

FINANCIAL STATEMENTS

78	Balance Sheet	101	Statement by the Manager
79	Income Statement	102	Statutory Declaration
81	Statement of Changes in Net Asset Value	103	Trustee's Report
82	Cash Flow Statement	104	Independent Auditors' Report
83	Notes to the Financial Statements		



Chevrolet Showroom at Axis-Vista

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Assets			
Non-Current Assets			
Investment properties	4	884,962	723,100
Current Assets			
Receivables, deposits and prepayments	5	6,822	2,752
Tax recoverable		154	154
Cash and cash equivalents	6	15,807	365
		22,783	3,271
Total assets		907,745	726,371
Liabilities			
Non-Current Liabilities			
Tenants' deposits	7	18,383	19,678
Borrowings/Financing	8	163,932	-
		182,315	19,678
Current Liabilities			
Payables and accruals	7	14,780	8,252
Borrowings/Financing	8	145,000	230,456
Provision for income distribution	9	15,293	20,139
		175,073	258,847
Total liabilities		357,388	278,525
Net asset value ("NAV")		550,357	447,846
Unitholders' funds			
Unitholders' capital	10	406,854	323,338
Undistributed income	10	143,503	124,508
Total unitholders' funds		550,357	447,846
Units in circulation ('000)		307,081	255,901
Net asset value ("NAV") per unit (RM)			
- Before income distribution		1.8420	1.8288
- After income distribution		1.7922	1.7501

The notes on pages 83 to 100 are an integral part of these financial statements.

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Gross revenue	11	71,598	63,331
Property operating expenses	12	(11,661)	(9,876)
Net rental income		59,937	53,455
Interest/Profit income		272	111
Change in the fair value of investment properties	4	19,098	24,478
Total income		79,307	78,044
Manager's fees	1(b)	4,808	4,242
Trustee's fees	1(c)	236	212
Auditor's fees			
- Audit		88	78
- Other services		5	5
Tax agent's fees		12	11
Allowance for doubtful debts		54	158
Administrative expenses		719	1,063
Incidental cost of borrowings/financing		739	227
Conventional interest expenses		784	8,393
Islamic financing cost		9,693	-
Valuation fees		193	206
Total expenses		17,331	14,595
Net income before taxation		61,976	63,449
Tax expense	13	-	-
Net income for the year		61,976	63,449
Net income for the year is made up as follows:			
Realised		42,878	38,971
Unrealised			
- Change in the fair value of investment properties	4	19,098	24,478
		61,976	63,449
Earnings per Unit (sen)	14	22.81	25.18
Earnings per Unit (before manager's fee)			
- Gross (sen)		24.58	26.69
- Net (sen)		24.58	26.69

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Net income distribution			
Interim income distribution of 10.82 sen per unit paid on 29 May 2009, 28 August 2009 and 30 September 2009 (2008: 7.40 sen per unit paid on 20 February 2008 and 29 August 2008)		27,688	18,562
Proposed final income distribution of 4.98 sen per unit payable on 25 February 2010 (2008: 7.87 sen per unit paid on 27 February 2009)		15,293	20,139
	15	42,981	38,701
Income distribution per Unit			
- Gross (sen) - interim	15	10.82	7.40
- final	15	4.98	7.87
- Net (sen)* - interim	15	10.82	7.40
- final	15	4.98	7.87

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

		Withholding tax rate		
		2010	2009	2008
Resident corporate	-	Nil [^]	Nil [^]	Nil [^]
Resident non-corporate	-	10%	10%	15%
Non-resident individual	-	10%	10%	15%
Non-resident corporate	-	25%	25%	26%
Non-resident institutional	-	10%	10%	20%

[^] to tax at prevailing rate

The notes on pages 83 to 100 are an integral part of these financial statements.

STATEMENT OF CHANGES IN NET ASSET VALUE FOR THE YEAR ENDED 31 DECEMBER 2009

	Unitholders' capital RM'000	Distributable Undistributed income		Total Unitholders' funds RM'000
		Realised RM'000	Unrealised RM'000	
At 1 January 2008	234,892	12	99,748	334,652
Operations for the year ended 31 December 2008				
Net income for the year	-	38,971	24,478	63,449
Increase in net assets resulting from operations	-	38,971	24,478	63,449
Unitholders' transactions				
Placement of units	90,000	-	-	90,000
Distribution to Unitholders - Paid and provision (Note 15)	-	(38,701)	-	(38,701)
Issuing expenses	(1,554)	-	-	(1,554)
Increase/(Decrease) in net assets resulting from Unitholders' transactions	88,446	(38,701)	-	49,745
Net assets as at 31 December 2008	323,338	282	124,226	447,846
	Note 10			
At 1 January 2009	323,338	282	124,226	447,846
Operations for the year ended 31 December 2009				
Net income for the year	-	42,878	19,098	61,976
Increase in net assets resulting from operations	-	42,878	19,098	61,976
Unitholders' transactions				
Placement of units	84,959	-	-	84,959
Distribution to Unitholders - Paid and provision (Note 15)	-	(42,981)	-	(42,981)
Issuing expenses	(1,443)	-	-	(1,443)
Increase/(Decrease) in net assets resulting from Unitholders' transactions	83,516	(42,981)	-	40,535
Net assets as at 31 December 2009	406,854	179	143,324	550,357
	Note 10			

The notes on pages 83 to 100 are an integral part of these financial statements.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 RM'000	2008 RM'000
Cash flows from operating activities			
Net income before taxation		61,976	63,449
<i>Adjustments for:</i>			
Conventional interest expense		784	8,393
Islamic financing cost		9,693	-
Interest/Profit income		(272)	(111)
Change in fair value of investment properties		(19,098)	(24,478)
Operating income before changes in working capital		53,083	47,253
Receivables, deposits and prepayments/payments		(4,070)	7,895
Payables and accruals		6,528	(94)
Tenants' deposit		(1,295)	6,139
Cash generated from operation		54,246	61,193
Tax paid		-	-
Net cash from operating activities		54,246	61,193
Cash flows from investing activities			
Interest/Profit income received		272	111
Uplift of pledged deposits placed with licensed banks		-	270
Purchase of investment properties		(138,518)	(125,055)
Payment for enhancement of investment properties		(4,246)	(3,167)
Net cash used in investing activities		(142,492)	(127,841)
Cash flows from financing activities			
Conventional interest expense paid		(784)	(8,393)
Islamic financing cost paid		(9,693)	-
Proceeds from borrowings/financing		108,932	25,000
Distribution paid to Unitholders		(47,827)	(34,066)
Proceeds from issue of units		84,959	90,000
Issuing expenses		(1,443)	(1,554)
Net cash generated from financing activities		134,144	70,987
Net increase in cash and cash equivalents		45,898	4,339
Cash and cash equivalents at 1 January		(30,391)	(34,730)
Cash and cash equivalents at 31 December	(i)	15,507	(30,391)

(i) *Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

	Note	2009 RM'000	2008 RM'000
Cash and bank balances	6	6,813	65
Bank overdraft	9	-	(30,456)
Shariah-based deposits placed with licensed banks	6	8,994	300
		15,807	(30,391)
Less: Shariah-based deposits placed with licensed banks - pledged		(300)	(300)
		15,507	(30,391)

The notes on pages 83 to 100 are an integral part of these financial statements.

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 revised Deed dated 3 April 2009 between Axis REIT Managers Berhad ("the Manager") and OSK Trustees Berhad ("the Trustee"). The revised 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 Requirement 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 revised 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 structure of these services is 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 revised 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 Trust. The property management fees are payable monthly in arrears.

(b) Manager's fees

Pursuant to the revised Deed, the Manager is entitled to receive a fee of up to a maximum of 1.00% (2008: 1.00%) per annum of the Net Asset Value of Axis-REIT, calculated based on a monthly accrual basis and payable monthly in arrears. The Manager's fees for the year ended 31 December 2009 of RM4,808,400 (2008: RM4,242,247) is 1.00% (2008: 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 acquisition 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 2009 of RM1,367,500 (2008: RM1,230,000) is 1.00% (2008: 1.00%) of the acquisition price. The acquisition fees are included in the acquisition cost of the investment properties acquired (Note 4).

No disposal fees are paid or payable for the year ended 31 December 2009 (2008: Nil).

(c) Trustee's fees

Pursuant to the revised Deed, the Trustee is entitled to receive a fee of 0.05% (2008: 0.05%) per annum of the Net Asset Value of Axis-REIT calculated based on a monthly accrual basis and payable monthly in arrears. The trustee's fees for the year ended 31 December 2009 is RM236,445 (2008: RM212,112).

The financial statements were approved by the Board of Directors of the Manager on 12 February 2010.

NOTES TO THE FINANCIAL STATEMENTS

2. BASIS OF PREPARATION

(a) Statement of compliance

The financial statements of Axis-REIT have been prepared in accordance with the provisions of the revised 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 ("FRS") and accounting principles generally accepted in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

Axis-REIT has not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective:

FRSs / Interpretations	Effective date
Amendments to FRS 1, <i>First-time Adoption of Financial Reporting Standards</i> and FRS 127, <i>Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i>	1 January 2010
FRS 1, <i>First-time Adoption of Financial Reporting Standards (revised)</i>	1 July 2010
Amendments to FRS 2, <i>Share-based Payment: Vesting Conditions and Cancellations</i>	1 January 2010
FRS 3, <i>Business Combinations (revised)</i>	1 July 2010
FRS 4, <i>Insurance Contracts</i>	1 January 2010
FRS 7, <i>Financial Instruments: Disclosures</i>	1 January 2010
FRS 8, <i>Operating Segments</i>	1 July 2009
FRS 101, <i>Presentation of Financial Statements</i>	1 January 2010
FRS 123, <i>Borrowing Costs (revised)</i>	1 January 2010
FRS 127, <i>Consolidated and Separate Financial Statements (revised)</i>	1 July 2010
Amendments to FRS 2, <i>Share-based Payment</i>	1 July 2010
Amendments to FRS 5, <i>Non-current Assets Held for Sale and Discontinued</i>	1 July 2010
Amendments to FRS 132, <i>Financial Instruments: Presentation</i> and FRS 101, <i>Presentation of Financial Statements - Puttable Financial Instruments and Obligations Arising on Liquidation</i>	1 January 2010
Amendments to FRS 138, <i>Intangible Assets</i>	1 July 2010
FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i> , FRS 7, <i>Financial Instruments: Disclosures</i> and IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to FRS 139, <i>Financial Instruments: Recognition and Measurement</i>	1 January 2010
Improvements to FRSs (2009)	1 January 2010
IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 January 2010
Amendments to IC Interpretation 9, <i>Reassessment of Embedded Derivatives</i>	1 July 2010
IC Interpretation 10, <i>Interim Financial Reporting and Impairment</i>	1 January 2010
IC Interpretation 11, <i>FRS 2 - Group and Treasury Share Transactions</i>	1 January 2010
IC Interpretation 12, <i>Service Concession Agreements</i>	1 July 2010
IC Interpretation 13, <i>Customer Loyalty Programmes</i>	1 January 2010
IC Interpretation 14, <i>FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction</i>	1 January 2010
IC Interpretation 15, <i>Agreements for the Construction of Real Estate</i>	1 July 2010
IC Interpretation 16, <i>Hedges of a Net Investment in a Foreign Operation</i>	1 July 2010
IC Interpretation 17, <i>Distribution of Non-cash Assets to Owners</i>	1 July 2010

2. BASIS OF PREPARATION (CONTINUED)

(a) Statement of compliance (continued)

Axis-REIT plans to apply the abovementioned standards, amendments and interpretations:

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 or 1 January 2010, except for Amendments to FRS 2, FRS 4, FRS 8, IC Interpretation 11, IC Interpretation 13, and IC Interpretation 14, which are not applicable to Axis-REIT; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2010, except for FRS 3, FRS 127, IC Interpretation 12, IC Interpretation 15, IC Interpretation 16, and IC Interpretation 17 which are not applicable to Axis-REIT.

The impact and disclosures as required by FRS 108.30(b), *Accounting Policies, Changes in Accounting Estimates and Errors*, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs. The initial application of the other standards (and their consequential amendments) and interpretations mentioned above is not expected to have any material impact on the financial statements of Axis-REIT.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for investment properties as explained in Note 4.

(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 financial statements 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 year in which the estimate is revised and in any future years 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 those 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, unless otherwise stated.

(a) Investment properties

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 property are measured initially at cost and subsequently at fair value with any change therein recognised in the income statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Investment properties (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.

(b) 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.

Other leases are operating leases and the leased assets are not recognised on Axis-REIT's balance sheet. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property.

(c) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

(d) 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 cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(e) Impairment

The carrying amounts of assets, except for investment property that is measured at fair value, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

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. 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").

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 the income statement.

Impairment losses recognised in prior periods are assessed at each balance sheet date 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. 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 the income statement in the year in which the reversals are recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) *Borrowings/Financing*

Borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings using the effective interest method. For Islamic financing, a similar approach is used to determine the same.

(g) *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.

Provision for income distribution

Provision for income distribution relates to any distribution that is determined by the Directors of the Manager but not distributed at the balance sheet date.

(h) *Payables*

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(i) *Revenue*

(i) *Rental income*

Rental income consists of income from the letting of investment properties including lots and car parks and other associated income, and is recognised on a straight line basis over the term of the rental unless collectibility is in doubt, in which case, they are recognised on a receipt basis.

Rental income is recognised on an accrual basis except where default in payment of rent has already occurred and rent dues remain outstanding for over six months, in which case recognition of rental income is suspended. Subsequent to the suspension, income is recognised on the receipt basis until all arrears have been paid.

(ii) *Interest/Profit income*

Interest / Profit income is recognised as it accrues, taking into account the effective yield on the assets.

(j) *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 Trust.

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) *Conventional interest expense/Islamic financing cost*

All conventional interest incurred in connection with borrowings are expensed using the effective interest method, in period in which they are incurred. For Islamic financing cost, a similar approach is applied to determine the same.

(v) *Lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statement except to the extent that it relates to items recognised directly in unitholders' fund, in which case it is recognised in unitholders' fund.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. 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 balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

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 each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

4. INVESTMENT PROPERTIES

	2009 RM'000	2008 RM'000
At 1 January	723,100	570,400
Acquisitions	138,518	125,055
Enhancement	4,246	3,167
Change in fair value	19,098	24,478
At 31 December	884,962	723,100
Included in the above are:		
Land and buildings at fair value	884,962	723,100

4. INVESTMENT PROPERTIES (CONTINUED)

Description of Property	Tenure of land	Term of lease year	Remaining lease year	Location	Existing Use	Occupancy rates as at 31.12.2009 %	Fair value as at 31.12.2009 RM'000	Initial acquisition cost as at 31.12.2009 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2009 %
Menara Axis*#	Leasehold	99	56	Petaling Jaya	Commercial	93.4	93,000	71,440	16.9
Crystal Plaza*#	Leasehold	99	50	Petaling Jaya	Commercial	94.0	89,800	56,400	16.3
Axis Business Park*#	Leasehold	99	51	Petaling Jaya	Office & Warehouse	98.3	105,900	84,600	19.2
Infinite Centre*#	Leasehold	99	56	Petaling Jaya	Office & Warehouse	93.4	34,700	25,450	6.3
Axis Plaza*	Freehold	-	-	Shah Alam	Office & Warehouse	81.8	29,500	22,500	5.4
Wisma Kemajuan^#	Leasehold	99	56	Petaling Jaya	Office & Warehouse	72.0	53,600	29,192	9.7
Axis North Port LC 1 ^	Leasehold	99	96	Klang	Warehouse	83.1	15,312	10,373	2.8
Kayangan Depot^#	Leasehold	99	77	Shah Alam	Office & Warehouse	76.2	22,000	16,224	4.0
Wisma Bintang^^^#	Leasehold	99	58/62	Petaling Jaya	Office & Workshop	100.0	38,750	32,681	7.0
Axis Shah Alam DC 1 *	Freehold	-	-	Shah Alam	Factory/Warehouse	100.0	18,500	18,783	3.4
Giant Hypermarket***#	Freehold	-	-	Sungei Petani	Warehouse	100.0	39,000	38,678	7.1
FCI Senai**	Leasehold	60	58	Senai, Johor	Office & Factory	100.0	14,000	12,538	2.5
Nestle Office & Warehouse***	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	7,600	7,352	1.4
Nestle House***	Leasehold	99	63	Petaling Jaya	Office	0.0	38,000	40,376	6.9
Kompakar CRC HQ^#	Leasehold	99	59	Petaling Jaya	Office & Warehouse	100.0	40,000	37,549	7.3
BMW Centre PTP**	Leasehold	99	90	Tanjung Pelepas	Office & Warehouse	100.0	27,100	27,470	4.9
Niro Warehouse***	Leasehold	60	42	Pasir Gudang	Office & Warehouse	100.0	14,500	14,811	2.6
Delfi Warehouse***	Leasehold	60	58	Pasir Gudang	Office & Warehouse	100.0	13,500	12,743	2.5
Axis Vista^^	Leasehold	99	57	Petaling Jaya	Office & Warehouse	100.0	35,000	32,481	6.4
Axis Steel Center^	Leasehold	99	93	Klang	Office & Warehouse	100.0	75,000	65,882	13.6
Bukit Raja Distribution Centre**	Freehold	-	-	Klang	Office & Warehouse	100.0	80,200	72,636	14.6
Investment properties							884,962	730,159	

* Menara Axis, Crystal Plaza, Axis Business Park, Infinite Centre, Axis Plaza and Axis Shah Alam DC 1 were valued on 4 June 2009, 10 December 2009, 10 December 2009, 10 December 2009, 10 December 2009, 10 December 2009 and 10 December 2009 respectively, by Colliers, Jordan Lee & Jaafar 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.

** FCI Senai, BMW Centre PTP and Bukit Raja Distribution Centre were valued on 22 December 2009, 15 December 2009 and 4 November 2009 respectively, by C H Williams Talhar & Wong 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.

*** Giant Hypermarket, Nestle Office & Warehouse, Nestle House, Niro Warehouse and Delfi Warehouse and were valued on 7 December 2009, 8 December 2009, 8 December 2009, 9 December 2009 and 9 December 2009 respectively, by CB Richard Ellies (Malaysia) 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.

^ Wisma Kemajuan, Axis North Port LC 1, Kayangan Depot, Kompakar CRC HQ and Axis Steel Centre were valued on 15 December 2009, 2 March 2009, 14 December 2009, 14 December 2009 and 30 March 2009 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.

^^ Axis Vista was valued on 13 August 2009, 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.

^^^ Wisma Bintang was valued on 6 May 2009, 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, cost and investment methods of valuation.

The properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 8).

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 or years purchase figure 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 is approximately 7.0% (2008: 7.0%).

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 RM1,367,500 (2008: RM1,230,000) which relates to acquisition fees paid or payable to the Manager (Note 1(b)).

The following are recognised in the income statement in respect of investment properties:

	Note	2009 RM'000	2008 RM'000
Gross revenue (from investment properties)	11	71,598	63,331
Direct operating expenses	12	11,661	9,876

4. INVESTMENT PROPERTIES (CONTINUED)

Description of Property	Tenure of land	Term of lease year	Remaining lease year	Location	Existing Use	Occupancy rates as at 31.12.2008 %	Fair value as at 31.12.2008 RM'000	Initial acquisition cost as at 31.12.2008 RM'000	Percentage of fair value to Net Asset Value as at 31.12.2008 %
Menara Axis#	Leasehold	99	57	Petaling Jaya	Commercial	100.0	91,700	71,440	20.5
Crystal Plaza*#	Leasehold	99	51	Petaling Jaya	Commercial	100.0	89,800	56,400	20.1
Axis Business Park*#	Leasehold	99	52	Petaling Jaya	Office & Warehouse	93.3	102,500	84,600	22.9
Infinite Centre*#	Leasehold	99	57	Petaling Jaya	Office & Warehouse	88.9	35,200	25,450	7.9
Axis Plaza*	Freehold	-	-	Shah Alam	Office & Warehouse	81.9	30,700	22,500	6.9
Wisma Kemajuan****#	Leasehold	99	57	Petaling Jaya	Office & Warehouse	83.1	52,500	29,192	11.7
Axis North Port LC 1*	Leasehold	99	97	Klang	Warehouse	100.0	11,600	10,373	2.6
Kayangan Depot****	Leasehold	99	78	Shah Alam	Office & Warehouse	75.0	22,000	16,224	4.9
Wisma Bintang*#	Leasehold	99	59/63	Petaling Jaya	Office & Workshop	100.0	38,000	32,681	8.5
Axis Shah Alam DC 1*	Freehold	-	-	Shah Alam	Factory/Warehouse	100.0	18,500	18,783	4.1
Giant Hypermarket***	Freehold	-	-	Sungei Petani	Warehouse	100.0	38,000	38,678	8.5
FCI Senai**	Leasehold	60	59	Senai, Johor	Office & Factory	100.0	14,000	12,538	3.1
Nestle Office & Warehouse***	Freehold	-	-	Shah Alam	Office & Warehouse	100.0	7,500	7,352	1.7
Nestle House***	Leasehold	99	64	Petaling Jaya	Office	100.0	40,000	40,376	8.9
Kompakar CRC HQ****	Leasehold	99	60	Petaling Jaya	Office & Warehouse	100.0	40,000	37,549	8.9
BMW Centre PTP**	Leasehold	99	91	Tanjung Pelepas	Office & Warehouse	100.0	27,100	27,470	6.1
Niro Warehouse***	Leasehold	60	43	Pasir Gudang	Office & Warehouse	100.0	14,500	14,811	3.2
Delfi Warehouse***	Leasehold	60	59	Pasir Gudang	Office & Warehouse	100.0	13,500	12,743	3.0
Axis Vista^	Leasehold	99	58	Petaling Jaya	Office & Warehouse	100.0	36,000	32,481	8.0
Investment properties							723,100	591,641	

* Axis Plaza, Infinite Centre, Menara Axis, Crystal Plaza, Axis Business Park, Axis Shah Alam DC 1, Wisma Bintang and Axis North Port LC 1 were valued on 25 November 2008, 25 November 2008, 26 November 2008, 26 November 2008, 26 November 2008, 2 December 2008, 3 December 2008 and 15 December 2008 respectively, by Colliers, Jordan Lee & Jaafar 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.

** FCI Senai and BMW Centre PTP were valued on 10 December 2008, by C H Williams Talhar & Wong 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.

*** Nestle Office & Warehouse, Nestle House, Niro Warehouse, Delfi Warehouse and Giant Hypermarket were valued on 20 November 2008, 20 November 2008, 21 November 2008, 21 November 2008 and 1 December 2008 respectively, by REGROUP Associates, an independent firm of professional valuer, registered with the Board of Valuers, Appraisers & Estate Agents Malaysia using the comparison and investment methods of valuation.

**** Wisma Kemajuan, Kayangan Depot and Kompakar CRC HQ were valued on 29 October 2008, 29 October 2008 and 28 November 2008 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.

^ Axis Vista was valued on 13 August 2008, 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.

The properties are charged to financial institutions for banking facilities granted to Axis-REIT (Note 8).

NOTES TO THE FINANCIAL STATEMENTS

5. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2009 RM'000	2008 RM'000
Trade		
Trade receivables	3,371	1,858
Less: Allowance for doubtful debts	(253)	(199)
	3,118	1,659
Non-trade		
Other receivables	54	55
Deposits	3,508	883
Prepayments	142	155
	3,704	1,093
	6,822	2,752

6. CASH AND CASH EQUIVALENTS

	Note	2009 RM'000	2008 RM'000
Shariah-based deposits placed with licensed banks	a	8,994	300
Cash and bank balances		6,813	65
		15,807	365

Note a

Included in Shariah-based deposits placed with licensed banks is an amount of RM300,000 (2008: RM300,000) which is pledged for banking facilities granted to Axis-REIT (Note 8).

7. PAYABLES AND ACCRUALS

	2009 RM'000	2008 RM'000
Non-Current		
Non-trade		
Tenants' deposits - payable after 12 months	18,383	19,678
Current		
Trade		
Trade payables	967	1,044
Non-trade		
Other payables and accrued expenses	4,415	3,354
Tenants' deposits - payable within 12 months	9,398	3,854
	14,780	8,252
	33,163	27,930

Included in other payables and accrued expenses are amounts due to the Manager and the Property Manager of RM474,527 (2008: RM4,129) and RM215,857 (2008: RM119,397) respectively which are unsecured, interest free and payable monthly in arrears.

8. BORROWINGS/FINANCING

	2009 RM'000	2008 RM'000
Non-Current		
Secured term financing	166,126	-
Transaction costs	(2,194)	-
	163,932	-
Current		
Secured revolving credit	145,000	200,000
Bank overdraft	-	30,456
	308,932	230,456

Terms and debt repayment/financing payment schedule

	Year of Maturity	Interest rate/profit changed %	Carrying amount RM'000	Under 1 year RM'000	1 - 2 years RM'000	2 - 5 years RM'000	Over 5 years RM'000
2009							
Term financing	2012	4.80 (a)	68,116	-	-	68,116	-
Term financing	2014	5.85 (a)	95,816	-	-	-	95,816
Revolving credit	2010	2.86-3.33	145,000	145,000	-	-	-
2008							
Revolving credit	2009	4.23-4.65	200,000	200,000	-	-	-
Bank overdraft	2009	4.35	30,456	30,456	-	-	-

Note (a)

Included in the average effective interest rate is the amortisation of incidental cost of borrowing/financing.

9. PROVISION FOR INCOME DISTRIBUTION

	2009 RM'000	2008 RM'000
At 1 January	20,139	15,504
Provisions made during the year	42,981	38,701
Payments made during the year	(47,827)	(34,066)
At 31 December	15,293	20,139

NOTES TO THE FINANCIAL STATEMENTS

10. TOTAL UNITHOLDERS' FUNDS

Unitholders' capital	2009 Number of Units '000	2008 Number of Units '000
Authorised:		
At 1 January	255,901	205,901
Increased during the year	51,180	-
At 31 December	307,081	255,901
Issued and fully paid up:		
At 1 January	255,901	205,901
Issued during the year	51,180	50,000
At 31 December	307,081	255,901
	RM'000	RM'000
At 1 January	323,338	234,892
Issue of new units:		
- 51,180,200 units @ RM1.66 per unit	84,959	90,000
Issuing expenses (Note 16)	(1,443)	(1,554)
At 31 December	406,854	323,338

Unitholdings of substantial unitholders, Directors and their related parties

As at 31 December 2009, 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:

	2009		2008	
	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:				
Baiduri Kemas Sdn. Bhd.	33,790	65,215	33,790	37,845
Tew Peng Hwee @ Teoh Peng Hwee	15,685	30,272	15,934	17,486
The Manager's Directors' direct Unitholdings in Axis-REIT:				
Dato' Abas Carl Gunnar bin Abdullah	9,410	18,161	9,410	10,539
YAM Tunku Dato' Seri Shahabuddin Bin Tunku Besar Burhanuddin	10	19	10	11
Tew Peng Hwee @ Teoh Peng Hwee	15,685	30,272	15,934	17,846
George Stewart LaBrooy	95	183	95	106
Alex Lee Lao#	12,694	24,499	12,694	14,217
Yin-Yong Lee Lao	400	772	400	448

10. TOTAL UNITHOLDERS' FUNDS (CONTINUED)

	2009		2008	
	Number of Units '000	Market value RM'000	Number of Units '000	Market value RM'000
The Manager's Directors' indirect Unitholdings in Axis-REIT ¹ :				
Dato' Abas Carl Gunnar bin Abdullah*	36,040	69,557	36,040	40,365
Tew Peng Hwee @ Teoh Peng Hwee**	35,040	67,627	35,040	39,245
Alex Lee Lao***	36,440	70,329	36,440	40,813
Yin-Yong Lee Lao****	48,734	94,057	48,734	54,582
The direct Unitholdings of the related parties of the Manager's Directors in Axis-REIT:				
Crystal Properties Sdn. Bhd. (in Members' Voluntary Liquidation)	250	483	250	280
Prestigious Landmarks Sdn. Bhd. (in Members' Voluntary Liquidation)	1,000	1,930	1,000	1,120
Datin Kuyas Emiloglu	1,000	1,930	1,000	1,120
Leon Lee Lao	1,000	1,930	1,000	1,120
Tan Siew Geok	335	647	-	-

Notes:

¹ The breakdown of the indirect Unitholdings of the Manager's Directors can be obtained from the information on the direct Unitholdings of Baiduri Kemas Sdn Bhd, a substantial unitholder as well as the direct Unitholdings of the related parties of the Manager's Directors, the extent to which they have interest.

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, Crystal Properties Sdn Bhd (In Members' Voluntary Liquidation), Prestigious Landmarks Sdn Bhd (In Members' Voluntary Liquidation), all are unitholders of Axis-REIT as well as the unitholdings of his spouse, Datin Kuyas Emiloglu.

** Deemed interested by virtue of his shareholdings in Baiduri Kemas Sdn Bhd, Crystal Properties Sdn Bhd (In Members' Voluntary Liquidation), Prestigious Landmarks Sdn Bhd (In Members' Voluntary Liquidation), all are unitholders of Axis-REIT.

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

**** Deemed interested by virtue of the direct and indirect unitholdings in Axis-REIT of his brother, Alex Lee Lao and Leon Lee Lao.

NOTES TO THE FINANCIAL STATEMENTS

10. TOTAL UNITHOLDERS' FUNDS (CONTINUED)

The market value of the Units was determined by multiplying the number of Units with the market price of RM1.93 (2008: RM1.12) as at 31 December 2009.

	Note	2009 RM'000	2008 RM'000
Undistributed income			
- Realised		179	282
- Unrealised	a	143,324	124,226
		143,503	124,508

Note a

This unrealised income relates to the cumulative net change arising from the fair value adjustment to the investment properties (Note 4).

11. GROSS REVENUE

	2009 RM'000	2008 RM'000
Rental income from investment properties	65,827	58,716
Car park income	2,946	2,905
Other income	2,825	1,710
	71,598	63,331

12. PROPERTY OPERATING EXPENSES

	2009 RM'000	2008 RM'000
Assessment	1,824	1,666
Service contracts and maintenance	3,415	2,770
Property management fees	1,497	1,341
Property management reimbursements	918	797
Utilities	2,912	2,354
Others	1,095	948
	11,661	9,876

13. TAX EXPENSE

	2009 RM'000	2008 RM'000
Reconciliation of effective tax expense		
Net income before taxation	61,976	63,449
Income tax using Malaysian tax rate of 25% (2008: 26%)	15,494	16,497
Non-deductible expenses	308	279
Effect of fair value adjustment of investment properties not subject to tax	(4,775)	(6,364)
Effect of income exempted from tax	(11,027)	(10,412)
	-	-

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.

14. EARNINGS PER UNIT

The calculation of earnings per Unit is based on the net income for the year of RM61,976,000 (2008: RM63,449,000) and on the weighted average number of units in circulation during the year of 271,745,829 (2008: 251,939,251).

15. DISTRIBUTION TO UNITHOLDERS

Distribution to Unitholders is from the following sources:

	2009 RM'000	2008 RM'000
Net rental income		
- current year	59,937	53,455
- prior year portion (already subject to tax)	282	-
Interest/Profit income	272	111
	60,491	53,296
Less: Expenses	(17,331)	(14,595)
	43,160	38,971
Less: Undistributed income	(179)	(270)
	42,981	38,701
Gross distribution (paid and provision) per Unit (sen)	15.80	15.27
Net distribution (paid and provision) per Unit (sen)	15.80	15.27

NOTES TO THE FINANCIAL STATEMENTS

16. ISSUING EXPENSES

	2009 RM'000	2008 RM'000
Professional fees	1,388	1,512
Miscellaneous expenses	55	42
Total (Note 10)	1,443	1,554

17. PORTFOLIO TURNOVER RATIO

	2009	2008
Portfolio Turnover Ratio ("PTR") (times)	0.14	0.15

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.

18. MANAGEMENT EXPENSE RATIO

	2009	2008
Management expense ratio ("MER") (%)	1.22	1.35

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.

19. FINANCIAL INSTRUMENTS

Financial risks management objectives and policies

Exposure to credit, interest rate and liquidity risk arises in the normal course of Axis-REIT's business. These risks are monitored by the Manager on an on-going basis.

Credit risk

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of financial asset.

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.

The interest rate risks are uncertainties resulting from the effects of fluctuations in the prevailing level of the market interest rates on its financial position and cash flow. Interest rate risk exposure to Axis-REIT is in respect of short-term Shariah-based deposits and revolving credit facilities.

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.

19. FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk

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 Trust concerning limits on total borrowings/financing.

Effective interest/profit rates and repricing analysis

The following table indicates their average effective interest/profit rates at the balance sheet date and the periods in which they mature:

	Average effective interest rate %	Total RM'000	Less than 1 year RM'000	1-2 years RM'000	2-5 years RM'000	Over 5 years RM'000
2009						
Fixed rate instruments						
Financial liability						
Term financing						
- 3 years	4.80 (a)	68,116	-	-	68,116	-
- 5 years	5.85 (a)	95,816	-	-	-	95,816
Floating rate instruments						
Financial asset						
Deposits with licensed bank						
	1.80-2.10	8,994	8,994	-	-	-
Financial liability						
Revolving credit						
	2.86 - 3.33	145,000	145,000	-	-	-
2008						
Floating rate instruments						
Financial asset						
Deposits with licensed banks						
	Nil	300	300	-	-	-
Financial liability						
Revolving credit						
	4.23 - 4.65	200,000	200,000	-	-	-
Bank overdraft						
	4.35	30,456	30,456	-	-	-

Note (a)

Included in the average effective interest rate is the amortisation of incidental cost of borrowing/financing.

Fair values

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

NOTES TO THE FINANCIAL STATEMENTS

20. OPERATING LEASES

Leases as lessor

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

	2009 RM'000	2008 RM'000
Less than one year	61,163	58,175
Between one and five years	123,353	98,334
More than five years	88,625	42,440
	273,141	198,949

21. CAPITAL COMMITMENTS

	2009 RM'000	2008 RM'000
Capital expenditure commitments		
Investment properties		
<i>Contracted but not provided for and payable:</i>		
- Within one year	51,525	-

22. 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	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Tenancy agency commissions payable to a firm owned by a Director of the Manager	5	-	-	-
Acquisition cost of an investment property payable to a Company in which certain Directors of the Manager have interest	65,000	32,000	-	-

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.

STATEMENT BY THE MANAGER

In the opinion of the Directors of the Manager, the financial statements set out on pages 78 to 100 are drawn up in accordance with the provisions of the revised 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 2009 and of its financial performance and cash flows for the year ended on that date.

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: 12 February 2010

STATUTORY DECLARATION

I, **George Stewart LaBrooy**, 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 78 to 100, 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 12 February 2010.



George Stewart LaBrooy

Before me:



NO.656, TINGKAT 2,
BATU 4, JALAN IPOH,
51200 KUALA LUMPUR.

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 2009. 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 revised 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 revised Deed and other regulatory requirements.

We also confirm that the income distributions declared and paid during the financial year ended 31 December 2009 are in line with and are reflective of the objectives of Axis-REIT. Four distributions have been declared for the financial year ended 31 December 2009 as follows:-

- 1) 1st interim income distribution of 3.90 sen per unit paid on 29 May 2009;
- 2) 2nd interim income distribution of 4.10 sen per unit paid on 28 August 2009;
- 3) 3rd interim income distribution of 2.82 sen per unit paid on 30 September 2009; and
- 4) Final income distribution of 4.98 sen per unit payable on 25 February 2010.

For and on behalf of the Trustee,
OSK Trustees Berhad



Woo Lai Mei
Director

Kuala Lumpur,

Date: 12 February 2010

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 balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 78 to 100.

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

The Directors of Axis REIT Manager Berhad (the "Manager") of Axis-REIT are responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the revised 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Manager's preparation and fair presentation of the financial statements 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 Manager's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, 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 the provisions of the revised Deed dated 3 April 2009, 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-REIT as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

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



Mohamed Raslan Abdul Rahman
Chartered Accountant
Approval Number: 1825/05/11 (J/PH)

Petaling Jaya,

Date: 12 February 2010