,042	-
Net cash used in investing activities			
Cash flows from financing activities			
Islamic financing cost paid		(22,890)	(16,853)
(Payment of)/Proceeds from financing		(105,271)	107,677
Income distribution paid to unitholders		(72,840)	(48,304)
Proceeds from issue of units		184,191	135,575
Issuing expenses		(2,541)	(2,148)
Net cash (used in)/generated from financing activities			
Net (decrease)/increase in cash and cash equivalents		(9,054)	621
Cash and cash equivalents at 1 January		16,128	15,507
Cash and cash equivalents at 31 December			
	(i)	7,074	16,128

(i) **Cash and cash equivalents**

Cash and cash equivalents included in the statement of cash flows comprise the following statement of financial position amounts:

	Note	2011 RM'000	2010 RM'000
Cash and bank balances	8	4,062	4,143
Shariah-based deposits placed with licensed banks	8	3,312	12,285
		7,374	16,428
Less: Shariah-based deposit placed with a licensed bank - pledged		(300)	(300)
		7,074	16,128

NOTES TO THE FINANCIAL STATEMENTS

1. General

Axis Real Estate Investment Trust ("Axis-REIT") is a Malaysia-domiciled real estate investment trust constituted pursuant to the Deed dated 3 April 2009 ("the Deed") between Axis REIT Managers Berhad ("the Manager") and OSK Trustees Berhad ("the Trustee"). The Deed is regulated by the Securities Commission Act, 1993, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, the Listing Requirements of Bursa Malaysia Securities Berhad, the Rules of the Depository and taxation laws and rulings. Axis-REIT will continue its operations until such time as determined by the Trustee and the Manager as provided under the provisions of Clause 26 of the Deed. The addresses of its registered office and principal place of business are as follows:

Registered office

Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur

Principal place of business

Suite 6.04 Penthouse
Wisma Academy
4A Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan

Axis-REIT is principally engaged in investing in a diverse portfolio of properties with the primary objective of achieving an attractive level of return from rental income and long-term capital growth. There has been no significant change in the nature of this activity during the year.

Axis-REIT was formally admitted to the Main Board of Bursa Malaysia Securities Berhad on 3 August 2005.

Axis-REIT has entered into several service agreements in relation to the management of Axis-REIT and its property operations. The fee structures of these services are as follows:

(a) Property management fees

The Property Manager, Axis Property Services, is entitled to a property management fee in respect of the management of the investment properties owned by Axis-REIT as provided in the Deed. The fee is based on a certain graduated scale as provided in the provisions of the revised Valuers, Appraisers and Estate Agents Act, 1981 as required by the Securities Commission's Guidelines on Real Estate Investment Trusts. The property management fees are payable monthly in arrears.

(b) Manager's fees

Pursuant to the Deed, the Manager is entitled to receive a fee of up to a maximum of 1.00% (2010: 1.00%) per annum of the Net Asset Value of Axis-REIT, calculated on a monthly accrual basis and payable monthly in arrears. The Manager's fees for the year ended 31 December 2011 of RM7,706,733 (2010: RM6,042,624) is 1.00% (2010: 1.00%) of the monthly net asset value.

The Manager is also entitled to receive an acquisition fee or a disposal fee of 1% or 0.5% of the purchase price or the disposal price, respectively, of any investment property purchased or disposed directly or indirectly by Axis-REIT which is payable after the completion of the acquisition or the disposal. The acquisition fees for the year ended 31 December 2011 of RM861,250 (2010: RM2,338,500) is 1.00% (2010: 1.00%) of the purchase price. The acquisition fees are included in the acquisition cost of the investment properties acquired (Note 4).

The disposal fee for the year ended 31 December 2011 of RM76,850 (2010: Nil) is 0.5% of the disposal price.

(c) Trustee's fees

Pursuant to the Deed, the Trustee is entitled to receive a fee of 0.05% (2010: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated on a monthly accrual basis and payable monthly in arrears. The trustee's fees for the year ended 31 December 2011 is RM376,851 (2010: RM297,730).

The financial statements were approved by the Board of Directors of the Manager on 15 February 2012.

2. Basis of preparation

(a) Statement of compliance

The financial statements of Axis-REIT have been prepared in accordance with the provisions of the Deed, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws, Financial Reporting Standards ("FRSs") and generally accepted accounting principles in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of preparation (continued)

(a) Statement of compliance (continued)

The following are accounting standards, amendments and interpretations of the FRS framework that have been issued by the Malaysian Accounting Standards Board (MASB) but have not been adopted by Axis-REIT:

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, *Extinguishing Financial Liabilities with Equity Instruments*
- Amendments to IC Interpretation 14, *Prepayments of a Minimum Funding Requirement*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, *Related Party Disclosures* (revised)
- Amendments to FRS 112, *Income Taxes – Deferred Tax: Recovery of Underlying Assets*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income*

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2013

- FRS 9, *Financial Instruments* (2009)
- FRS 9, *Financial Instruments* (2010)
- FRS 13, *Fair Value Measurement*

Axis-REIT financial statements for annual period beginning on 1 January 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards (MFRSs) issued by the MASB and International Financial Reporting Standards (IFRSs). As a result, Axis-REIT will not be adopting the above FRSs, Interpretations and amendments.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis other than as disclosed in Note 3.

(c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the functional currency of Axis-REIT. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than disclosed in Note 4 - valuation of investment properties

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Axis-REIT.

(a) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, Axis-REIT becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially, at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

(i) Initial recognition and measurement (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

(ii) Financial instrument categories and subsequent measurement

Axis-REIT categorises financial instruments as follows:

Financial assets

(a) *Financial assets at fair value through profit or loss*

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial assets categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(b) *Financing and receivables*

Financing and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as financing and receivables are subsequently measured at amortised cost using the effective profit method.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment (see Note 3(g)(i)).

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are held for trading, derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Derivatives that are linked to and must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at cost.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(iii) Hedge accounting

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(a) Financial instruments (continued)

(iii) Hedge accounting (continued)

Cash flow hedge (continued)

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

(iv) Derecognition

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(b) Investment properties

(i) Investment properties carried at fair value

Investment properties are properties which are owned under a freehold interest or held under a leasehold interest to earn rental income or for capital appreciation or for both.

Investment properties are measured initially at cost and subsequently at fair value with any change therein recognised in profit or loss for the period in which they arise.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which the item is derecognised.

(ii) Determination of fair value

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values Axis-REIT's investment property portfolio every year.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

3. Significant accounting policies (continued)

(b) Investment properties (continued)

(ii) Determination of fair value (continued)

In the absence of current prices in an active market, the valuations are prepared by considering the aggregate of the estimated cash flows expected to be received from renting out the property. A yield that reflects the specific risks inherent in the net cash flows is then applied to the net annual cash flows to arrive at the property valuation.

Valuations reflect, where appropriate:

- the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, and the market's general perception of their creditworthiness;
- the allocation of maintenance and insurance responsibilities between Axis-REIT and the lessee; and
- the remaining economic life of the property.

When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices and, where appropriate, counter-notices have been served validly and within the appropriate time.

Significant assumptions in arriving at the fair value of investment properties are disclosed in Note 4.

(c) Equipment

(i) Recognition and measurement

Items of equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

The gain or loss on disposal of an item of equipment is determined by comparing the proceeds from disposal with the carrying amount of equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a part of an item of equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to Axis-REIT, and its cost can be measured reliably. The carrying amount of the replaced part is derecognised to profit or loss. The costs of the day-to-day servicing of equipment are recognised in profit or loss as incurred.

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost, less its residual value.

Depreciation is recognised in profit or loss on a straight-line basis over the term of their estimated useful lives at the following principal annual rates:

- Office equipment 10%
- Motor vehicle 20%

Depreciation methods, useful lives and residual values are reviewed, and adjusted as appropriate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(d) Leases

Leases in terms of which Axis-REIT assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Leases where Axis-REIT does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on Axis-REIT's statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment properties.

(e) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale.

Immediately before classification as held for sale, the assets are remeasured in accordance with Axis-REIT's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and Shariah-based deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(g) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment.

An impairment loss in respect of financing and receivables is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective profit rate. The carrying amount of the asset is reduced through the use of an allowance account.

(ii) Other assets

The carrying amounts of other assets (except for investment property that is measured at fair value and non-current assets classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss.

3. Significant accounting policies (continued)

(g) Impairment (continued)

(ii) Other assets (continued)

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(h) Financing

Financing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(i) Provisions

A provision is recognised if, as a result of a past event, Axis-REIT has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Revenue

(i) Rental income

Rental income consists of income from the letting of investment properties including lots and car parks, and other associated income.

Rental income from investment properties is recognised in profit or loss on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets.

(ii) Profit income

Profit income is recognised as it accrues using the effective interest method in profit or loss.

(k) Expenses

(i) Property expenses

Property expenses consist of property management fees, quit rents and assessment, and other property outgoings in relation to investment properties where such expenses are the responsibility of the Axis-REIT.

Property management fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(a).

(ii) Manager's fees

Manager's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(b).

(iii) Trustee's fees

Trustee's fees are recognised on an accrual basis using the applicable formula, stipulated in Note 1(c).

(iv) Islamic financing cost

Islamic financing cost incurred in connection with financing are expensed using the effective interest method, in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting policies (continued)

(l) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

A tax incentive that is not a tax base of an asset is recognised as a reduction of tax expense in profit or loss as and when it is granted and claimed. Any unutilised portion of the tax incentive is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

4. Investment properties

	Note	2011 RM'000	2010 RM'000
At 1 January		1,164,382	884,962
Acquisitions		82,571	237,269
Enhancements		13,214	10,858
Change in fair value		16,013	45,593
Reclassified as asset held for sale	6	-	(14,300)
At 31 December		1,276,180	1,164,382
Included in the above are:			
Land and buildings at fair value		1,276,180	1,164,382

4. Investment properties (continued)

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2011 %	Fair value as at 31.12.2011 RM'000	Initial acquisition cost as at 31.12.2011 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2011 %
Menara Axis * #	Leasehold	99	54	Petaling Jaya	Commercial	100.0	106,000	71,440	11.2
Crystal Plaza ** #	Leasehold	99	48	Petaling Jaya	Commercial	100.0	101,000	56,400	10.7
Axis Business Park *** #	Leasehold	99	49	Petaling Jaya	Office & Warehouse	98.8	108,000	84,600	11.4
Infinite Centre *** #	Leasehold	99	54	Petaling Jaya	Office & Warehouse	97.7	37,000	25,450	3.9
Axis Plaza *** #	Freehold	-	-	Shah Alam	Office & Warehouse	89.3	31,000	22,500	3.3
Wisma Kemajuan ^ #	Leasehold	99	54	Petaling Jaya	Office & Warehouse	78.9	54,200	29,192	5.7
Kayangan Depot ^ #	Leasehold	99	75	Shah Alam	Office & Warehouse	69.4	22,000	16,224	2.3
Wisma Bintang ^ #	Leasehold	99	56/60	Petaling Jaya	Office & Workshop	100.0	47,100	32,681	5.0
Axis Shah Alam DC 1 ^^^ #	Freehold	-	-	Shah Alam	Factory/ Warehouse	100.0	20,200	18,783	2.1
Giant Hypermarket ^^ #	Freehold	-	-	Sungei Petani	Warehouse	100.0	39,200	38,678	4.2
FCI Senai **	Leasehold	60	56	Senai, Johor	Office & Factory	100.0	14,000	12,538	1.5
Nestle Office & Warehouse ^^^ #	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	9,000	7,352	1.0
Quattro West (formerly known as Nestle House)*	Leasehold	99	61	Petaling Jaya	Office	89.5	52,000	40,376	5.5
Strateg HQ (formerly known as Kompakar CRC HQ) *** #	Leasehold	99	57	Petaling Jaya	Office & Warehouse	100.0	41,000	37,549	4.3
BMW Centre PTP ***	Leasehold	60	44	Tanjung Pelepas	Office & Warehouse	100.0	28,500	27,470	3.0
Niro Warehouse ^^^ #	Leasehold	60	40	Pasir Gudang	Office & Warehouse	100.0	16,000	14,811	1.7
Delfi Warehouse ^^^ #	Leasehold	60	56	Pasir Gudang	Office & Warehouse	100.0	13,900	12,743	1.5
Axis Vista ***	Leasehold	99	55	Petaling Jaya	Office & Warehouse	100.0	35,800	32,481	3.8
Axis Steel Centre *	Leasehold	99	91	Klang	Office & Warehouse	100.0	75,000	65,882	7.9
Bukit Raja Distribution Centre ^^^ #	Freehold	-	-	Klang	Office & Warehouse	100.0	84,300	72,636	8.9
Seberang Prai Logistic Warehouse 1 ^^^	Leasehold	60	42	Seberang Prai	Office & Warehouse	100.0	18,990	17,695	2.0
Seberang Prai Logistic Warehouse 2 ^^^	Leasehold	60	42	Seberang Prai	Office & Warehouse	100.0	7,490	6,981	0.8
Tesco Bukit Indah ***	Freehold	-	-	Johor Bahru	Warehouse	100.0	86,000	76,750	9.1
Axis PDI Centre *	Leasehold	99	80	Kuala Langat	Office & Warehouse	100.0	92,000	86,146	9.7
Axis Technology Centre *	Leasehold	99	56	Petaling Jaya	Office & Warehouse	100.0	52,000	49,697	5.5
D8 Logistic Warehouse ^^^	Leasehold	60	44	Johor Bahru	Warehouse	100.0	31,300	30,521	3.3
Axis Eureka ^^^	Freehold	-	-	Cyberjaya	Office	99.4	53,200	52,050	5.6
Investment properties							1,276,180	1,039,626	

* Menara Axis, Quattro West (formerly known as Nestle House), Axis Steel Centre, Axis PDI Centre and Axis Technology Centre were valued on 6 December 2011, 5 December 2011, 1 July 2011, 7 December 2011 and 7 December 2011 respectively, by PA International Property Consultant (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

** Crystal Plaza was valued on 5 December 2011 by Rahim & Co Chartered Surveyors Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.

*** Axis Business Park, Infinite Centre, Axis Plaza, FCI Senai, Strataq HQ (formerly known as Kompakar CRC HQ), BMW Centre PTP, Axis Vista and Tesco Bukit Indah were valued on 5 December 2011, 2 December 2011, 2 August 2011, 5 December 2011, 5 December 2011, 1 July 2011 and 6 December 2011 respectively, by CB Richard Ellis (Malaysia) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

^ Wisma Kemajuan, Kayangan Depot and Wisma Bintang were valued on 8 December 2011 and 8 December 2011 respectively, by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost, comparison and investment methods of valuation.

^^ Giant Hypermarket were valued on 11 December 2011 by Cheston International (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.

^^^ Axis Shah Alam DC 1, Nestle Office & Warehouse, Niro Warehouse, Bukit Raja Distribution Centre, Seberang Prai Logistic Warehouse 1, Seberang Prai Logistic Warehouse 2, D8 Logistic Warehouse and Axis Eureka were valued on 8 April 2011, 10 August 2011, 10 August 2011, 7 December 2011, 8 December 2011, 7 December 2011, 7 December 2011 and 8 December 2011 by CH Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

These properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 11).

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties (continued)

The comparison method considers the sales of similar or substitute properties and related market data, and establishes a value estimate by processes involving comparison. In general, the property being valued is compared with sales of similar properties that have been transacted in the open market. Listing and offering may also be considered. Valuation under this method may be significantly affected by the timing and the characteristics (such as location, accessibility, design, size and condition) of the property transactions used for comparison.

The cost method considers the summation of the value components of the land and cost of building. The value components of land are estimated based on location, plot size, accessibility and other relevant factors. The cost of building is determined based on current estimates of size, reproduction cost less depreciation or replacement cost less depreciation, obsolescence and existing physical condition of the building. The reproduction or replacement cost of building is derived from estimates of current market prices for materials, labour and present construction techniques. Valuation under this method may be significantly affected by the location of the property and the market prices for materials and labour.

The investment method considers income and expenses data relating to the property being valued and estimates value through a capitalisation process. The annual rental income presently received or expected to command over a period of time relating to the lease of the property is estimated to obtain the net annual rental value. This net annual income is then appropriately adjusted with a discounting rate to present value and then capitalised by an appropriate capitalisation rate to adjust the income into the present capital value of the property. Valuation under this method may be significantly affected by the yield, occupancy rate, discount factor and capitalisation rate used. The yield applied to the net annual rentals to determine fair value of the property ranges from 6.5% to 8.5% (2010: 6.8% to 9.0%) per annum.

The valuers have considered the results of the above methods in their valuation and applied professional judgment in the determination of the fair value of these investment properties.

Included in the acquisition cost of investment properties are RM861,250 (2010: RM2,338,500) which relates to acquisition fees paid to the Manager (Note 1(b)).

The following are recognised in profit or loss in respect of investment properties:

	Note	2011 RM'000	2010 RM'000
Gross revenue (from investment properties)			
- realised	12	114,311	89,213
- unrealised (in relation to unbilled lease income receivable)	12	3,415	-
Direct operating expenses	13	17,359	12,961

4. Investment properties (continued)

Description of property	Tenure of land	Term of lease (Years)	Remaining term of lease (Years)	Location	Existing use	Occupancy rates as at 31.12.2010 %	Fair value as at 31.12.2010 RM'000	Initial acquisition cost as at 31.12.2010 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2010 %
Menara Axis**	Leasehold	99	55	Petaling Jaya	Commercial	100.0	96,012	71,440	12.7
Crystal Plaza**	Leasehold	99	49	Petaling Jaya	Commercial	100.0	96,036	56,400	12.7
Axis Business Park***	Leasehold	99	50	Petaling Jaya	Office & Warehouse	95.1	107,005	84,600	14.2
Infinite Centre***	Leasehold	99	55	Petaling Jaya	Office & Warehouse	93.4	36,000	25,450	4.8
Axis Plaza***	Freehold	-	-	Shah Alam	Office & Warehouse	76.7	31,000	22,500	4.1
Wisma Kemajuan**	Leasehold	99	55	Petaling Jaya	Office & Warehouse	82.2	53,630	29,192	7.1
Axis North Port LC 1*	Leasehold	99	95	Klang	Warehouse	100.0	14,300	10,373	1.9
Kayangan Depot**	Leasehold	99	76	Shah Alam	Office & Warehouse	60.5	20,000	16,224	2.7
Wisma Bintang^	Leasehold	99	57/61	Petaling Jaya	Office & Workshop	100.0	47,000	32,681	6.2
Axis Shah Alam DC 1^^	Freehold	-	-	Shah Alam	Factory/ Warehouse	100.0	19,081	18,783	2.5
Giant Hypermarket^^	Freehold	-	-	Sungei Petani	Warehouse	100.0	39,000	38,678	5.2
FCI Senai***	Leasehold	60	57	Senai, Johor	Office & Factory	100.0	14,000	12,538	1.9
Nestle Office & Warehouse^^	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	8,200	7,352	1.1
Quattro West (formerly known as Nestle House)*	Leasehold	99	62	Petaling Jaya	Office	72.6	53,138	40,376	7.0
Strateg HQ (formerly known as Kompakar CRC HQ)***	Leasehold	99	58	Petaling Jaya	Office & Warehouse	100.0	40,000	37,549	5.3
BMW Centre PTP***	Leasehold	60	45	Tanjung Pelepas	Office & Warehouse	100.0	28,500	27,470	3.8
Niro Warehouse^^	Leasehold	60	41	Pasir Gudang	Office & Warehouse	100.0	15,600	14,811	2.1
Delfi Warehouse^^	Leasehold	60	57	Pasir Gudang	Office & Warehouse	100.0	13,500	12,743	1.8
Axis Vista #	Leasehold	99	56	Petaling Jaya	Office & Warehouse	100.0	35,600	32,481	4.7
Axis Steel Centre*	Leasehold	99	92	Klang	Office & Warehouse	100.0	75,000	65,882	9.9
Bukit Raja Distribution Centre^^	Freehold	-	-	Klang	Office & Warehouse	100.0	80,600	72,636	10.7
Seberang Prai Logistic Warehouse 1^^	Leasehold	60	43	Seberang Prai	Office & Warehouse	100.0	18,990	17,695	2.5
Seberang Prai Logistic Warehouse 2^^	Leasehold	60	43	Seberang Prai	Office & Warehouse	100.0	7,490	6,981	1.0
Tesco Bukit Indah***	Freehold	-	-	Johor Bahru	Warehouse	100.0	85,000	76,750	11.3
Axis PDI Centre*	Leasehold	99	81	Kuala Langat	Office & Warehouse	100.0	92,000	86,146	12.2
Axis Technology Centre*	Leasehold	99	57	Petaling Jaya	Office & Warehouse	100.0	52,000	49,697	6.9
							1,178,682	967,428	
							(14,300)	(10,373)	
							1,164,382	957,055	

Property classified as held for sale (Note 6)
Investment properties

* Menara Axis, Wisma Kemajuan, Axis Northport LC 1, Kayangan Depot, Quattro West (formerly known as Nestle House), Axis Steel Centre, Axis PDI Centre and Axis Technology Centre were valued on 4 August 2010, 15 December 2010, 20 December 2010, 15 December 2010, 27 May 2010, 16 December 2010, 3 May 2010 and 4 May 2010 respectively, by PA International Property Consultant (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

** Crystal Plaza was valued on 10 August 2010 by Rahim & Co Chartered Surveyors Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.

*** Axis Business Park, Infinite Centre, Axis Plaza, FCI Senai, Strateg HQ (formerly known as Kompakar CRC HQ), BMW Centre PTP and Tesco Bukit Indah were valued on 5 August 2010, 5 August 2010, 5 July 2010, 17 September 2010, 7 June 2010 and 29 July 2010 respectively, by CB Richard Ellis (Malaysia) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.

NOTES TO THE FINANCIAL STATEMENTS

4. Investment properties (continued)

- ^ Wisma Bintang was valued on 22 December 2010, by First Pacific Valuers Property Consultants Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.
- ^^ Axis Shah Alam DC 1 and Giant Hypermarket were valued on 18 March 2010 and 4 June 2010 by Cheston International (KL) Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the cost and investment methods of valuation.
- ^^^ Nestle Office & Warehouse, Niro Warehouse, Delfi Warehouse, Bukit Raja Distribution Centre, Seberang Prai Logistic Warehouse 1 and Seberang Prai Logistic Warehouse 2 were valued on 29 May 2010, 3 December 2010, 20 October 2010, 8 June 2010, 8 June 2010 and 8 June 2010 by CH Williams Talhar & Wong Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison, cost and investment methods of valuation.
- # Axis Vista was valued on 16 December 2010 by Raine & Horne International Zaki + Partners Sdn. Bhd., an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison/cost and investment methods of valuation.
- ## These properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 11).

5. Equipment

	Office equipment RM'000	Motor vehicle RM'000	Total RM'000
Cost			
At 1 January 2010/2011	-	-	-
Additions	11	93	104
At 31 December 2011	11	93	104
Accumulated depreciation			
At 1 January 2010/2011	-	-	-
Charge for the year	-	2	2
At 31 December 2011	-	2	2
Carrying amount			
At 31 December 2011	11	91	102

6. Asset classified as held for sale

During the financial year ended 31 December 2010, a letter of offer to dispose an investment property, Axis Northport LC 1 ("the Property") has been duly accepted by a potential buyer. Subsequent to 31 December 2010, Axis-REIT entered into a sale & purchase agreement for the said disposal for a total consideration of RM14,500,000. Accordingly, the fair value less costs to sell of the Property was classified as asset held for sale.

As at 31 December 2010, the Property and its associated liability were as follows:

	2010 RM'000
Asset classified as held for sale	
Investment property (Note 4)	14,300
Liability classified as held for sale	
Deferred tax liability on potential real property gains tax	52

The disposal of the Property was completed on 18 April 2011.

7. Receivables, Deposits And Prepayments

	2011 RM'000	2010 RM'000
Trade		
Trade receivables	5,417	3,427
Non-trade		
Other receivables	877	608
Prepayments and deposits	8,327	9,598
	9,204	10,206
	14,621	13,633

8. Cash and cash equivalents

	2011 RM'000	2010 RM'000
Cash and bank balances	4,062	4,143
Shariah-based deposits placed with licensed banks	3,312	12,285
	7,374	16,428

Included in Shariah-based deposits placed with licensed banks is an amount of RM300,000 (2010: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 11).

9. Total unitholders' funds

9.1 Unitholders' capital

	2011 Number of units '000	2010 Number of units '000
Authorised:		
At 1 January	375,901	307,081
Increased during the year	77,913	68,820
At 31 December	453,814	375,901
Issued and fully paid up:		
At 1 January	375,901	307,081
Issued for cash	75,180	68,820
Issued under Income Income Distribution Reinvestment Plan ("IDRP")	2,733	-
At 31 December	453,814	375,901
	RM'000	RM'000
At 1 January	540,281	406,854
Issue of new units:		
75,180,200 units @ RM2.45 per unit and 2,732,896 units @ RM2.30 per unit (2010: 68,819,800 units @ RM1.97 per unit)	190,477	135,575
Issuing expenses (Note 17)	(2,541)	(2,148)
At 31 December	728,217	540,281

NOTES TO THE FINANCIAL STATEMENTS

9. Total unitholders' funds (continued)

9.2 Unitholdings of substantial unitholders, directors and their related parties

As at 31 December 2011, the Manager did not hold any units in Axis-REIT. However, the directors of the Manager and their related parties held units in Axis-REIT, details of which are as follows:

	2011		2010	
	Number of units '000	Market value RM'000	Number of units '000	Market value RM'000
Axis-REIT's substantial unitholders' direct unitholdings in Axis-REIT:				
Tew Peng Hwee @ Teoh Peng Hwee	27,120	71,054	27,618	65,455
Alex Lee Lao#	24,016	62,922	23,819	56,451
The Manager's directors' direct unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah	16,571	43,416	16,735	39,662
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	10	26	10	24
Tew Peng Hwee @ Teoh Peng Hwee	27,120	71,054	27,618	65,455
George Stewart LaBrooy	96	252	95	225
Alex Lee Lao#	24,016	62,922	23,819	56,451
Leong Kit May	20	52	-	-
The Manager's directors' indirect unitholdings in Axis-REIT ¹ :				
Dato' Abas Carl Gunnar bin Abdullah*	5,622	14,730	5,550	13,154
Tew Peng Hwee @ Teoh Peng Hwee**	757	1,983	750	1,778
Alex Lee Lao***	2,168	5,680	2,150	5,096
Direct unitholdings of companies that are controlled, jointly controlled or significantly influenced by the Manager's directors:				
Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation)	252	660	250	593
Baiduri Kemas Sdn. Bhd. (in Members' Voluntary Liquidation)	252	660	250	593
Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation)	252	660	250	593
Direct unitholdings of close family of the Manager's directors:				
Datin Kuyas Emiloglu	4,865	12,746	4,800	11,376
Leon Lee Lao	1,008	2,641	1,000	2,370
Yin-Yong Lee Lao	403	1,056	400	948
Tan Siew Geok	337	886	335	794

Notes:

¹ The indirect unitholdings of the Manager's directors can be obtained from the information on the direct unitholdings of companies that are controlled, jointly controlled or significantly influenced by the Manager's directors as well as the direct unitholdings of close family members of the Manager's directors.

Alex Lee Lao is an alternate director to Dato' Abas Carl Gunnar Bin Abdullah.

* Deemed interested by virtue of his shareholdings in Baiduri Kemas Sdn. Bhd. (in Members' Voluntary Liquidation), Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation), and Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation), as well as the unitholdings of his spouse, Datin Kuyas Emiloglu.

** Deemed interested by virtue of his shareholdings in Baiduri Kemas Sdn. Bhd. (in Members' Voluntary Liquidation), Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation), and Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation).

*** Deemed interested by virtue of his shareholdings in Baiduri Kemas Sdn. Bhd. (in Members' Voluntary Liquidation), Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation), and Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation), as well as the direct unitholdings of his brothers, Yin-Yong Lee Lao and Leon Lee Lao.

The market value of the units was determined by multiplying the number of units with the market price of RM2.62 (2010: RM2.37) as at 31 December 2011.

9. Total unitholders' funds (Continued)

9.3 Reserves

	2011 RM'000	2010 RM'000
Undistributed income	217,532	215,607
Hedging reserve	(1,652)	(658)
	215,880	214,949

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

9.4 Breakdown of realised and unrealised net income or losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the undistributed income or accumulated losses as at the end of the reporting period, into realised and unrealised net income or losses.

On 20 December 2010, Bursa Securities further issued another directive on the disclosure and the prescribed format of presentation.

The breakdown of the undistributed income of Axis-REIT as at 31 December 2011, into realised and unrealised net income, pursuant to the directive, is as follows:

	2011 RM'000	2010 RM'000
Total undistributed income of Axis-REIT		
- realised	6,515	19,766
- unrealised	211,017	195,841
Total undistributed income	217,532	215,607

The determination of realised and unrealised net income is based on the Guidance of Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by Malaysian Institute of Accountants on 20 December 2010.

The unrealised income relates to the cumulative fair value adjustment to investment properties (Note 4), net gain on financial liabilities measured at amortised cost and unbilled lease income receivable. This is offset against deferred tax liability recognised for potential real property gains tax on the fair value gain on the Property held for sale.

NOTES TO THE FINANCIAL STATEMENTS

10. Payables and accruals

	2011 RM'000	2010 RM'000
Non-Current		
Non-trade		
Tenants' deposits - payable after 12 months	27,033	19,773
Current		
Trade		
Trade payables	1,526	1,183
Non-trade		
Tenants' deposits - payable within 12 months	7,544	9,978
Other payables and accrued expenses	5,241	5,414
Derivatives designated as hedging instrument	1,652	658
	15,963	17,233
	42,996	37,006

Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM865,000 (2010: RM672,000) and RM331,000 (2010: RM147,000) respectively, which are unsecured, interest-free, and payable monthly in arrears.

11. Financing

	2011 RM'000	2010 RM'000
Non-current		
Secured term financing	150,000	220,400
Transaction costs	(897)	(1,791)
	149,103	218,609
Current		
Secured term financing (due within 12 months)	70,400	-
Transaction costs	(165)	-
Secured revolving credit	92,000	198,000
	162,235	198,000
	311,338	416,609

The financing is secured over investment properties as disclosed in Note 4.

Terms and financing payment schedule

	Year of maturity	Profit charged %	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000
2011						
Secured term financing	2012	4.44	70,235	70,235	-	-
Secured term financing	2013	4.85	49,223	-	49,223	-
Secured term financing	2014	5.61	99,880	-	-	99,880
Secured revolving credit	2012	4.30 - 4.59	92,000	92,000	-	-
2010						
Secured term financing	2012	4.40	69,880	-	-	69,880
Secured term financing	2013	4.85	49,792	-	-	49,792
Secured term financing	2014	5.64	98,937	-	-	98,937
Secured revolving credit	2011	2.86 - 4.57	198,000	198,000	-	-

12. Gross revenue

	Note	2011 RM'000	2010 RM'000
Rental income from investment properties			
- realised		107,237	82,832
- unrealised (in relation to unbilled lease income receivable)	4	3,415	-
Car park income		4,139	3,272
Other income		2,935	3,109
		117,726	89,213

13. Property operating expenses

	2011 RM'000	2010 RM'000
Assessment	2,696	1,934
Service contracts and maintenance	4,104	3,761
Property management fees	2,429	1,866
Property management reimbursements	1,276	855
Utilities	4,865	3,094
Others	1,989	1,451
	17,359	12,961

14. Income tax (benefit)/expense

	2011 RM'000	2010 RM'000
Reconciliation of tax expense		
Net income before taxation	80,999	101,401
Income tax using Malaysian tax rate of 25%	20,250	25,350
Non-deductible expenses	628	195
Effect of fair value adjustment of investment properties not subject to tax	(4,003)	(11,398)
Effect of income exempted from tax	(16,927)	(14,147)
Deferred tax liability on real property gains tax	-	52
	(52)	52

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 its unitholders, the total income of the trust for that year of assessment shall be exempt from tax.

15. Earnings per unit

The calculation of earnings per unit is based on the net income for the year of RM81,051,000 (2010: RM101,349,000) and on the weighted average number of units in circulation during the year of 381,200,076 (2010: 327,444,319).

NOTES TO THE FINANCIAL STATEMENTS

16. Distribution to unitholders

Distribution to unitholders is from the following sources:

	2011 RM'000	2010 RM'000
Net realised rental income		
- current year	96,952	76,252
- prior year (already subject to tax)	31	179
Realisation of unrealised income	1,043	-
Loss on disposal	(258)	-
Profit income	421	638
	98,189	77,069
<i>Less: Total expenses</i>	(32,283)	(24,292)
	65,906	52,777
<i>Less: Undistributed income</i>	(161)	(31)
	65,745	52,746
Gross distribution per unit (sen)	17.20	16.00
Net distribution per unit (sen)	17.20	16.00

17. Issuing expenses

	2011 RM'000	2010 RM'000
Professional fees	2,411	2,077
Miscellaneous expenses	130	71
Total (Note 9)	2,541	2,148

18. Portfolio turnover ratio

	2011	2010
Portfolio turnover ratio ("PTR") (times)	0.04	0.07

The calculation of PTR is based on the average of total acquisitions and total disposals of investments in Axis-REIT for the year to the average net asset value during the year calculated on a quarterly basis.

Since the basis of calculating PTR can vary among real estate investment trusts, there is no sound basis for providing an accurate comparison of Axis-REIT's PTR against other real estate investment trusts.

19. Management expense ratio

	2011	2010
Management expense ratio ("MER") (%)	1.16	1.14

The calculation of the MER is based on the total fees of Axis-REIT incurred, including Manager's fees, Trustee's fees, audit fees, tax agent's fees and administrative expenses, to the average net asset value during the year calculated on a quarterly basis. Comparison of the MER of Axis-REIT with other real estate investment trusts which uses different basis of calculation may not be an accurate comparison.

20. Financial instruments

20.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

	Carrying amounts RM'000	Financing and receivables RM'000		Carrying amounts RM'000	Financial liabilities measured at amortised cost RM'000	Derivatives designated as hedging instruments RM'000
Financial assets						
2011						
Receivables, deposits and prepayments	6,294	6,294				
Cash and cash equivalents	7,374	7,374				
	13,668	13,668				
2010						
Receivables, deposits and prepayments	4,035	4,035				
Cash and cash equivalents	16,428	16,428				
	20,463	20,463				
Financial liabilities						
2011						
Payables and accruals	8,419	6,767	1,652			
Tenants' deposits	34,577	34,577	-			
Financing	311,338	311,338	-			
	354,334	352,682	1,652			
2010						
Payables and accruals	7,255	6,597	658			
Tenants' deposits	29,751	29,751	-			
Financing	416,609	416,609	-			
	453,615	452,957	658			

20.2 Net gains/(losses) arising from financial instruments

	2011 RM'000	2010 RM'000
Net gain/(losses) on:		
Receivables	(69)	(213)
Financial liabilities measured at amortised cost	154	3,210
	85	2,997

20.3 Financial risks management

Axis-REIT has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

NOTES TO THE FINANCIAL STATEMENTS

20. Financial instruments (continued)

20.4 Credit risk

Credit risk is the risk of a financial loss to Axis-REIT if the tenants or counterparty to a financial instrument fails to meet its contractual obligations. This represents Axis-REIT's maximum exposure to credit risk. Axis-REIT performs ongoing credit evaluation of its tenants and generally does not require collateral other than tenants' deposits.

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amount of trade receivables in the statement of financial position.

Management has taken reasonable steps to ensure that trade receivables that are neither past due nor impaired are measured at their realisable values. Axis-REIT uses ageing analysis to monitor the credit quality of the trade receivables. Any trade receivables having significant balances past due more than 90 days, which are deemed to have higher credit risk, are monitored individually.

Trade receivables amounting to RM5,952,000 (2010: RM3,893,000) are secured by tenants' deposits and the ageing as at the end of the reporting period was as follows:

	Gross RM'000	Individual impairment RM'000	Net RM'000
2011			
Past due 1-30 days	2,894	(26)	2,868
Past due 31-60 days	720	(29)	691
Past due 61-90 days	225	(22)	203
Past due more than 91 days	2,113	(458)	1,655
	5,952	(535)	5,417
2010			
Past due 1-30 days	1,194	(128)	1,066
Past due 31-60 days	552	(83)	469
Past due 61-90 days	379	(13)	366
Past due more than 91 days	1,768	(242)	1,526
	3,893	(466)	3,427

The movements in the allowance for impairment losses of trade receivables during the year were:

	2011 RM'000	2010 RM'000
At 1 January	466	253
Impairment loss recognised	69	213
At 31 December	535	466

Trade receivables that are individually determined to be impaired relates to tenants who are in significant financial difficulties and have defaulted in payments after taking into consideration the security deposits received from the tenants. For the purpose of quantifying individual impairment, Axis-REIT utilises the security deposits received to first off-set against the longest outstanding receivables. The allowance account in respect of receivables is used to record impairment losses. Unless Axis-REIT is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

20. Financial instruments (continued)

20.5 Liquidity risk

Liquidity risk is the risk that Axis-REIT will not be able to meet its financial obligations as they fall due. Axis-REIT's exposure to liquidity risk arises principally from its financing.

The Manager monitors and maintains a level of cash and cash equivalents and bank facilities deemed adequate to finance Axis-REIT's operations, to distribute income to unitholders, and to mitigate the effects of fluctuations in cash flows. In addition, the Manager also monitors and observes the Securities Commission's Guidelines on Real Estate Investment Trusts concerning limits on total financing.

Maturity analysis

The table below summarises the maturity profile of Axis-REIT's financial liabilities as at the end of the reporting period based on undiscounted contractual payments.

	Carrying amounts RM'000	Contractual profit rate %	Contractual cash flows RM'000	Less than 1 year RM'000	1 - 2 years RM'000	More than 2 years RM'000
Financial liabilities 2011						
Payables and accruals	8,419	-	8,419	8,419	-	-
Tenants' deposits	34,577	-	48,818	7,544	19,033	22,241
Secured term financing						
- 3 years	119,458	4.60	125,402	74,538	50,864	-
- 5 years	99,880	5.61	116,322	5,631	5,631	105,060
Secured revolving credit	92,000	4.30-4.59	95,822	95,822	-	-
2010						
Payables and accruals	7,255	-	7,255	7,255	-	-
Tenants' deposits	29,751	-	43,410	9,978	10,017	23,415
Secured term financing						
- 3 years	119,672	4.62	130,935	5,533	74,538	50,864
- 5 years	98,937	5.64	121,954	5,631	5,631	110,692
Secured revolving credit	198,000	2.86 - 4.57	198,666	198,666	-	-

20.6 Market risk

Market risk is the risk that changes in market prices such as interest rates will affect Axis-REIT's financial position or cash flows.

Interest rate risk

Axis-REIT's exposure to changes in interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Manager on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by adverse movements in interest rates.

Interest rate is a general economic indicator that will have an impact on the management of Axis-REIT regardless of whether it is a Shariah-based Fund or otherwise. It does not in any way suggest that Axis-REIT will invest in conventional financial instruments.

Risk management objectives, policies and processes for managing the risk

Axis-REIT has entered into a profit rate swap with a notional contract amount of RM135,200,000 (2010: RM135,200,000) in order to achieve an approximate mix of fix and floating rate exposure that is deemed acceptable for Axis-REIT.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial instruments (continued)

20.6 Market risk (continued)

Interest rate risk (continued)

Exposure to interest rate risk

The interest rate profile of Axis-REIT's significant profit-bearing financial instruments, based on carrying amounts at the end of the reporting period was:

	2011 RM'000	2010 RM'000
Financial asset		
<i>Floating rate instrument</i>		
Shariah-based deposits with licensed banks	3,312	12,285
Financial liabilities		
<i>Fixed rate instruments</i>		
Secured term financing	84,729	84,408
<i>Floating rate instruments</i>		
Secured revolving credit	92,000	198,000
Secured term financing	134,609	134,201
	226,609	332,201

Interest rate risk sensitivity analysis

(a) Fair value sensitivity analysis

Axis-REIT does not account for any fixed rate financial liabilities at fair value through profit or loss, and Axis-REIT does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in profit rates at the end of the reporting period would not affect profit or loss.

(b) Cash flow sensitivity analysis

A change of 100 basis points (bp) in interest rates at the end of the reporting period would have increased/ (decreased) unitholders' funds and post-tax profit or loss by the amounts shown below.

	Unitholders' funds		Profit or loss	
	100 bp increase RM'000	100 bp decrease RM'000	100 bp increase RM'000	100 bp decrease RM'000
2011				
Floating rate instruments	-	-	(1,675)	1,675
Profit rate swap	1,014	(1,014)	-	-
2010				
Floating rate instruments	-	-	(2,400)	2,400
Profit rate swap	1,014	(1,014)	-	-

20. Financial instruments (continued)

20.7 Cash flow hedge

Axis-REIT has entered into a profit rate swap to hedge the cash flow risk in relation to the floating profit rate of the secured Islamic financing of RM135,200,000 (2010: RM135,200,000). The profit rate swap has the same nominal value of RM135,200,000 (2010: RM135,200,000). The profit income is settled every three monthly, consistent with the profit payment schedule of the financing and full payment of the principal portion at the end of the tenure.

The following table indicates the periods in which the cash flows associated with the profit rate swap are expected to occur and affect profit or loss:

	Carrying amounts RM'000	Expected cash flows RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	More than 3 years RM'000
2011						
Profit rate swap	1,652	1,652	487	1,165	-	-
2010						
Profit rate swap	658	658	573	66	119	(100)

During the financial year, a loss of RM994,000 (2010: a gain of RM68,000) was recognised in other comprehensive income.

20.8 Fair values of financial instruments

The carrying amounts of cash and cash equivalents, receivables, prepayments and deposits, payables and accruals, and short term financing approximate their fair values due to the relatively short term nature of these financial instruments.

The fair values of other financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	2011		2010	
	Carrying amounts RM'000	Fair value RM'000	Carrying amounts RM'000	Fair value RM'000
Tenants' deposits	34,577	34,577	29,751	29,751
Financing	311,338	312,946	416,609	411,814
Derivatives designated as hedge instruments	1,652	1,652	658	658

The following summarises the methods used in determining the fair value of financial instruments reflected in the above table.

Derivatives designated as hedge instruments

The fair value of profit rate swaps is based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market rates for a similar instrument at the measurement date.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and cash flows, discounted at the market profit rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

20. Financial instruments (continued)

20.8 Fair values of financial instruments (continued)

Profit rates used to determine fair value

The profit rates used to discount estimated cash flows, where applicable, are as follows:

	2011	2010
Financing	4.40%	4.50%
Tenant deposits	4.40%	4.50%

20.9 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

2011	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial liabilities				
Opening balance	-	658	-	658
Other comprehensive income	-	994	-	994
As at 31 December 2011	-	1,652	-	1,652
2010				
Financial liabilities				
Opening balance	-	726	-	726
Other comprehensive income	-	(68)	-	(68)
As at 31 December 2010	-	658	-	658

21. Capital management

Axis-REIT's objectives when managing capital is to maintain a strong capital base and safeguard Axis-REIT's ability to continue as a going concern, so as to maintain unitholder, creditor and market confidence and to sustain future development of the business. The Directors of the Manager monitor and maintain an optimal gearing ratio that complies with regulatory requirements.

During the financial year ended 31 December 2011, Axis-REIT's strategy is to maintain an optimal gearing threshold of 35%, which is below the optimal gearing threshold allowed by the Securities Commission's Guidelines on Real Estate Investment Trusts of 50%.

The gearing as at 31 December 2011 and 31 December 2010 were as follows:

	Note	2011 RM'000	2010 RM'000
Total financing	11	311,338	416,609
Total assets		1,298,431	1,208,897
Gearing (%)		23.98	34.46

There were no changes in Axis-REIT's approach to capital management during the financial year.

22. Operating leases

Leases as lessor

Axis-REIT leases out its investment properties (Note 4) under operating leases. The future minimum lease receivables under non-cancellable leases are as follows:

	2011 RM'000	2010 RM'000
Less than one year	101,448	83,183
Between one and five years	218,881	215,669
More than five years	169,154	289,184
	489,483	588,036

23. Capital commitments

	2011 RM'000	2010 RM'000
Capital expenditure commitments		
Investment properties		
<i>Contracted but not provided for and payable:</i>		
Within one year	101,470	73,125

24. Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to Axis-REIT if Axis-REIT has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where Axis-REIT and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Axis-REIT either directly or indirectly. The key management personnel include all the directors of Axis-REIT Managers Berhad and OSK Trustees Berhad, and certain members of senior management of Axis-REIT Managers Berhad and OSK Trustees Berhad.

	Transaction value		Balance outstanding	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Acquisition cost of an investment property payable to a related party of the Directors of the Manager	-	134,000	-	-

These transactions have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

25. Significant subsequent events

Axis-REIT issued a Supplemental Deed dated 15 December 2011, which supplemented the Deed dated 3 April 2009 constituting Axis-REIT. The Supplemental Deed was registered with the Securities Commission on 10 January 2012, and lodged with the Securities Commission on 19 January 2012.

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 100 to 129 are drawn up in accordance with the provisions of the Deed dated 3 April 2009, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws and Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of Axis Real Estate Investment Trust at 31 December 2011 and of its financial performance and cash flows for the year ended on that date.

The information on the breakdown of realised and unrealised income included in the Statement of changes in net asset value and Note 9.4 to the financial statement have been compiled in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants.

For and on behalf of the Manager,
Axis REIT Managers Berhad,
Signed in accordance with a resolution of the Directors of the Manager:



Stephen Tew Peng Hwee



George Stewart LaBrooy

Kuala Lumpur,

Date: 15 February 2012

STATUTORY DECLARATION

I, **Leong Kit May**, the Director of Axis REIT Managers Berhad primarily responsible for the financial management of Axis Real Estate Investment Trust, do solemnly and sincerely declare that the financial statements set out on pages 100 to 129, are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur on 15 February 2012.



Leong Kit May

Before me:



TRUSTEE'S REPORT

To The Unitholders Of Axis Real Estate Investment Trust (Established In Malaysia)

We have acted as Trustee of Axis Real Estate Investment Trust ("Axis-REIT") for the financial year ended 31 December 2011. In our opinion and to the best of our knowledge, Axis REIT Managers Berhad ("the Manager") has managed Axis-REIT in accordance with the limitations imposed on the investment powers of the Manager and the Trustee under the Deed dated 3 April 2009, the Securities Commission's Guidelines on Real Estate Investment Trusts, Securities Commission's Guidelines for Islamic Real Estate Investment Trusts, applicable securities laws and other applicable laws during the financial year then ended.

We have ensured the procedures and processes employed by the Manager to value and price the units of Axis-REIT are adequate and that such valuation/pricing is carried out in accordance with the Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2011 are in line with and are reflective of the objectives of Axis-REIT. Five distributions have been declared for the financial year ended 31 December 2011 as follows:-

- 1) 1st interim income distribution of 4.20 sen per unit paid on 31 May 2011;
- 2) 2nd interim income distribution of 4.50 sen per unit paid on 26 August 2011;
- 3) 3rd interim income distribution of 4.30 sen per unit paid on 9 December 2011;
- 4) 4th interim income distribution of 2.80 sen per unit paid on 22 December 2011; and
- 5) Final income distribution of 1.40 sen per unit payable on 29 February 2012.

For and on behalf of the Trustee,
OSK Trustees Berhad



Woo Lai Mei
Director

Kuala Lumpur,

Date: 15 February 2012

INDEPENDENT AUDITORS' REPORT

To The Unitholders Of Axis Real Estate Investment Trust (Established In Malaysia)

Report on the Financial Statements

We have audited the financial statements of Axis Real Estate Investment Trust ("Axis-REIT"), which comprise the statement of financial position as at 31 December 2011, and the statements of comprehensive income, changes in net asset value and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 100 to 129.

Directors of Axis REIT Manager Berhad's Responsibility for the Financial Statements

The Directors of Axis REIT Manager Berhad are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards in Malaysia, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient appropriate to provide a basis for our opinion.

Opinion

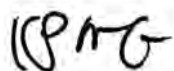
In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of Axis-REIT as of 31 December 2011 and of its financial performance and cash flows for the year then ended.

Other Reporting Responsibilities

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information on the breakdown of realised and unrealised income included in the Statement of changes in net asset value and Note 9.3 to the financial statements has been compiled by Axis-REIT as required by the Bursa Malaysia Securities Berhad Listing Requirements and is not a required part of the financial statements. We have extended our audit procedures to report on the process of compilation of such information. In our opinion, the information has been properly compiled, in all material respects, in accordance with the Guidance of Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the Unitholders of Axis-REIT and for no other purpose. We do not assume responsibility to any other person for the content of this report.



KPMG
Firm Number: AF 0758
Chartered Accountants

Petaling Jaya,

Date: 15 February 2012



Abdullah Abu Samah
Chartered Accountant
Approval Number: 2013/06/12(J)

UNITHOLDERS' STATISTICS

Analysis of Unitholdings as at 31 December 2011

Size of Holdings	Number of Unitholders	%	Number of Units Held	%
1 - 99	91	3.37	1,042	0.00
100 - 1,000	565	20.91	392,483	0.09
1,001 - 10,000	1,291	47.78	5,989,324	1.32
10,001 - 100,000	547	20.24	16,813,276	3.70
100,001 - 22,690,703 *	203	7.51	278,305,655	61.33
22,690,704 and above **	5	0.19	152,312,316	33.56
Total	2,702	100.00	453,814,096	100.00

* less than 5% of total issued units

** 5% and above of total issued unit

Top 30 Unitholders as at 31 December 2011 As Listed in the Register of Unitholders

No	Unitholders > 1 Million Units	@ 31 Dec 2011	% of Total Issued Units
1	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	48,715,318	10.73
2	Kumpulan Wang Persaraan (Diperbadankan)	27,717,163	6.11
3	Tew Peng Hwee @ Teoh Peng Hwee	27,120,008	5.98
4	Amanahraya Trustees Berhad Skim Amanah Saham Bumiputera	24,743,961	5.45
5	Alex Lee Lao	24,015,866	5.29
6	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN For American International Assurance Berhad	20,498,014	4.52
7	Amanahraya Trustees Berhad As 1Malaysia	14,912,860	3.29
8	Amanahraya Trustees Berhad Amanah Saham Didik	14,674,539	3.23
9	Amanahraya Trustees Berhad Amanah Saham Wawasan 2020	13,320,211	2.94
10	Valuecap Sdn Bhd	11,326,045	2.50
11	Abas Carl Gunnar Bin Abdullah	10,924,909	2.41
12	Uni.Asia General Insurance Berhad	10,000,000	2.20
13	Amanahraya Trustees Berhad Amanah Saham Malaysia	9,382,146	2.07
14	Lim Kian Thiam	9,290,317	2.05
15	Citigroup Nominees (Tempatan) Sdn Bhd Exempt AN for Prudential Fund Management Berhad	7,999,274	1.76
16	Permodalan Nasional Berhad	7,835,296	1.73
17	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Public Ittikal Fund (N14011970240)	6,575,670	1.45
18	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Nomura)	6,564,887	1.45

Top 30 Unitholders as at 31 December 2011
As Listed in the Register of Unitholders (continued)

No	Unitholders > 1 Million Units	@ 31 Dec 2011	% of Total Issued Units
19	Amanahraya Trustees Berhad Public Smallcap Fund	6,331,734	1.40
20	HSBC Nominees (Asing) Sdn Bhd Exempt AN for The Bank Of New York Mellon (BNYM AS E&A)	5,819,676	1.28
21	AMSEC Nominees (Tempatan) Sdn Bhd Pledged Securities Account - AMBank (M) Berhad for Abas Carl Gunnar Bin Abdullah	5,646,260	1.24
22	Citigroup Nominees (Tempatan) Sdn Bhd ING Insurance Berhad (NV-IL PAR)	5,370,500	1.18
23	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 2)	5,279,763	1.16
24	Amanahraya Trustees Berhad Pubic Far-East Property & Resorts Fund	4,938,868	1.09
25	Ka, Ya-Shih also known as Myhre, Kuyas	4,864,858	1.07
26	Kurnia Insurans (Malaysia) Berhad	4,527,391	1.00
27	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (DR)	3,469,195	0.76
28	Amanahraya Trustees Berhad PNB Structured Investment Fund	3,227,947	0.71
29	Citigroup Nominees (Tempatan) Sdn Bhd MCIS Zurich Insurance Berhad (LIFE PAR FD)	2,997,800	0.66
30	Malaysia Nominees (Tempatan) Sendirian Berhad Great Eastern Life Assurance (Malaysia) Berhad (PAR 3)	2,970,746	0.65
	Total Units	351,061,222	

FREQUENTLY ASKED QUESTIONS (FAQ'S)

1. How often does Axis-REIT makes an income distribution?

Since 1 January 2009, Axis-REIT has changed its current income distribution policy from semi annual payment to quarterly payment payable within 2 months from the close of the quarter ie income distribution for the 1st quarter will be payable no later than 31 May. However, in certain circumstances such as the issuance of new Units by Axis-REIT during the year, it may be necessary to make a special income distribution at different periods in order to attribute income distribution to existing Unitholders to avoid any income dilution from the enlarged Unitholders' capital.

2. How is this income distribution paid?

Payments are made via direct credit / cheques to each Unitholder with an attached Distribution Tax Voucher detailing entitlement and gross/net amount payable.

3. Are there different types of Income Distribution?

Yes. At the Fund level, the source from which income is distributed could be derived from:

- Current year's realized income before taxation;
- Current year's tax exempt income, if any;
- Portion of "Accumulated Retained Earnings" that have been taxed;
- Portion of "Accumulated Retained Earnings" that consist of tax exempt income.

4. What is the tax treatment of Unitholders?

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:

Withholding tax will be deducted for distributions made to the following categories of unitholders:

Type of Unitholder	Withholding tax rate		
	2012	2011	2010
Resident corporate	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	10%	10%	10%
Non-resident individual	10%	10%	10%
Non-resident corporate	25%	25%	25%
Non-resident institutional	10%	10%	10%

[^] Resident corporate unitholder will enjoy tax transparency but will be subject to the prevailing corporate tax rate.

5. How do I calculate my distribution?

For the financial year ended 31 December 2011, the total distribution was 17.20 sen per unit of which 0.85 sen derived from utilization of capital allowances and tax exempt profit income will not be subject to tax.

Type of Unitholder	Assumption: 10,000 Axis-REIT units	
	Gross distribution	Net distribution to unitholders after deduction of withholding tax
Resident corporate	1,720.00	1,720.00
Resident individual/institutional	1,720.00	1,556.50
Foreign corporate	1,720.00	1,311.25
Foreign institution	1,720.00	1,556.50
Foreign individual	1,720.00	1,556.50

* Resident corporate unitholder will enjoy tax transparency but will be subject to the prevailing corporate tax rate.

6. What is my net distribution yield for 2011?

For the financial year ended 31 December 2011, the total distribution was 17.20 sen per unit.

Type of Unitholder	Net distribution based on closing price of RM2.62 on IPO price of RM1.25 31 December 2011	
	Net Distribution based on IPO price of RM1.25	Net distribution based on closing price of RM2.62 on 31 December 2011
Resident corporate	13.76%	6.56%
Resident individual/institutional	12.44%	5.94%
Foreign corporate	10.45%	5.00%
Foreign institution	12.44%	5.94%
Foreign individual	12.44%	5.94%

7. Where can I view the Trust Deed of Axis-REIT?

The Deed is available for inspection at the principal place of business of the Manager and at the principal place of business of the Trustee, OSK Trustee Berhad.

8. What are the total numbers of Axis-REIT units currently in issue?

A total of 453,814,096 Units are in circulation.

9. How can new Units be issued?

The Manager may from time to time recommend an increase in the number of Units by way of a rights or bonus issue to existing Unitholders in proportion to their holding of Units, or by way of placement to any person, as consideration issue for subscription or such other methods as may be governed by the SC's Guidelines on REITs. The issue of Units are to finance acquisitions for Axis-REIT or to balance the debt-equity matrix of the Fund.

The prior approval of the SC and the Trustee are required for any increase in the size of the REIT through the creation of further Units. The prior approval of the Unitholders will also be required for the creation of further Units where stipulated in the Deed or under the applicable laws and requirements.

10. What are my rights as a Unitholder?

The key rights of Unitholders include rights to receive income and other distributions attributable to the Units held; received the fund reports of Axis-REIT; and participate in the termination of Axis-REIT by receiving a share of all net cash proceeds derived from the realization of the assets of Axis-REIT less any liabilities, in accordance with their proportionate interests in Axis-REIT.

11. How can the Trust Deed be amended?

Save where an amendment to the Deed has been approved by a resolution of not less than 2/3 of the Unitholders at a meeting of Unitholders duly convened and held in accordance with the Deed, no amendment may be made to the provisions of the Deed unless the Trustee and the Manager certify, in its opinion, that such amendment does not materially prejudice the interests of Unitholders and does not operate to release to any material extent the Trustee or the Manager from any responsibility to the Unitholders.

12. Under what circumstances can a meeting of Unitholders be called?

Under the applicable law and requirements and the provisions of the Deed, Axis-REIT will not hold any meetings for Unitholders unless the Trustee or the Manager convenes a meeting or unless not less than 50 Unitholders or 1/10th in number of Unitholders (whichever is lesser) request a meeting to be convened.

Any decision to be made by resolution of Unitholder shall be made by ordinary resolution, unless a special resolution is required by the applicable laws and requirements and/or the Deed. At least 14 days' notice of every meeting (other than a meeting convened to pass a special resolution, which requires at least 21 days' notice) shall be given to the Unitholders in the manner provided in the Deed. The quorum at a meeting shall be as follows:

- (a) where an ordinary resolution only is to be proposed, at least five persons holding or representing by proxy at least 10% of all the Units and carrying the right to vote at the meeting; and
- (b) where a special resolution is to be proposed, at least five persons holding or representing by proxy at least 15% of all the Units and carrying the right to vote at the meeting.

Voting at a meeting shall be by a show of hands provided that a poll shall be taken in any case where:

- (a) it is required by the Deed or by law that the question be decided by a majority which is to be measured by a percentage of the votes of those present; or
- (b) it is demanded either before or immediately after any question is put to a show of hands by Unitholders present, holding (or representing by proxy) between them not less than 5% of the Units issued.

13. Can the manager vote at Unitholders' meetings?

No. However related parties (as defined in the Deed) to the Manager may vote provided that they have no interest in the outcome of the voting.

14. Why was Axis-REIT reclassified into an Islamic REIT?

- (a) To widen its investor base to include local Shariah-based Funds and also to develop investors interest from Shariah-based foreign funds.
- (b) To expedite its asset growth with new strategic partners.
- (c) To become the 1st Office Industrial REIT globally to comply with Islamic REIT Guidelines.

15. What are the Securities Commission's Guidelines for Islamic REITs

The salient compliance requirements are:-

- i. Non-Permissible rental activities must not exceed the 20% benchmark based on the total turnover or area occupied;
- ii. Not permitted to own real estate in which all the tenants operate non-permissible even if the percentage based on turnover /floor area is less than the 20% benchmark;
- iii. All forms of investments, deposits and financing must comply with the Shariah principles;
- iv. Must use the Takaful schemes to insure its real estate.
- v. Not to accept a new tenant(s) whose activities are fully non-permissible.

FREQUENTLY ASKED QUESTIONS (FAQ'S)

16. Is an Islamic REIT permitted to own (purchase) real estate in which the tenant(s) operates mixed activities that are permissible and non-permissible according to the Shariah?

An Islamic REIT is permitted to own (purchase) real estate in which its tenant(s) operates mixed activities that are permissible and non-permissible, according to the Shariah.

However, the Islamic REIT fund manager must perform some additional compliance assessments before acquiring real estate that has a tenant(s) who operates mixed activities.

17. What are the additional compliance assessments?

An Islamic REIT must obtain the total rental from non-permissible activities from the property that it wants to acquire, and subsequently compare the total rental from non-permissible activities to the total turnover of the Islamic REIT (latest financial year). This is to obtain the percentage of rental from non-permissible activities. The percentage amount will be referred to the 20% benchmark as determined by the Shariah Advisory Council (SAC) of the Securities Commission for the criteria on rental from non-permissible activities. In the event that the percentage exceeds the benchmark, the Shariah Adviser shall advise the Islamic REIT fund manager not to invest in the said real estate.

For example, if the total rental from non-permissible activities is RM 210,000 and the total turnover of the Islamic REIT for that financial year is RM 1,000,000, then the percentage of rental from non-permissible activities is 21%, which exceeds the 20% benchmark that has been determined by the SAC. In this situation, the Shariah Adviser shall advise the Islamic REIT fund manager not to invest in the said real estate.

18. What are non-permissible activities?

Rental activities that are classified as non-permissible as decided by the SAC are:

- (a) financial services based on *riba* (interest);
- (b) gambling/gaming;
- (c) manufacture or sale of non-halal products or related products;
- (d) conventional insurance;
- (e) entertainment activities that are non-permissible according to the Shariah;
- (f) manufacture or sale of tobacco-based products or related products;
- (g) stockbroking or share trading in Shariah non-compliant securities; and
- (h) hotels and resorts.

Apart from the activities listed above, the Shariah Adviser can apply *ijtihad** for other activities that may be deemed non-permissible to be included as a criterion in assessing the rental income for the Islamic REIT.

* *ijtihad* is the process of reasoning by Islamic jurists to obtain legal rulings from sources of Shariah.

19. Can an Islamic REIT own real estate in which all the tenants operate non-permissible activities?

No. An Islamic REIT is not permitted to own real estate, in which all the tenants operate non-permissible activities, for example a casino building in which all the tenants are operating non-permissible activities, even if the percentage of rental from that building to the total turnover of the Islamic REIT is still below the benchmark (20%).

20. What if an Islamic REIT owns real estate that is vacant and plans to rent it out to a new tenant(s)? Is it bound by the application of the 20% benchmark as mentioned in the answer for question 2 above?

For a new tenant(s) that plans to rent the real estate of the Islamic REIT, the decision made by the Shariah Adviser does not need to be based on the 20% benchmark because the rental contribution from non-permissible activities is still unknown. Therefore, in this case the Shariah Adviser shall advise the Islamic REIT fund manager not to accept a new tenant(s) that operates activities that are fully non-permissible like a gambling operator.

21. What is the method of calculating the portion of rental of non-permissible activities from the total rental payment paid by a tenant(s) operating mixed activities. For example, say the Islamic REIT receives a rental of RM 3,000 a month from a supermarket. The supermarket sells halal goods and alcoholic beverages. The question is, how do you determine the rental that is considered as non-permissible from the total rental that is paid by the supermarket (RM 3,000)?

The calculation for the rental of non-permissible activities from a tenant(s) operating mixed activities can be based on the ratio of area occupied for non-permissible activities to the total area occupied. The percentage will be used as the basis for determining the ratio of rental of non-permissible activities to total rental paid by the tenant(s).

For example, in a supermarket, if the total area rented out is 1,000 square feet and the area allocated for the sale of alcoholic beverages is 100 square feet, then the ratio of area used for the sale of alcoholic beverages is 10%. Therefore, the rental from non-permissible activities (sale of alcoholic beverages) is 10% of the total rental paid by the supermarket, that is RM 300 a month (10% x RM 3,000).

In addition, for activities that do not involve the usage of space, such as service-based activities, the calculation method will be based on the *ijtihad* of the Shariah Adviser of the Islamic REIT. An example of a service-based activity is packaging that involves packaging of goods that are non-permissible.

22. Is an Islamic REIT required to use instruments that comply with the Shariah principles for purpose of investment, deposit and financing?

Yes. An Islamic REIT must ensure that all forms of investment, deposit and financing instruments comply with the Shariah principles.

23. Is an Islamic REIT required to use insurance schemes that comply with the Shariah principles?

Yes. An Islamic REIT must use Takaful schemes to insure its real estate. If Takaful schemes are unable to provide the insurance coverage, then the Islamic REIT is permitted to use conventional insurance schemes.

24. Is an Islamic REIT permitted to participate in the forward sales or purchases of currency for risk management?

Yes. An Islamic REIT is permitted to participate in forward sales or purchases of currency, and is encouraged to deal with Islamic financial institutions. If the Islamic REIT deals with Islamic financial institutions, then it will be bound by the concept of wa'ad** (only one party is obligated to fulfil his promise/responsibility). The party that is bound is the party that initiates the promise. However, if the Islamic REIT deals with conventional financial institutions, it is permitted to participate in the conventional forward sales or purchases of currency.

** *wa'ad* means promise

25. Would the Islamic REIT guidelines supercede the Guidelines on Real Estate Investment Trusts issued in January 2005?

No. The Guidelines on Islamic REIT essentially provide Syariah guidance on the investment and business activities of Islamic REIT and complement the SC's Guidelines on Real Estate Investment Trusts. The issuance of Islamic REIT must therefore comply with both guidelines.

GLOSSARY

AUM	:	Asset Under Management
Axis-REIT / the Trust / the Fund	:	Axis Real Estate Investment Trust
Bursa Securities / the Exchange	:	Bursa Malaysia Securities Berhad (Company No. 635998-W)
Deed	:	The Deed dated 3rd April 2009 signed between the Trustee and the Manager constituting Axis-REIT
DPU	:	Distribution per Unit
GAV	:	Gross Asset Value
Gearing	:	Financing to Total Assets
Gross Revenue	:	Gross rental income and other income earned from the properties including license fees, car park income, utilities and miscellaneous income
IDRP	:	Income Distribution Reinvestment Plan
Islamic REIT	:	REIT that complies with SC's Guidelines on Islamic REITs
MER	:	Management Expense Ratio
Manager	:	Axis REIT Managers Berhad (Company No. 649450-W), being the Manager of Axis-REIT
NAV	:	Net Asset Value
NTA	:	Net Tangible Assets
Net Lettable Area	:	Consists of the total gross floor area less the common areas, such as corridors, amenities area and management offices of the building
OMV	:	Open Market Value
PTR	:	Portfolio Turnover Ratio
Property Manager	:	Axis Property Services
REIT(s)	:	Real Estate Investment Trust(s)
RM and sen	:	Ringgit Malaysia and sen, respectively
SC	:	Securities Commission
SCA	:	Securities Commission Act, 1993
SC's Guidelines on REITs	:	Guidelines on Real Estate Investment Trusts issued by the SC on 21 August 2008 (updated 13 July 2011), as amended from time to time
SC's Guidelines on Islamic REITs	:	Guidelines on Islamic Real Estate Investment Trusts issued by the SC on 21 Nov 2005
Sq. ft.	:	Square feet
Sqm	:	Square metres
Trustee	:	OSK Trustees Berhad (Company No. 573019-U) being the Trustee of Axis-REIT
Unit(s)	:	Undivided interest(s) in Axis-REIT as constituted by the Deed
Unitholder(s)	:	Holder(s) of the Units
VWAMP	:	Volume weighted average market price

CORPORATE DIRECTORY

MANAGER

Axis REIT Managers Berhad

MANAGER'S PRINCIPAL PLACE OF BUSINESS

Suite 6.04 Penthouse
Wisma Academy
4A Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : 03-7958 4882
Fax : 03-7957 6881

MANAGER'S

REGISTERED OFFICE :

Suite 11.1A Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : 03-2031 1988
Fax : 03-2031 9788

BOARD OF DIRECTORS OF THE MANAGER

YAM Tunku Dato' Seri Shahabuddin
Independent Non-Executive Chairman

George Stewart LaBrooy

Chief Executive Officer /
Executive Director

Dato' Abas Carl Gunnar bin Abdullah

Non-Independent Executive
Deputy Chairman

Stephen Tew Peng Hwee

Non-Independent Non-Executive
Director

Y Bhg Dato' Fateh Iskandar Bin Tan Sri Dato' Mohamed Mansor

Independent Non-Executive Director

Mohd Sharif bin Haji Yusof

Independent Non-Executive Director

Leong Kit May

Chief Financial Officer/
Executive Director

Alvin Dim Lao

Non-Independent Non-Executive
Director

Alex Lee Lao

Alternate to Dato' Abas Carl Gunnar
bin Abdullah

AUDIT COMMITTEE :

YAM Tunku Dato' Seri Shahabuddin
(Chairman)
Mohd Sharif bin Haji Yusof
Alvin Dim Lao

EXECUTIVE COMMITTEE :

Dato' Abas Carl Gunnar bin Abdullah
(Chairman)
George Stewart LaBrooy
Stephen Tew Peng Hwee

REMUNERATION COMMITTEE :

Y Bhg Dato' Fateh Iskandar Bin Tan Sri
Dato' Mohamed Mansor
(Chairman)
Stephen Tew Peng Hwee
Dato' Abas Carl Gunnar bin Abdullah

NOMINATION COMMITTEE:

YBhg Dato' Fateh Iskandar Bin Tan Sri
Dato' Mohamed Mansor (Chairman)
YAM Tunku Dato' Seri Shahabuddin
Mohd Sharif bin Haji Yusof

COMPANY SECRETARY OF THE MANAGER :

Yeoh Chong Keat
(Membership number: MIA2736)
Rebecca Leong Siew Kwan
(Membership Number: MAICSA
7045547)

SHARIAH ADVISOR:

IBFIM
3rd Floor, Dataran Kewangan
Darul Takaful
Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel : +603-2031 1010
Fax : +603-2078 5250

PROPERTY MANAGER :

Axis Property Services
Suite 6.04, Penthouse
Wisma Academy
No 4A, Jalan 19/1
46300 Petaling Jaya
Selangor Darul Ehsan
Tel : +603-7958 5928
Fax : +603-7958 3882

TRUSTEE :

OSK Trustees Berhad
6th Floor Plaza OSK
Jalan Ampang
50450 Kuala Lumpur
Tel : 03-2333 8333
Fax : 03-2175 3288
Email : OSK_Trustees@osk.com.my
Website : www.osktrustees.com.my

PRINCIPAL BANKERS

OF THE FUND :

Maybank Islamic Banking Berhad
37th Floor Menara Maybank
100 Jalan Tun Perak
50050 Kuala Lumpur

CIMB Islamic Bank Berhad
UL Bangunan Amanah Raya
Jalan Semantan
Damansara Heights
50490 Kuala Lumpur

HSBC Amanah Bank Malaysia Berhad
Level 15, HSBC Building
2, Leboh Ampang
50100 Kuala Lumpur

Public Islamic Bank Berhad
27th Floor, Menara Public Bank
146 Jalan Ampang
50450 Kuala Lumpur

Standard Chartered Saadiq Berhad
Level 11, Menara Standard Chartered
30 Jalan Sultan Ismail
50250 Kuala Lumpur

AUDITORS :

KPMG
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya

INTERNAL AUDITOR :

Baker Tilly Monteiro Heng
Governance Sdn Bhd
22 Jalan Tun Sambanthan 3
50470 Kuala Lumpur

TAX AGENT :

KPMG Tax Services Sdn Bhd
Level 10, KPMG Tower
8, First Avenue, Bandar Utama
47800 Petaling Jaya

REGISTRAR :

Symphony Share Registrars Sdn Bhd
Block D13, Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301, Petaling Jaya Selangor
Tel : +603-7841 8000
Fax : +603-7841 8008
Email : srs@symphony.com.my
Website : www.symphony.com.my

BURSA SECURITIES NAME AND STOCK CODE :

AXREIT 5106

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CALENDAR 2012

JANUARY

S	M	T	W	T	F	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30	31				

FEBRUARY

S	M	T	W	T	F	S
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MARCH

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APRIL

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MAY

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JUNE

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JULY

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AUGUST

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SEPTEMBER

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OCTOBER

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NOVEMBER

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DECEMBER

S	M	T	W	T	F	S
30	31					1
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23	24	25	26	27	28	29

PROPOSED FINANCIAL CALENDAR OF FINANCIAL EVENTS 2012

January 2012

- Announcement of Unaudited Results for FY 11
- Announcement of the 4Q11 Final Income Distribution

February 2012

- Book Closure date to determine the entitlement to 4Q11 Final Income Distribution.
- Payment of the 4Q11 Final Income Distribution
- Release of the 2011 Annual Report

April 2012

- Announcement of Unaudited Results for 1Q12
- Announcement of the 1Q12 Interim Income Distribution

May 2012

- Book closure date to determine the entitlement to 1Q12 Interim Income Distribution
- Payment of 1Q12 Interim Income Distribution

July 2012

- Announcement of the Unaudited 2Q12 results
- Announcement of the 2Q12 Interim Income Distribution

August 2012

- Book Closure date to determine the entitlement to 2Q12 Interim Income Distribution
- Payment of 2Q12 Interim Income Distribution

October 2012

- Announcement of the Unaudited 3Q12 results
- Announcement of the 3Q12 Interim Income Distribution

November 2012

- Book Closure date to determine the entitlement to 3Q12 Interim Income Distribution
- Payment of 3Q12 Interim Income Distribution

January 2013

- Announcement of the Unaudited Results for FY12
- Announcement of the 4Q12 Final Income Distribution



AXIS REIT MANAGERS BERHAD

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(Incorporated in Malaysia under the Companies Act, 1965)

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