Ascendas Real Estate Investment Trust

A-REIT FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

Ascendas Real Estate Investment Trust (A-REIT) is a real estate investment trust constituted by the Trust Deed entered into on 9 October 2002 between Ascendas Funds Management (S) Limited as the Manager of A-REIT and HSBC Institutional Trust Services (Singapore) Limited as the Trustee of A-REIT, as amended.

Units in A-REIT were allotted in November 2002 based on a prospectus dated 5 November 2002. These units were subsequently listed on the Singapore Exchange Securities Trading Limited on 19 November 2002.

A-REIT has a diversified portfolio of 92 properties in Singapore, and houses a tenant base of about 930 customers across the following sub-sectors: Business & Science Park, Hi-Tech Industrial, Light Industrial, Logistics & Distribution Centres and Warehouse Retail Facilities.

SUMMARY OF A-REIT RESULTS FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010

	01/04/10 to 30/09/10 S$'000	01/04/09 to 30/09/09 S$'000	Increase / (Decrease) %
Gross revenue	224,687	204,722	9.8%
Net property income	171,285	161,836	5.8%
Income available for distribution (Note a)	128,413	122,598	4.7%
Distributable income (Note a)	124,946	122,598	1.9%
	Cents per Unit		
Distribution per Unit ("DPU")	FY 10/11	FY 09/10	Increase / (Decrease) %
For the quarter from 1 July to 30 September (Note b)	3.30	3.48	(5.2%)
For the six months from 1 April to 30 September	6.67	7.10	(6.1%)
Proforma DPU for the six months from 1 April to 30 September (Note c)	-	6.55	1.8%

Footnote

(a) A-REIT is committed to distribute 100% of its taxable income available for distribution to Unitholders for the financial year ending 31 March 2011. For 1H ended 30 September 2010, income available for distribution included interest income of S$3.5 million derived from a finance lease granted to one tenant. This income has been retained pending IRAS approval on an application for advance ruling for tax transparency treatment. Upon tax clearance from IRAS, A-REIT will distribute the income to Unitholders. If tax transparency had been granted as at reporting date, both the principal and interest portion of the finance lease receipts will be treated as distributable income. Distributable income would then be S$129.0 million for 1H ended 30 September 2010 and 1H DPU would be 6.89 cents which represents a 5.2% year-on-year growth on proforma basis.

(b) DPU in the table above is computed on the basis that none of the S$300 million collateral loan with maturity date on 1 February 2017, is converted into A-REIT Units on or before the book closure date. Accordingly, the actual quantum of DPU may differ if any portion of the collateral loan is converted into Units on or prior to the book closure date. Please see Section 6 for more details.

(c) The Proforma DPU for FY09/10 has been calculated using distributable income and the applicable number of units as at 30 September 2010 which included units issued pursuant to the placement in August 2009, units issued in lieu of the 20% base management fee in December 2009 and June 2010 and units issued for payment of acquisition fee in June 2010. DPU growth would be 1.8% year-on-year on a proforma basis. Please see Section 6 for more details.

DISTRIBUTION DETAILS

Class of Units	Ascendas-REIT main stock
Distribution period	1 July 2010 to 30 September 2010
Distribution Type	Income
Distribution amount	3.30 cents per unit
Book closure date	26 October 2010
Payment date	26 November 2010

1(a) Statement of total return together with a comparative statement for the corresponding period of the immediately preceding financial year

1(a)(i) Statement of total return (1H FY10/11 vs 1H FY09/10)

	01/04/10 to 30/09/10 (Note h) S$'000	01/04/09 to 30/09/09 (Note h) S$'000	Increase / (Decrease) %
Gross revenue	224,687	204,722	9.8%
Property services fees	(7,188)	(6,444)	11.5%
Property tax	(13,259)	(11,099)	19.5%
Other property operating expenses	(32,955)	(25,343)	30.0%
Property operating expenses	(53,402)	(42,886)	24.5%
Net property income	171,285	161,836	5.8%
Management fee (Note a)	(12,217)	(11,544)	5.8%
Trust expenses	(1,765)	(1,331)	32.6%
Finance income (Note b)	1,135	27	4103.7%
Finance costs (Note c)	(44,023)	(30,308)	45.3%
Non property expenses	(56,870)	(43,156)	31.8%
Net income	114,415	118,680	(3.6%)
Net change in fair value of financial derivatives (Note d)	994	(8,880)	(111.2%)
Net appreciation on revaluation of investment properties under development (Note e)	5,819	-	nm
Total return for the period	121,228	109,800	10.4%
Non tax deductible expenses, net (Note f)	13,004	12,798	1.6%
Net appreciation on revaluation of investment properties under development (Note e)	(5,819)	-	nm
Income available for distribution (Note g)	128,413	122,598	4.7%
Distributable income (Note g)	124,946	122,598	1.9%

The following items have been included in arriving at net income:

	01/04/10 to 30/09/10 (Note h) S$'000	01/04/09 to 30/09/09 (Note h) S$'000
Gross rental income	203,154	192,489
Other income	21,533	12,233
(Writeback of)/Allowance for doubtful receivables, net	(14)	51
Depreciation of plant and equipment	(635)	(550)

nm denotes “not meaningful”

Footnotes

(a) With effect from 19 November 2007, the Manager has elected to receive 20% of the base management fee in units and 80% in cash for all properties.

(b) Finance income for the 1H ended 30 September 2010 included interest income from bank deposits and interest rate swaps.

(c) Finance costs for the 1H ended 30 September 2010 and 30 September 2009 comprise interest expenses on loans, interest rate swaps and amortised costs of establishing debt facilities (including the Medium Term Note, Transferrable Loan Facilities and Committed Revolving Credit Facilities). Finance costs also included accretion adjustments for deferred payments and refundable security deposits and fair value loss on the collateral loan of S$9.2 million (FY09/10 – Nil). The collateral loan (with embedded derivatives) has been designated as fair value through profit and loss in accordance with FRS 39. Finance costs are higher in FY10/11 due to higher borrowings, higher borrowing costs and loss on fair value of collateral loan.

(d) Net change in fair value of financial derivatives relates to changes in the fair value of interest rate swaps in accordance with FRS 39. For further details, please refer to Note (f) of Page 9 and Page 10.

(e) The net appreciation on valuation of investment properties under development relates to the recognition of fair value gain on valuation of investment properties under development in accordance with FRS 40, offset with a write down in value of 1 Senoko Avenue following the demolition of the building for re-development in September 2010.

(f) Non tax deductible expenses included units issued to the Manager in part payment of its management fees, accretion adjustments for deferred payments and refundable security deposits required under FRS 39, net changes in fair value of financial derivatives and changes in fair value of collateral loan in accordance with FRS 39 and commitment fee paid on undrawn committed revolving credit facility.

(g) A-REIT is committed to distribute 100% of its taxable income available for distribution to Unitholders for the financial year ended 31 March 2011. For the 1H ended 30 September 2010, income available for distribution included interest income of S$3.5 million derived from a finance lease granted to one of the tenant. The income has been retained pending IRAS approval on an application for advance ruling for tax transparency treatment. Upon tax clearance from IRAS, A-REIT will distribute the income to the Unitholders.

(h) 92 properties as at 30 September 2010 vs 90 properties as at 30 September 2009.

Gross revenue increased mainly due to additional rental income from completion of development projects and acquisitions since September 2009.

Property services fees and property tax expenses were higher in 1H FY10/11 generally due to increased number of properties from the completion of development projects and acquisitions since September 2009. Higher property tax expenses were also partly due to property tax rebates ceased in December 2009. In addition, 1H FY09/10 included a one-off reversal of over accrued property tax of approximately S$0.6 million which contributed to the lower property tax expenses in 1H FY09/10.

Other property operating expenses was 30.0% higher than 1H FY09/10 mainly contributed by the increase in electricity charges, increase in number of buildings, cessation of land rent rebates and changes in lease structure arising from conversion of properties from single-tenanted to multi-tenanted.

Effect of one-off items on distributable income for 1H FY10/11, contributed a net positive impact of S$7.4 million. This included mainly S$4.3 million in liquidated damages and S$0.8 million from prior years property tax adjustments.

1(a)(ii) Statement of total return (2Q FY10/11 vs 2Q FY09/10)

	01/07/10 to 30/09/10 (Note h) S$'000	01/07/09 to 30/09/09 (Note h) S$'000	Increase / (Decrease) %
Gross revenue	111,080	102,281	8.6%
Property services fees	(3,596)	(3,244)	10.9%
Property tax	(7,098)	(5,100)	39.2%
Other property operating expenses	(16,449)	(12,812)	28.4%
Property operating expenses	(27,143)	(21,156)	28.3%
Net property income	83,937	81,125	3.5%
Management fee (Note a)	(6,152)	(5,852)	5.1%
Trust expenses	(937)	(690)	35.8%
Finance income (Note b)	797	24	3220.8%
Finance costs (Note c)	(43,004)	(14,798)	190.6%
Non property expenses	(49,296)	(21,316)	131.3%
Net income	34,641	59,809	(42.1%)
Net change in fair value of financial derivatives (Note d)	2,820	(8,880)	(131.8%)
Net appreciation on revaluation of investment properties under development (Note e)	5,819	-	nm
Total return for the period	43,280	50,929	(15.0%)
Non tax deductible expenses, net (Note f)	25,630	10,632	141.1%
Net appreciation on revaluation of investment properties under development (Note e)	(5,819)	-	nm
Income available for distribution (Note g)	63,091	61,561	2.5%
Distributable income (Note g)	61,800	61,561	0.4%

The following items have been included in arriving at net income:

	01/07/10 to 30/09/10 (Note h) S$'000	01/07/09 to 30/09/09 (Note h) S$'000
Gross rental income	102,013	96,315
Other income	9,067	5,966
(Writeback of)/Allowance for doubtful receivables, net	(14)	16
Depreciation of plant and equipment	(360)	(275)

nm denotes "not meaningful"

Footnotes

(a) With effect from 19 November 2007, the Manager has elected to receive 20% of the base management fee in units and 80% in cash for all properties.

(b) Finance income for the 2Q FY10/11 included interest income from bank deposits and interest rate swaps.

(c) Finance costs for 2Q FY10/11 and FY09/10 comprise interest expenses on loans, interest rate swaps and amortised costs of establishing debt facilities (including the Medium Term Note, Transferrable Loan Facilities and Committed Revolving Credit Facilities). Finance costs also included accretion adjustments for deferred payments and refundable security deposits and fair value loss on the collateral loan of S$24.8 million (FY09/10 – Nil). The collateral loan (with embedded derivatives) has been designated as fair value through profit and loss in accordance with FRS 39. Finance costs are higher in 2Q FY10/11 due to higher borrowings and loss on fair value of collateral loan.

(d) Net change in fair value of financial derivatives relates to changes in the fair value of interest rate swaps in accordance with FRS 39. For further details, please refer to Note (f) of Page 9 and Page 10.

(e) The net appreciation on valuation of investment properties under development relates to the recognition of fair value gain on valuation of investment properties under development in accordance with FRS 40, offset with a write down in value of 1 Senoko Avenue following the demolition of the building for re-development in September 2010.

(f) Non tax deductible expenses included units issued to the Manager in part payment of its management fees, accretion adjustments for deferred payments and refundable security deposits required under FRS 39, net changes in fair value of financial derivatives and changes in fair value of collateral loan in accordance with FRS 39 and commitment fee paid on undrawn committed revolving credit facility.

(g) A-REIT is committed to distribute 100% of its taxable income available for distribution to Unitholders for the financial year ended 31 March 2011. 2Q FY10/11 income available for distribution included interest income of S$1.3 million derived from a finance lease granted to one of the tenant. The income has been retained pending IRAS approval on an application for advance ruling for tax transparency treatment. Upon tax clearance from IRAS, A-REIT will distribute the income to the Unitholders.

(h) 92 properties as at 30 September 2010 vs 90 properties as at 30 September 2009.

Gross revenue increased mainly due to additional rental income from completion of development projects and acquisitions since September 2009.

Property services fees and property tax expenses were higher in 2Q FY10/11 generally due to increased number of properties from the completion of development projects and acquisitions since September 2009. Cessation of property tax rebates in December 2009 also contributed to higher property tax expenses in 2Q FY10/11.

Other property operating expenses was 28.4% higher than 2Q FY09/10 mainly contributed by the increase in electricity charges, increase in number of buildings, cessation of land rent rebates and changes in lease structure arising from conversion of properties from single-tenanted to multi-tenanted.

Effect of one-off items on distributable income for 2Q FY10/11 contributed a net positive impact of S$2.6 million. This included mainly S$0.9 million in liquidated damages.

1 (b)(i) Balance sheet, together with comparatives as at the end of the immediately preceding financial year

	30/09/10 S$'000	31/03/10 S$'000
Non-Current Assets		
Investment properties	4,738,614	4,740,590
Investment properties under development (Note a)	41,375	3,909
Plant and equipment	3,447	3,912
Finance lease receivable (Note b)	69,874	-
Other assets (Note b)	908	72,741
Derivatives assets (Note c)	4,073	-
	4,858,291	**4,821,152**
Current Assets		
Finance lease receivable (Note b)	1,301	-
Trade and other receivables	27,566	24,618
Cash and cash equivalents	19,216	8,666
	48,083	**33,284**
Current Liabilities		
Trade and other payables (Note d)	164,664	284,443
Security deposits	39,907	37,210
Deferred payments	6,738	7,136
Derivative liabilities	4,318	3,570
Short term borrowings (Note e & f)	267,568	251,754
Medium term notes (Note f)	149,856	-
	633,051	**584,113**
Net Current Liabilities	**(584,968)**	**(550,829)**
Non-Current Liabilities		
Security deposits	2,034	2,222
Deferred payments	6,889	6,784
Derivative liabilities	68,090	50,451
Medium term notes (Note f)	124,675	274,350
Collateral loan (Note f)	309,621	300,390
Term loans (Note e & f)	819,612	689,152
	1,330,921	**1,323,349**
Net assets	**2,942,402**	**2,946,974**
Represented by:		
Unitholders' funds	**2,942,402**	**2,946,974**

Gross Borrowings	Actual 30/09/10 S$'000	Actual 31/03/10 S$'000
Secured borrowings		
Amount repayable after one year	704,621	695,390
Amount repayable within one year	-	-
Unsecured borrowings		
Amount repayable after one year	556,900	575,000
Amount repayable within one year	417,600	251,800
	1,679,121	1,522,190

Footnotes

(a) Investment properties under development increased mainly due to the additional cost incurred for a development project at Changi Business Park. It also included the value of right of use of land at 1 Senoko Avenue which was transferred from investment properties following the demolition of the building for re-development.

(b) Other assets decreased mainly due to the transfer of other assets to finance lease receivable upon commencement of lease in 1Q FY10/11. This explained for the increase in finance lease receivable as at 30 September 2010.

(c) Derivatives assets relates to favourable change in fair value of interest rates swaps.

(d) Trade and other payables decreased mainly due to the payments in relation to the acquisition of DBS Asia Hub and accrued development costs.

(e) Short term interest bearing borrowings and term loans have increased mainly due to new loan drawdown to finance the acquisition of DBS Asia Hub, existing development projects and completed developments at 15 Changi North Way, Pioneer Hub, 1 and 3 Changi Business Park Crescent, 38A Kim Chuan Road and asset enhancement works at Techplace II.

(f) **Details of borrowings & collateral**

A term loan of S$395 million (Commercial Mortgage Backed Securities) granted by a special purpose company, Emerald Assets is outstanding as at the date of balance sheet. As collateral for the credit facilities granted by Emerald Assets, the Trustee has granted in favour of Emerald Assets the following:

(i) a mortgage over the 36 properties in the A-REIT portfolio;

(ii) an assignment and charge of the rental proceeds and tenancy agreements of the above mentioned properties;

(iii) an assignment of the insurance policies relating to the above mentioned properties; and

(iv) a fixed and floating charge over certain assets of the Trust relating to the above mentioned properties.

In March 2010, a collateral loan of S$300 million with maturity date on 1 February 2017 was granted by a special purpose vehicle, Ruby Assets Pte. Ltd ("Ruby Assets"). To fund the collateral loan granted to A-REIT, Ruby Assets has issued S$300 million Exchangeable Collateralised Securities ("ECS") which are exchangeable into new units of A-REIT at a conversion price of S$2.45 per unit at any time on or after 6 May 2010 and have an expected maturity date of 2017. As collateral for the loan granted by Ruby Assets, the Trustee has granted in favour of Ruby Assets the following:

(i) a mortgage over the 19 properties in the A-REIT portfolio;

(ii) an assignment and charge of the rental proceeds and tenancy agreements of the above mentioned properties;

(iii) an assignment of the insurance policies relating to the above mentioned properties; and

(iv) a fixed and floating charge over certain assets of the Trust relating to the above mentioned properties;

A-REIT established a S$1 billion Multicurrency MTN Programme ("MTN2009") in March 2009. As at the balance sheet date, S$275 million of fixed rate notes have been issued. Of which, S$150 million will be due in April 2011 and the remaining S$125 million in July 2013. The notes bear a fixed interest rate payable semi-annually in arrears. In addition, A-REIT has various bilateral banking credit facilities with varying degree of utilization as at the balance sheet date.

As at 30 September 2010, all of A-REIT's floating interest rate exposure has been hedged into fixed rates through interest rate swaps. As a result, the overall weighted average cost of funds as at 30 September 2010 is 3.9% (including margins charged on the loans and amortised annual costs of the Medium Term Notes, Transferrable Loan Facilities and Committed Revolving Credit Facilities) and the overall weighted average tenure is 2.9 years. The interest rate swaps have terms from less than 1 year up to 7 years. The effective hedge portion of changes in the fair value of interest rate swaps were recognised in the statement of movement in unitholders' funds. The fair value changes of the remaining interest rate swaps and changes in fair value of the collateral loan were recognised in the Statement of Total Return in accordance with FRS 39.

1 (c) Cash flow statement together with a comparative statement for the corresponding period of the immediately preceding financial year.

1 (c)(i) Cash flow statement (1H FY10/11 vs 1H FY09/10)

	01/04/10 to 30/09/10 S$'000	01/04/09 to 30/09/09 S$'000
Operating activities		
Net income	114,415	118,680
Adjustments for		
Finance income	(1,135)	(27)
Allowance for/(Writeback of) doubtful receivables, net	14	(51)
Finance costs	44,023	30,308
Management fees paid/payable in units	2,443	2,309
Depreciation of plant and equipment	635	550
Operating income before working capital changes	160,395	151,769
Changes in working capital		
Trade and other receivables	(3,586)	(770)
Trade and other payables	(8,043)	(11,173)
	(11,629)	(11,943)
Cash flows from operating activities	148,766	139,826
Investing activities		
Purchase of investment properties	(114,982)	-
Payment for investment properties and other assets under development	(15,954)	(97,517)
Purchase of plant and equipment	(163)	-
Payment for capital improvement projects	(3,947)	(1,954)
Payment of deferred settlements	(500)	(517)
Cash flows from investing activities	(135,546)	(99,988)
Financing activities		
Equity issue costs paid	-	(4,947)
Proceeds from issue of units	-	301,550
Distributions paid to unitholders	(114,207)	(135,768)
Finance costs paid	(34,529)	(28,366)
Finance income received	811	27
Proceeds from borrowings	549,100	723,800
Repayment of borrowings	(401,400)	(907,500)
Transaction costs paid in respect of collateral loan	(2,445)	-
Cash flows from financing activities	(2,670)	(51,204)
Net increase/(decrease) in cash and cash equivalents	10,550	(11,366)
Cash and cash equivalents at beginning of the financial period	8,666	16,735
Cash and cash equivalents at end of the period	19,216	5,369

1 (c)(ii) Cash flow statement (2Q FY10/11 vs 2Q FY09/10)

	01/07/10 to 30/09/10 S$'000	01/07/09 to 30/09/09 S$'000
Operating activities		
Net income	34,641	59,809
Adjustment for		
Finance income	(797)	(24)
Allowance for/(Writeback of) doubtful receivables, net	14	(16)
Finance costs	43,004	14,798
Management fees paid/payable in units	1,230	1,171
Depreciation of plant and equipment	360	275
Operating income before working capital changes	78,452	76,013
Changes in working capital		
Trade and other receivables	3,440	(2,359)
Trade and other payables	(3,643)	1,346
	(203)	(1,013)
Cash flows from operating activities	78,249	75,000
Investing activities		
Payment for investment properties and other assets under development	(7,117)	(62,711)
Purchase of plant and equipment	(163)	-
Payment for capital improvement projects	(1,390)	(1,102)
Payment of deferred settlements	-	(517)
Cash flows from investing activities	(8,670)	(64,330)
Financing activities		
Equity issue costs paid	-	(4,863)
Proceeds from issue of units	-	301,550
Distributions paid to unitholders	(63,125)	(93,681)
Finance costs paid	(16,698)	(12,941)
Finance income received	684	24
Proceeds from borrowings	343,400	511,800
Repayment of borrowings	(323,100)	(714,000)
Cash flows from financing activities	(58,839)	(12,111)
Net increase/(decrease) in cash and cash equivalents	10,740	(1,441)
Cash and cash equivalents at beginning of the period	8,476	6,810
Cash and cash equivalents at end of the period	19,216	5,369

1 (d)(i) Statement of movement in unitholders' funds (1H FY10/11 vs 1H FY09/10)

	01/04/10 to 30/09/10 S$'000	01/04/09 to 30/09/09 S$'000
Balance at beginning of the period	2,946,974	2,703,039
Operations		
Net income	114,415	118,680
Net change in fair value of financial derivatives	994	(8,880)
Net appreciation on revaluation of investment properties under development (Note a)	5,819	-
Net increase in net assets resulting from operations	121,228	109,800
Hedging transactions		
Effective portion of changes in fair value of financial derivatives (Note b)	(15,572)	(838)
Changes in fair value of financial derivatives transferred to the Statement of Total Return (Note c)	263	8,108
Net (decrease)/increase in net assets resulting from hedging transactions	(15,309)	7,270
Unitholders' transactions		
New units issued	-	301,550
Acquisition fees (IPT acquisition) paid in units	1,160	-
Management fees paid in units	2,556	2,274
Equity issue costs	-	(5,005)
Distributions to unitholders	(114,207)	(135,768)
Net (decrease)/increase in net assets resulting from Unitholders' transactions	(110,491)	163,051
Balance at end of the period	2,942,402	2,983,160

Footnotes

(a) The net appreciation on valuation of investment properties under development relates to the recognition of fair value gain on valuation of investment properties under development based on internal valuation, offset with a write down in value of 1 Senoko Avenue following the demolition of the building for re-development in September 2010.

(b) In FY09/10, forward interest rates at the end of the period was marginally lower than those at the beginning of the period. Hence, the aggregate fair values of the interest rate swaps registered an unfavourable change as compared to the beginning of the period.

Similarly in FY10/11, forward interest rates at the end of the period was lower than those at the beginning of the period. Hence, the aggregate fair value of the interest rate swaps registered an unfavourable change as compared to the beginning of the period.

(c) This relates to the transfer of the fair value loss of interest rate swaps from the hedging reserves to the Statement of Total Return in accordance with FRS 39.

Statement of movement in unitholders' funds (2Q FY10/11 vs 2Q FY09/10)

	01/07/10 to 30/09/10 S$'000	01/07/09 to 30/09/09 S$'000
Balance at beginning of period	2,967,620	2,729,177
Operations		
Net income	34,641	59,809
Net change in fair value of financial derivative	2,820	(8,880)
Net appreciation on revaluation of investment properties under development (Note a)	5,819	-
Net increase in net assets resulting from operations	43,280	50,929
Hedging transactions		
Effective portion of changes in fair value of financial derivatives (Note b)	(5,636)	(6,897)
Changes in fair value of financial derivatives transferred to the Statement of Total Return (Note c)	263	6,970
Net (decrease)/increase in net assets resulting from hedging transactions	(5,373)	73
Unitholders' transactions		
New units issued	-	301,550
Equity issue costs	-	(4,887)
Distributions to unitholders	(63,125)	(93,682)
Net (decrease)/ increase in net assets resulting from Unitholders' transactions	(63,125)	202,981
Balance at end of period	2,942,402	2,983,160

Footnotes

(a) The net appreciation on valuation of investment properties under development relates to the recognition of fair value gain on valuation of investment properties under development based on internal valuation, offset with a write down in value of 1 Senoko Avenue following the demolition of the building for re-development in September 2010.

(b) In 2Q FY09/10, forward interest rates at the end of the period was lower than those at the beginning of the period. Hence, the aggregate fair values of the interest rate swaps registered an unfavourable change as compared to the beginning of the period.

Similarly in 2Q FY10/11, forward interest rates at the end of the period was lower than those at the beginning of the period. Hence, the aggregate fair value of the interest rate swaps registered an unfavourable change as compared to the beginning of the period.

(c) This relates to the transfer of the fair value loss of interest rate swaps from the hedging reserves to the Statement of Total Return in accordance with FRS 39.

1 (d)(ii) Details of any changes in the units (1H FY10/11 vs 1H FY09/10)

	01/04/10 to 30/09/10 Units	01/04/09 to 30/09/09 Units
Balance at beginning of the period	1,871,153,701	1,683,473,034
Issue of new units:		
- Issued pursuant to equity raising in August 2009	-	185,000,000
- Acquisition fees (IPT acquisition) paid in units	617,678	-
- Management fees paid in units	1,361,125	1,447,023
Balance at end of the period	1,873,132,504	1,869,920,057

Collateral Loan

A collateral loan of S$300 million with maturity date on 1 February 2017 was granted by Ruby Assets Pte Ltd.

The collateral loan is exchangeable into fully paid units representing undivided interests in A-REIT at any time on or after 6 May 2010 at a conversion price of S$2.45 per unit, subject to adjustment upon the occurrence of certain events.

There has been no conversion of any of the collateral loan since the date of their issue.

Assuming the collateral loan is fully converted based on the conversion price of S$2.45 per unit, the number of new units to be issued would be 122,448,979 representing 6.5% of the total number of A-REIT units in issue as at 30 September 2010.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited but have been reviewed by our auditors in accordance with Singapore Standard on Review Engagements (“SSRE”) 2410 “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”.

3. Where the figures have been audited, or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

A-REIT has applied the same accounting policies and methods of computation in the preparation of the financial statements for the current reporting period compared with the audited financial statements for the financial year ended 31 March 2010.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

Not applicable.

6. Earnings per unit ("EPU") and Distribution per unit ("DPU") for the financial period

6.1 EPU for 2Q FY10/11 compared to 1Q FY10/11	2Q FY10/11 01/07/10 to 30/09/10	1Q FY10/11 01/04/10 to 30/06/10
Basic EPU (Note a)		
Weighted average number of units	1,873,132,504	1,871,197,191
Earnings per unit in cents (EPU)	2.31	4.17
Dilutive EPU (Note b)		
Weighted average number of units	1,995,581,483	1,993,646,170
Earnings per unit in cents (Dilutive EPU)	2.31	3.13

6.2 EPU for 2Q FY10/11 compared to 2Q FY09/10	2Q FY10/11 01/07/10 to 30/09/10	2Q FY09/10 01/07/09 to 30/09/09
Basic EPU (Note a)		
Weighted average number of units	1,873,132,504	1,769,376,579
Earnings per unit in cents (EPU)	2.31	2.88
Dilutive EPU (Note b)		
Weighted average number of units	1,995,581,483	1,769,376,579
Earnings per unit in cents (Dilutive EPU)	2.31	2.88

6.3 EPU for 1H FY10/11 compared to 1H FY09/10	1H FY10/11 01/04/10 to 30/09/10	1H FY09/10 01/04/09 to 30/09/09
Basic EPU (Note a)		
Weighted average number of units	1,872,170,135	1,726,778,124
Earnings per unit in cents (EPU)	6.48	6.36
Dilutive EPU (Note b)		
Weighted average number of units	1,994,619,114	1,726,778,124
Earnings per unit in cents (Dilutive EPU)	6.48	6.36

Footnotes

(a) The EPU has been calculated using total return for the period and the weighted average number of units on issue during the period.

(b) For the 1H ended 30 September 2010 and 2Q ended 30 September 2010, the collateral loan was anti-dilutive and was excluded from the calculation of dilutive EPU. Dilutive EPU is determined by adjusting the total return for the period and the weighted average of number of units on issue during that period, adjusted for the effects of all dilutive potential units. Potential units shall be treated as dilutive when, and only when, their conversion to A-REIT units would decrease earnings per unit or increase loss per unit. The disclosure of dilutive EPU is in relation to the issuance of collateral loan which has a convertible option to redeem the loan in A-REIT units.

6.4 DPU for 2Q FY10/11 compared to 1Q FY10/11

	2Q FY10/11 01/07/10 to 30/09/10	1Q FY10/11 01/04/10 to 30/06/10
Number of units on issue at end of period	1,873,132,504	1,873,132,504
Applicable number of units	1,873,132,504	1,873,132,504
Distribution per unit in cents (Note a and b)	3.30	3.37

6.5 DPU for 2Q FY10/11 compared to 2Q FY09/10

	2Q FY10/11 01/07/10 to 30/09/10	2Q FY09/10 01/07/09 to 30/09/09
Number of units on issue at end of period	1,873,132,504	1,869,920,057
Applicable number of units	1,873,132,504	1,769,376,579
Distribution per unit in cents (Note a and b)	3.30	3.48

For Information Only

Proforma DPU (Note c)	-	3.29

6.6 DPU for 1H FY10/11 compared to 1H FY09/10

	1H FY10/11 01/04/10 to 30/09/10	1H FY09/10 01/04/09 to 30/09/09
Number of units on issue at end of period	1,873,132,504	1,869,920,057
Applicable number of units	1,873,132,504	1,727,379,073
Distribution per unit in cents (Note a and b)	6.67	7.10

For Information Only

Proforma DPU (Note c)	-	6.55

Footnotes

(a) The DPU has been calculated using distributable income and the applicable number of units.

(b) DPU in the table above is computed on the basis that none of the S$300 million collateral loan is converted into A-REIT units on or before the book closure date.

(c) The Proforma DPU for FY09/10 has been calculated using distributable income and the applicable number of units as at 30 September 2010 which included units issued pursuant to the placement in August 2009, units issued in lieu of the 20% base management fees in December 2009 and June 2010 and units issued for payment of acquisition fees in June 2010. DPU growth would be 0.3% and 1.8%, quarter-on-quarter and year-on-year respectively on a proforma basis.

7. Net asset value per unit based on units issued at the end of the period

	30/09/10 cents	31/03/10 cents
Net asset value per unit	157.1	157.5
Adjusted net asset value per unit (Note a)	153.8	154.8

Footnote

(a) The adjusted net asset value per unit excludes the amount to be distributed for the relevant period prior to the balance sheet date.

8. Review of the performance

Review of Performance 2Q FY10/11 vs 2Q FY09/10

	2Q FY10/11 01/07/10 to 30/09/10 S$'000	2Q FY09/10 01/07/09 to 30/09/09 S$'000	Increase / (Decrease) %
Gross revenue	111,080	102,281	8.6%
Property operating expenses	(27,143)	(21,156)	28.3%
Net property income	83,937	81,125	3.5%
Non property expenses	(7,089)	(6,542)	8.4%
Net finance costs	(42,207)	(14,774)	185.7%
	(49,296)	(21,316)	131.3%
Net income	34,641	59,809	(42.1%)
Net change in fair value of financial derivatives	2,820	(8,880)	131.8%
Net appreciation on revaluation of investment properties under development	5,819	-	nm
Total return for the period	43,280	50,929	(15.0%)
Non tax deductible expenses, net	25,630	10,632	141.1%
Net appreciation on revaluation of investment properties under development	(5,819)	-	nm
Income available for distribution (Note a)	63,091	61,561	2.5%
Distributable income (Note a)	61,800	61,561	0.4%
Earnings per unit (cents)	2.31	2.88	(19.8%)
Distribution per unit (cents)	3.30	3.48	(5.2%)
Proforma Distribution per unit (cents) (Note b)	-	3.29	0.3%

nm denotes “not meaningful”

Footnote

(a) A-REIT is committed to distribute 100% of its taxable income available for distribution to Unitholders for the full financial year ended 31 March 2011. For the 2Q ended 30 September 2010, income available for distribution included interest income of S$1.3 million derived from a finance lease granted to one of the tenant. This income has been retained pending IRAS approval on an application for advance ruling for tax transparency treatment. Upon tax clearance from IRAS, A-REIT will distribute the income to the Unitholders.

(b) The Proforma DPU for 2Q FY09/10 has been calculated using distributable income and the applicable number of units as at 30 September 2010, which takes into account the units issued pursuant to the placement in August 2009, units issued in lieu of the 20% of the base management fee in December 2009 and June 2010 and payment of acquisition fees in June 2010.

Gross revenue increased by 8.6% mainly due to the completion of development project and new acquisitions after September 2009, including 38A Kim Chuan Road, 31 Joo Koon Circle and DBS Asia Hub. In addition, 71 Alps Avenue and 1 Changi Business Park Crescent which were completed in September 2009 only started recording revenue from 3Q FY 09/10.

Property operating expenses increased by 28.3% due to the the cessation of land rent and property tax rebates granted by the government. Increased in electricity charges, increased in number of properties in the portfolio and changes in lease structure arising from conversion of properties from single-tenanted to multi-tenanted also contributed to the higher property operating expenses.

Non-property expenses increased by 8.4% mainly due to higher manager fees from higher deposited property.

Net finance costs increased by 185.7% mainly due to the loss on fair value adjustments on collateral loan of about S$26 million and higher borrowings..

Net change in fair value of financial derivatives relates to the changes in fair value of interest rate swaps in accordance with FRS 39.

The net appreciation on valuation of investment properties under development relates to the recognition of fair value gain on valuation of investment properties under development in accordance with FRS 40, offset with a write down in value of 1 Senoko Avenue following the demolition of the building for re-development in September 2010.

The movement in net non tax deductible expenses was mainly due to loss on fair value adjustments on collateral loan in 2Q FY10/11 (Nil in 2Q FY09/10) offset with gain on fair value adjustments on financial derivatives (loss in 2Q FY09/10).

Review of Performance 2Q FY10/11 vs 1Q FY10/11

	2Q FY10/11 01/07/10 to 30/09/10 S$'000	1Q FY10/11 01/04/10 to 30/06/10 S$'000	Increase / (Decrease) %
Gross revenue	111,080	113,607	(2.2%)
Property operating expenses	(27,143)	(26,259)	3.4%
Net property income	83,937	87,348	(3.9%)
Non property expenses	(7,089)	(6,892)	2.9%
Net finance costs	(42,207)	(682)	6088.7%
	(49,296)	(7,574)	550.9%
Net income	34,641	79,774	(56.6%)
Net change in fair value of financial derivatives	2,820	(1,826)	254.4%
Net appreciation on revaluation of investment properties under development	5,819	-	nm
Total return for the period	43,280	77,948	(44.5%)
Non tax deductible expenses/(taxable income), net	25,630	(12,626)	303.0%
Net appreciation on revaluation of investment properties under development	(5,819)	-	nm
Income available for distribution (Note a)	63,091	65,322	(3.4%)
Distributable income (Note a)	61,800	63,146	(2.1%)
Earnings per unit (cents)	2.31	4.17	(44.6%)
Distribution per unit (cents)	3.30	3.37	(2.1%)

nm denotes “not meaningful”

Footnote

(a) A-REIT is committed to distribute 100% of its taxable income available for distribution to Unitholders for the full financial year ended 31 March 2011. For 2Q ended 30 September 2010 and 1Q ended 30 June 2010, income available for distribution included interest income of S$1.3 million and S$2.2 million respectively, derived from a finance lease granted to one of the tenant. This income has been retained pending IRAS approval on an application for advance ruling for tax transparency treatment. Upon tax clearance from IRAS, A-REIT will distribute the income to the Unitholders.

Gross revenue and net property income are lower mainly due to S$3.4 million liquidated damages recognised in 1Q FY10/11 as compared to only S$0.9 million recognized in 2Q FY10/11.

Net finance costs in 2Q FY10/11 included loss on fair value adjustments on collateral loan of about S$26 million. Net finance costs in 1Q FY10/11 has included a gain on the fair value adjustments on collateral loan of S$16.7 million.

Net change in fair value of financial derivatives relates to the changes in fair value of interest rate swaps in accordance with FRS 39.

The net appreciation on valuation of investment properties under development relates to the recognition of fair value gain on valuation of investment properties under development in accordance with FRS 40, offset with a write down in value of 1 Senoko Avenue following the demolition of the building for re-development in September 2010.

The movement in non tax deductible expenses/(taxable income) was mainly due to loss on fair value adjustments on collateral loan in 2Q FY10/11 (gain in 1Q FY10/11) offset with gain on net change in fair value of financial derivatives (loss in 1Q FY10/11).

Distributable income was 2.1% lower than 1Q FY10/11 mainly due the above.

9. Variance between forecast and the actual results

A-REIT has not made any forecast.

10. Commentary on the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

Following a strong economic growth of 17.9% y-o-y in 1H 2010, the Ministry of Trade & Industry (MTI) advance estimates indicate that 3Q 2010 GDP has expanded by 10.3% y-o-y. On a seasonally-adjusted annualized basis, the q-o-q real GDP contracted by 19.8% in 3Q 2010. Despite this contraction, there is still a 15.5% y-o-y growth in the first three quarters of the year and MTI noted that GDP in 2010 remains on track to grow by 13.0% to 15.0%.

The Singapore Institute of Purchasing and Materials Management's PMI reading of 49.5 in September remains below 50 (which indicates a contraction in manufacturing output). This however, is an improvement from August PMI of 48.1 points. The marginal increase was due to an expansion in the overall new export orders and a further expansion in inventory, stockholdings of finished goods, imports and input prices.

Non-oil domestic export (NODX) grew by 31% y-o-y in August 2010 largely due to both electronic and non-electronics NODX. Electronic NODX increased by 35% y-o-y due to higher domestic exports of ICs, parts of ICs and diodes & transistors while the 29% y-o-y increase in non-electronics NODX was attributed to higher domestic exports of pharmaceuticals, specialised machinery and petrochemicals. NODX to all of the top ten export markets increased y-o-y. In particular, NODX to the EU 27, the US and China rose by 117%, 43% and 36% respectively.

According to URA's 2Q 2010 statistics, the price and rental indices of industrial space continue to improve by 5.7% and 1.3% q-o-q respectively. Rental rates for business parks moderated slightly to S$3.65 psf per month (1Q: S$3.70) while both factory and warehouse rental rates improved by 11% to S$1.55 psf per month and S$1.50 psf per month respectively (1Q: S$1.40 psf per month and S$1.35 psf per month respectively).

Average occupancy rate for the factory and warehouse sector improved slightly to 92.4% and 91.8% respectively (1Q: 92.3% and 90.1% respectively). However, the business park sector saw a 6.3% decline to 74.9% in 2Q 2010 largely due to the completion of a large property in the western part of Singapore.

Outlook for the financial year ending 31 March 2011

After a strong and brisk recovery from the recession in 1H 2010, a slowdown in the growth momentum in the second half of the year was largely expected. Forward looking indicators, such as the PMI, are also pointing to a moderation in the pace of global economic activity. The effect of fiscal stimuli, which fuelled the global recovery thus far, is showing signs of waning and there is now growing concerns over the uncertainty and pessimism in global economies.

Singapore emerged from the crisis due to resilient regional consumption as well as foreign direct investments which rejuvenated the Singapore’s economic landscape. Growth for the rest of the year will be dependent on a number of industry-specific factors, including continued growth in global demand as well as increasing tourist arrivals to boost the tourism related sectors. For 2010, MTI has maintained a GDP growth forecast of between 13% and 15% for the Singapore economy.

For the second half of FY2010/11, only 5.8% of A-REIT’s revenue is due for renewal. While vacancy rate seems to have stabilised, new demand for space will depend largely on the pace and strength of the economic recovery. With a diversified portfolio across five segments of the business space and industrial property sector and a good mix of long and short term leases accounting for a weighted average lease to expiry of 5 years, A-REIT is able to provide a high degree of predictability and sustainability of the earnings for the portfolio.

Barring any unforeseen events, the Manager aims to at least maintain the previous financial year’s level of net income for FY2010/11.

11. Distributions

(a) Current financial period

Any distributions declared for the current financial period :	Yes
Name of distribution :	29th distribution for the period 01 July 2010 to 30 September 2010
Distribution Type :	Income
Distribution Rate :	3.30 cents per unit
Par value of units :	Not applicable
Tax Rate :	Individuals who receive such distribution as investment income (excluding income received through partnership) will be exempted from tax. Qualifying corporate investors will receive pre-tax distributions and pay tax on the distributions at their own marginal rate subsequently. Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt where the distributions received are returned to the respective CPF and SRS accounts. Qualifying foreign non-individual investor will receive their distributions after deduction of tax at the rate of 10%. All other investors will receive their distributions after deduction of tax at the rate of 17%.
Book closure date :	26 October 2010
Date payable :	26 November 2010

(b) Corresponding period of the immediately preceding year

Any distributions declared for the previous corresponding financial period :	Yes
Name of distribution :	25th distribution for the period 20 August 2009 to 30 September 2009
Distribution Type :	Income
Distribution Rate :	1.54 cents per unit
Par value of units :	Not applicable
Tax Rate :	Individuals who receive such distribution as investment income (excluding income received through partnership) will be exempted from tax. Qualifying corporate investors will receive pre-tax distributions and pay tax on the distributions at their own marginal rate subsequently. Investors using CPF funds and SRS funds will also receive pre-tax distributions. These distributions are tax exempt where the distributions received are returned to the respective CPF and SRS accounts. Qualifying foreign non-individual investor will receive their distributions after deduction of tax at the rate of 10%. All other investors will receive their distributions after deduction of tax at the rate of 17%.
Book closure date :	29 October 2009
Date paid :	26 November 2009

Footnote

Unitholders on the register with The Central Depository (Pte) Limited on 19 August 2009 (pre Private Placement in August 2009) received advance distributions on 23 September 2009, of 1.94 cents per unit for the period from 1 July 2009 to 19 August 2009.

12. If no distribution has been declared/(recommended), a statement to that effect

NA

13. DIRECTORS CONFIRMATION PURSUANT TO RULE 705(4) OF THE LISTING MANUAL

The Board of Directors has confirmed that, to the best of their knowledge, nothing has come to their attention which may render these financial results to be false or misleading.

This release may contain forward-looking statements that involve risks and uncertainties. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements as a result of a number of risks, uncertainties and assumptions. Representative examples of these factors include (without limitation) general industry and economic conditions, interest rate trends, cost of capital and capital availability, competition from similar developments, shifts in expected levels of property rental income, changes in operating expenses, including employee wages, benefits and training, property expenses and governmental and public policy changes and the continued availability of financing in the amounts and the terms necessary to support future business. You are cautioned not to place undue reliance on these forward looking statements, which are based on current view of management on future events.

Any discrepancies in the tables included in this announcement between the listed amounts and total thereof are due to rounding.

By order of the Board
Ascendas Funds Management (S) Limited

Mary Judith de Souza
Company Secretary
18 October 2010

KPMG

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The Board of Directors
Ascendas Funds Management (S) Limited
(in its capacity as Manager of
Ascendas Real Estate Investment Trust)
61 Science Park Road
#02-18 The Galen
Singapore Science Park II
Singapore 117525

Attention: Mr Tan Ser Ping

18 October 2010

Dear Sirs

Ascendas Real Estate Investment Trust
Review of Interim Financial Information for the period ended 30 September 2010

Introduction

We have reviewed the accompanying Interim Financial Information of Ascendas Real Estate Investment Trust ("A-REIT") for the period ended 30 September 2010.

The Interim Financial Information comprises the balance sheet and investment properties portfolio statement as at 30 September 2010, and the statement of total return, distribution statement, statement of movements in unitholders' funds and cash flow statement of A-REIT for the period then ended, and a summary of significant accounting policies and other explanatory notes (herein defined as "Interim Financial Information").

Ascendas Funds Management (S) Limited, the Manager of A-REIT, is responsible for the preparation and presentation of this Interim Financial Information in accordance with the recommendations of the Statement of Recommended Accounting Practice ("RAP") 7 *Reporting Framework for Unit Trusts* relevant to interim financial information, issued by the Institute of Certified Public Accounts of Singapore. Our responsibility is to express a conclusion on this Interim Financial Information based on our review.

Scope of Review

We conducted our review in accordance with Singapore Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Singapore Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying Interim Financial Information is not prepared, in all material respects, in accordance with the recommendations of RAP 7 *Reporting Framework for Unit Trusts* relevant to interim financial information, issued by the Institute of Certified Public Accounts of Singapore.

Restriction of Use

Our report is provided on the basis that it is for the information of the directors of the Manager and for the inclusion of our report in A-REIT's interim announcement to its unitholders, to enable the directors of the Manager to fulfill their responsibilities under the Singapore Exchange listing requirements. Our report should not be quoted or referred to, in whole or in part, without our prior written permission, for any other purposes. We do not assume any responsibility or liability for losses occasioned to the directors, A-REIT or any other parties as a result of the circulation, publication, reproduction or use of the report contrary to the provisions of this paragraph.

Yours faithfully

KPMG LLP

KPMG LLP
Public Accountants and
Certified Public Accountants
Singapore