

# **AmFIRST REAL ESTATE INVESTMENT TRUST**

## **NOTES TO THE UNAUDITED CONDENSED FINANCIAL STATEMENTS**

Reporting Quarter Ended 31st December 2009

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### **EXPLANATORY NOTES PURSUANT TO FINANCIAL REPORTING STANDARD (FRS) 134**

#### **A1. BASIS OF PREPARATION**

These condensed financial statements have been prepared in accordance with Financial Reporting Standard (FRS) 134 and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The accounting policies and methods of computation adopted in the interim financial statements are consistent with those adopted in its most recent Audited Financial Statements for the financial year ended 31st March 2009.

#### **A2. DECLARATION OF AUDIT QUALIFICATION**

There was no audit qualification on the financial statements for the year ended 31st March 2009.

#### **A3. SEASONALITY AND CYCLICALITY OF OPERATIONS**

The operations of AmFIRST are not subjected to seasonal or cyclical fluctuation.

#### **A4. UNUSUAL ITEMS**

There were no unusual items affecting assets, liabilities, equity, net income or cash flow during the quarter under review.

#### **A5. CHANGES IN ESTIMATES**

There were no changes in estimates that have had a material effect for the quarter under review.

**A6. ISSUANCE, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuances or repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the quarter under review.

**A7. INCOME DISTRIBUTION PAID**

	Total RM'000	Per Unit (Sen)
Income distribution for the financial period ended 30th September 2009, paid on 30th November 2009.	<u>20,892</u>	<u>4.87</u>

**A8. SEGMENT INFORMATION**

Segmental reporting is not applicable.

**A9. VALUATION OF PROPERTY, PLANT AND EQUIPMENT BROUGHT FORWARD**

The valuations of land and buildings have been brought forward without amendment from the financial statements for the year ended 31st March 2009.

**A10. MATERIAL SUBSEQUENT EVENTS**

There are no material events subsequent to the end of the reporting quarter.

**A11. CHANGES IN THE COMPOSITION OF THE TRUST**

There were no changes in the composition of AmFIRST during the quarter under review.

**A12. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

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

## **ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

### **B1. REVIEW OF PERFORMANCE**

#### Quarter Result

For the financial quarter ended 31st December 2009, AmFIRST recorded total gross revenue of RM24,687,235 against RM23,508,997 for the corresponding quarter of last year, an improvement of 5%. The improvement was derived mainly from new lettings and renewal of tenancies at higher rental rates.

These coupled with lower interest expenses as a result of reduction in cost of borrowings contributed to higher income before taxation by 6% to RM9,602,202 compared to RM9,039,108, recorded in the last corresponding quarter.

#### Year-To-Date Result

For the nine-month period ended 31st December 2009, AmFIRST posted net income before taxation of RM30,529,073 as compared with RM27,348,819 for the same period of last financial year, and increase of 12%.

The notable increase was contributed from higher income from new lettings, positive rental reversion and lower interest expenses.

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

For the quarter, income before taxation was lower by RM748,619 due to higher provision for doubtful debts.

### **B3. CHANGES IN THE STATE OF AFFAIRS**

There were no material changes in the state of affairs of AmFIRST for the quarter under review.

### **B4. CHANGES IN PORTFOLIO COMPOSITION**

There were no material changes in the portfolio composition of AmFIRST for the quarter under review.

**B5. CHANGES IN NET ASSET VALUE (“NAV”) AND UNIT PRICE**

	Current Quarter 31.12.2009	Immediate Preceding Quarter 30.09.2009
Net Asset Value (RM'000)	568,450	568,450
Net Asset Value per Unit (RM)	1.33	1.33
Market price per Unit (RM)	1.04	1.04

There were no changes in the total NAV, NAV per Unit and market price per Unit as compared to immediate preceding quarter.

**B6. REVIEW OF OFFICE PROPERTY MARKET**

During the period under review, office rents continued to drop marginally in anticipation of new supply of office spaces.

**B7. PROSPECTS**

The outlook of the office sector remains challenging with uncertainties in global economy despite witnessing a slow recovery in the second half of 2009. Office rents will continue to face downward pressure due to new supply that will come on stream in the next few years. Amidst any unforeseen circumstances, AmFIRST is expected to continue to generate a stable stream of income based on current tenancy profile and the diversity of tenants mix for the remaining period of the financial year.

On enhancement front, upgrading of Menara Merais was completed in December 2009 and enhancement plans for other properties are scheduled to be carried out in near future. These will position the properties to remain competitive in the market and to increase its current level of occupancy.

Barring any unforeseen deterioration in the external economic environment, the Manager expects AmFIRST to meet its forecast as disclosed in the Prospectus for the financial year ending 31st March 2010.

**B8. UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS**

There were no issuances of new units for the quarter under review.

**B9. CIRCUMSTANCES AFFECTING INTEREST OF UNITHOLDERS**

There were no unusual circumstances which materially affect the interest of the Unitholders for the quarter under review.

**B10. CHANGES IN MATERIAL LITIGATION**

There was no material litigation as the date of this report.

**B11. MAJOR MAINTENANCE COSTS AND CAPITAL EXPENDITURE**

Menara Merais was upgraded with a total capital expenditure of RM6,900,000 of which RM3,229,940 was incurred during the quarter under review.

**B12. SOFT COMMISSION**

There were no soft commissions received by the Manager or its delegate during the quarter under review.

**B13. REVENUE RECOGNITION**

Rental and interest income are recognized on an accrual basis.

**B14. MANAGER'S FEE**

Pursuant to the Trust Deed, the Manager's fee consist of a base fee up to 0.50% per annum of the total asset value of AmFIRST (excluding any taxes payable) and a performance fee of 3.00% per annum of net property income (excluding any taxes payable), accruing monthly but before deduction of property management fee. However, the Manager's fee, for the period from 1st April 2009 to 31st December 2009 consists of a base fee of only 0.30% per annum.

**B15. TRUSTEE'S FEE**

Pursuant to the Trust Deed, the Trustee is entitled to receive a fee up 0.10% per annum of the net asset value. The Trustee's fee for the period from 1st April 2009 to 31st December 2009, is calculated based on 0.03% per annum of the net asset value.

## B16. UNIT HELD BY RELATED PARTIES

As at 31st December 2009, the Manager did not hold any Units in AmFIRST. The related parties to the Manager who hold units in AmFIRST are as follows:

	Number of Unit '000	Market Value RM'000
Amequities Sdn Bhd	80,000	83,200
Jadeline Capital Sdn Bhd	53,700	55,848
RCE Synergy Sdn Bhd	33,564	34,906
AmBank (M) Berhad	25,344	26,358
Amcorpgroup Berhad	23,280	24,211
AMG Insurance Berhad	12,578	13,081
AmLife Insurance Berhad on behalf of General Fund	12,141	12,626
AmLife Insurance Berhad on behalf of Life Fund	7,086	7,370

The market value is determined by multiplying the number of units with the market price of RM1.04 per unit as at 31st December 2009.

## B17. COMPOSITION OF INVESTMENT PORTFOLIO

As at 31st December 2009, AmFIRST's composition of investment portfolio is as follows:-.

	Type	Cost of * Investment RM'000	Market Value RM'000	Market Value as a % of NAV
<i>Real estate</i>				
The Summit Subang USJ	Mixed commercial	275,322	286,834	50.5
Menara AmBank	Commercial office	232,439	292,396	51.4
Bangunan AmBank Group	Commercial office	180,152	226,000	39.8
Kelana Brem Towers	Commercial office	86,051	105,000	18.5
Menara Merais	Commercial office	62,657	67,577	11.9
AmBank Group Leadership Centre	Commercial office	19,652	20,000	3.5
		<u>856,273</u>	<u>997,807</u>	
<i>Others</i>				
Deposits with licensed financial institutions			<u>15,064</u>	2.6

\* Included in were capital expenditures.

**B17. COMPOSITION OF INVESTMENT PORTFOLIO (CONT'D)**

There were no changes to the total number of properties held by AmFIRST during the quarter under review.

**B18. TAXATION**

Pursuant to the new tax system for Real Estate Investment Trust (“REITs”), the undistributed income from REITs is exempted from income tax provided that at least 90% of their income is distributed to unitholders with effect from the year of assessment 2007.

There is no tax payable as AmFIRST intends to distribute 100% of the distributable income to unitholders for the financial year ending 31st March 2010.

**B19. INCOME DISTRIBUTION**

No income distribution was declared during the quarter under review.

**B20. STATEMENT BY THE DIRECTORS OF THE MANAGER**

In the opinion of the Directors of the Manager, this quarterly report has been prepared in accordance with FRS 134 : Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad so as to give a true and fair view of the financial position of AmFIRST as at 31st December 2009 and of its financial performance and cash flows for the period then ended.