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**CONDENSED FINANCIAL STATEMENTS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

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**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.12.2010 RM	Preceding Year	Current Year To Date 31.12.2010 RM	Preceding
		Corresponding		Year
		Quarter Ended 31.12.2009 RM		To Date 31.12.2009 RM
<b>Income</b>				
Gross revenue	13,104,329	11,780,643	49,265,826	49,828,019
Property operating expenses	(2,954,065)	(2,954,518)	(12,095,428)	(11,974,452)
Net property income	10,150,264	8,826,125	37,170,398	37,853,567
Interest income	6,841	9,362	34,740	35,595
Other income	17,426	9,455	75,547	52,054
	<b>10,174,531</b>	<b>8,844,942</b>	<b>37,280,685</b>	<b>37,941,216</b>
<b>Expenses</b>				
Manager's fees	565,264	531,113	2,531,733	2,515,977
Trustee's fees	34,478	34,080	136,490	135,931
Valuation fees	-	40,250	-	48,000
Administrative expenses	25,062	114,513	123,064	278,774
Interest expenses	1,249,964	1,202,389	4,731,019	4,906,945
	<b>1,874,768</b>	<b>1,922,345</b>	<b>7,522,306</b>	<b>7,885,627</b>
<b>Net Trust Income</b>	<b>8,299,763</b>	<b>6,922,597</b>	<b>29,758,379</b>	<b>30,055,589</b>
Change in fair value of derivatives	183,618	-	932,838	-
Change in fair value of investment properties	-	5,769,745	-	5,769,745
<b>Income before taxation</b>	<b>8,483,381</b>	<b>12,692,342</b>	<b>30,691,217</b>	<b>35,825,334</b>
Taxation	-	-	-	-
<b>Income after taxation</b>	<b>8,483,381</b>	<b>12,692,342</b>	<b>30,691,217</b>	<b>35,825,334</b>
Other comprehensive income	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>8,483,381</b>	<b>12,692,342</b>	<b>30,691,217</b>	<b>35,825,334</b>
<b>Income after taxation is made up as follows:</b>				
- Realised	8,299,763	6,922,597	29,758,379	30,055,589
- Unrealised	183,618	5,769,745	932,838	5,769,745
	<b>8,483,381</b>	<b>12,692,342</b>	<b>30,691,217</b>	<b>35,825,334</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	3.02	4.52	10.94	12.77
- Diluted	N/A	N/A	N/A	N/A
<b>DISTRIBUTION PER UNIT (SEN)</b>				
- Interim	4.50	5.00	4.50	5.00
- Final	5.50	5.00	5.50	5.00

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF FINANCIAL POSITION**  
**AS AT 31 DECEMBER 2010**

The figures have not been audited.

	As At 31.12.2010 RM	As At 31.12.2009 RM Restated
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	604,439,508	596,000,000
<b><u>Current Assets</u></b>		
Trade receivables	86,850	144,348
Other receivables, deposits and prepayments	460,393	1,979,889
Deposits placed with licensed financial institution	300,000	300,000
Cash and bank balances	351,703	375,370
	1,198,946	2,799,607
<b>TOTAL ASSETS</b>	<b>605,638,454</b>	<b>598,799,607</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	10,094,022	5,980,041
Borrowing	-	105,500,000
Derivative financial instrument	378,838	-
	10,472,860	111,480,041
<b><u>Current liabilities</u></b>		
Trade payables	282,945	400,440
Other payables and provisions	1,747,582	2,550,054
Derivative financial instrument	109,754	-
Tenants' deposits	3,475,306	7,341,352
Borrowing	118,600,000	8,700,000
	124,215,587	18,991,846
<b>TOTAL LIABILITIES</b>	<b>134,688,447</b>	<b>130,471,887</b>
<b>NET ASSET VALUE</b>	<b>470,950,007</b>	<b>468,327,720</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	164,867,490	165,356,082
Undistributed income - realised	20,737,751	17,626,872
	<b>470,950,007</b>	<b>468,327,720</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>280,500,000</b>	<b>280,500,000</b>
<b>NET ASSET VALUE ("NAV") PER UNIT (RM)*</b>		
- before income distribution	1.6790	1.6696
- after income distribution	1.6240	1.6196

\* The final dividend declared after each respective year end is recognised in the subsequent financial year. The NAV used for the calculation of the NAV per unit after income distribution is the NAV as at reporting period end after adjusting for final dividends declared for the respective reporting period end.

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached.

The figures have not been audited.

	-----Distributable-----			Total RM
	Unitholders' Capital RM	Undistributed Income		
		Unrealised RM	Realised RM	
<b>Current Year To Date</b>				
At 1 January 2010, as previously stated	285,344,766	165,356,082	3,601,872	454,302,720
- effect of adopting amendment to FRS 110	-	-	14,025,000	14,025,000
	<u>285,344,766</u>	<u>165,356,082</u>	<u>17,626,872</u>	<u>468,327,720</u>
- effect of adopting FRS 139	-	(1,421,430)	-	(1,421,430)
At 1 January 2010, restated	285,344,766	163,934,652	17,626,872	466,906,290
<b>Operations for the year ended 31 December 2010</b>				
Total comprehensive income for the year	-	932,838	29,758,379	30,691,217
	<u>-</u>	<u>932,838</u>	<u>29,758,379</u>	<u>30,691,217</u>
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2009 final (paid on 25 February 2010)	-	-	(14,025,000)	(14,025,000)
- 2010 interim (paid on 23 August 2010)	-	-	(12,622,500)	(12,622,500)
	<u>-</u>	<u>-</u>	<u>(26,647,500)</u>	<u>(26,647,500)</u>
At 31 December 2010	<u>285,344,766</u>	<u>164,867,490</u>	<u>20,737,751</u>	<u>470,950,007</u>
<b>Preceding Year To Date</b>				
At 1 January 2009	285,344,766	159,586,337	1,596,283	446,527,386
- effect of adopting amendment to FRS 110	-	-	12,201,750	12,201,750
At 1 January 2009, restated	285,344,766	159,586,337	13,798,033	458,729,136
<b>Operations for the year ended 31 December 2009</b>				
Total comprehensive income for the year	-	5,769,745	30,055,589	35,825,334
	<u>-</u>	<u>5,769,745</u>	<u>30,055,589</u>	<u>35,825,334</u>
<b>Unitholders' transactions</b>				
Distribution to unitholders				
- 2008 final (paid on 28 February 2009)	-	-	(12,201,750)	(12,201,750)
- 2009 interim (paid on 28 August 2009)	-	-	(14,025,000)	(14,025,000)
	<u>-</u>	<u>-</u>	<u>(26,226,750)</u>	<u>(26,226,750)</u>
At 31 December 2009	<u>285,344,766</u>	<u>165,356,082</u>	<u>17,626,872</u>	<u>468,327,720</u>

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached.

**TOWER REAL ESTATE INVESTMENT TRUST  
CONDENSED STATEMENT OF CASH FLOWS  
FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2010**

The figures have not been audited.

	<b>Current Year To Date 31.12.2010 RM</b>	<b>Preceding Year To Date 31.12.2009 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before taxation	30,691,217	35,825,334
Adjustments for:		
Interest expense	4,731,019	4,906,945
Interest income	(34,740)	(35,595)
Change in fair value of investment properties	-	(5,769,745)
Change in fair value of derivatives	(932,838)	-
Operating profit before working capital changes	<u>34,454,658</u>	<u>34,926,939</u>
Changes in working capital:		
Trade and other receivables	1,576,994	(1,547,968)
Trade and other payables	(490,905)	527,565
<b>Net cash generated from operating activities</b>	<u>35,540,747</u>	<u>33,906,536</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Upgrade / enhancement of investment properties	(2,349,930)	(330,255)
Acquisition of investment property	(6,089,578)	-
Interest income	34,740	35,595
<b>Net cash used in investing activities</b>	<u>(8,404,768)</u>	<u>(294,660)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(4,912,146)	(4,906,945)
Proceeds from / (Repayments of) borrowing	4,400,000	(2,300,000)
Distribution paid to unitholders	(26,647,500)	(26,226,750)
Increase in pledged deposits with licensed bank	-	(300,000)
<b>Net cash used in financing activities</b>	<u>(27,159,646)</u>	<u>(33,733,695)</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	(23,667)	(121,819)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD</b>	<u>375,370</u>	<u>497,189</u>
<b>CASH AND CASH EQUIVALENTS AT END OF PERIOD</b>	<u>351,703</u>	<u>375,370</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	351,703	375,370
Deposits placed with licensed financial bank	300,000	300,000
	<u>651,703</u>	<u>675,370</u>
Deposits pledged as security	(300,000)	(300,000)
	<u>351,703</u>	<u>375,370</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the year ended 31 December 2009 and the accompanying explanatory notes attached.

**A. Explanatory Notes pursuant to Financial Reporting Standards ("FRS") 134****A1. Basis of Preparation**

The quarterly financial report is unaudited and prepared in accordance with FRS 134: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. This does not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the year ended 31 December 2009.

**Changes in Accounting Policies**

Except as described below, the accounting policies and methods of computation used in the preparation of the quarterly financial report are consistent with those adopted in the preparation of the audited financial statements of Tower REIT for the year ended 31 December 2009.

**(1) FRS 101 (revised), Presentation of Financial Statements**

The Trust applies FRS 101 (revised) which became effective for financial periods beginning on or after 1 January 2010. As a result, the Trust presents all non-owners changes in equity in the Statement of Comprehensive Income as other comprehensive income.

Comparative information has been re-presented to conform with the revised standard. As this revised FRS affects the presentation aspects of the financial statements only, it does not have any impact on the financial position and results of the Trust. Hence, there is no impact on earnings per share.

**(2) Amendment to FRS 110, Events after the Reporting Period**

With the adoption of the amendment to FRS 110, dividends declared after the reporting period will not be recognised as a liability at the end of the reporting period despite the existence of a constructive obligation. Provision for final income distribution has been adjusted retrospectively in the Statement of Changes in Net Asset Value.

**(3) FRS 139, Financial Instruments: Recognition and Measurement**

The adoption of FRS 139 has resulted in several changes to accounting policies relating to recognition and measurement of financial instruments. Significant changes in accounting policies are as follows:

**(i) Initial recognition and measurement**

A financial instrument is recognised in the financial statements when, and only when, the Trust becomes a party to the contractual provisions of the instrument.

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

**(ii) Financial instrument categories and subsequent measurement**

The Trust categorises financial instruments as follows:

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

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

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

**(b) Loans and receivables**

Loans and receivables category comprises debt instruments that are not quoted in an active market, trade and other receivables and cash and cash equivalents.

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

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment.

**Financial liabilities**

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

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

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

**Derivatives**

Prior to the adoption of FRS 139, derivative contracts were recognised in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorised as fair value through profit or loss and measured at their fair values with the gain or loss recognised in the profit or loss.

**Impact on opening balance**

In accordance with the transitional provisions of FRS 139, the above changes are applied prospectively and the comparatives as at 31 December 2009 are not restated. Instead, the changes have been accounted for by restating the following opening balances in the balance sheet as at 1 January 2010:

	<b>Undistributed Income RM'000</b>
At 1 January 2010, as previously stated	182,983
Adjustments arising from adoption of FRS 139:	
- Recognition of derivatives previously not recognised	<u>(1,421)</u>
At 1 January 2010, restated	<u>181,562</u>

**A2. Audit Report of Preceding Financial Year**

The Auditors' Report on the preceding financial statements for the year ended 31 December 2009 was not subject to any qualification.

**A3. Seasonality or Cyclicity of Operations**

The business operations of the Trust were not affected by any seasonal or cyclical factors for the quarter under review.

**A4. Unusual Items**

There were no unusual items to be disclosed for the quarter under review.

**A5. Changes in Estimates of Amounts Reported in Prior Interim Periods of the Current Financial Year or in Prior Financial Years**

There were no changes in estimates of amounts reported in prior interim period of the current financial year or in prior financial years that have had a material effect in the current financial period.

**A6. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter and the financial year to-date.

**A7. Income Distribution**

The Manager of Tower REIT is declaring a final income distribution of 5.5 sen per unit, amounting to RM15,427,500 and payable on 28 February 2011 for the year ended 31 December 2010 to the unitholders registered in the Record of Depositors on 21 February 2011 as disclosed in note B17 below.

**A8. Segmental Reporting**

No operating segment information has been prepared as the Trust only has one reportable segment.



**A9. Valuation of Investment Properties**

The Directors of the Manager perform the valuation on the three existing properties, namely, Menara HLA, HP Towers and Menara ING at the fair value which reflects market conditions as at 31 December 2010.

**A10. Material Events Subsequent to the End of the Quarterly Period**

There were no material events subsequent to the end of the quarterly period.

**A11. Changes in the Composition of the Trust**

There was no change in the composition of the Trust during the current quarter and the fund size stands at 280,500,000 units.

**A12. Contingent Liabilities and Contingent Assets**

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

**B. Additional Information pursuant to Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad**

**B1. Review of Performance**

For the current year to date ended 31 December 2010, the Trust recorded gross revenue and net income (realised) of RM49.266 million and RM29.759 million respectively, representing a slight decrease of 1% as compared to the preceding year's corresponding period. The decrease was mainly attributed to the lower average occupancy rates of Menara HLA and HP Towers.

The net income for the year ended 31 December 2010 is RM30.692 million, comprising realised and distributable net income of RM29.759 million and unrealised gain of RM0.933 million derived from the fair value adjustment of the financial derivative.

**B2. Changes in State of Affairs**

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

**B3. Changes in Portfolio Composition**

As at 31 December 2010, Tower REIT's composition of investment portfolio is as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<b><u>Real Estate</u></b>		
Menara HLA	295,046	49
HP Towers	207,000	34
Menara ING	102,394	17
	604,440	100

There were no material changes in the portfolio composition and asset allocations of the Trust for the quarter under review.

**B4. Changes in Net Asset Value**

	As at 31.12.2010 RM	As at 31.12.2009 RM
Net asset value ("NAV")	470,950,007	468,327,720
NAV per unit		
- before income distribution	1.6790	1.6696
- after income distribution	1.6240	1.6196

As at 31 December 2010, there were no material changes in the total NAV and NAV per unit as compared to the previous year ended 31 December 2009.

**B5. Changes in Unit Price**

On 31 December 2010, Tower REIT unit price closed at RM1.24 per unit, a slight increase of 2% as compared to the opening unit price of RM1.21 per unit on 1 October 2010.

**B6. Utilisation of Proceeds Raised from any Issuance of New Units**

There was no issuance of new units during the quarter under review.

**B7. Circumstances Affecting Interest of the Unitholders**

There were no unusual circumstances which had materially affected the interest of the unitholders for the current quarter.

**B8. Review of Office Property Market**

The economy continued to grow, supported by improved consumer and business sentiments. However, overall office occupancy and rental rates remained flat across all submarkets due to significant new supply. The competition from newly completed buildings and the expected incoming supply extended downward pressure on rental rates.

**B9. Prospects**

For the coming year, office market is expected to remain competitive due to new buildings coming on stream. However, the government's initiatives to liberalise the business environment further and implement more measures to transform the economy will augur well for the office market.

The Manager will continue to proactively manage the assets under the Trust's portfolio in order to safeguard rental income stream and to explore acquisition opportunities to grow the Trust.

Barring any unforeseen circumstances, we expect the Trust to continue to sustain its performance in 2011.

**B10. Material Litigation**

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

**B11. Major Maintenance Cost and Capital Expenditure**

There were no major maintenance cost or capital expenditure incurred during the quarter under review.

**B12. Soft Commission**

During the quarter ended 31 December 2010, the Manager did not receive any soft commission (i.e. goods and services) from its brokers or dealers by virtue of transaction conducted by the Trust.

### B13. Revenue Recognition

#### i) Rental/Car Park Income

Rental from investment property is recognised in the income statement on a straight-line basis over the term of the lease unless collection is in doubt, in which case, it is recognised on a receipt basis.

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

#### ii) Interest Income

Interest income is recognised in the income statement as it accrues, using the effective interest method.

### B14. Manager's Fee

Pursuant to the Deed constituting Tower REIT, the Manager's fees consist of a base fee (excluding any goods and services tax payable) of up to 0.75% per annum of the gross asset value and a performance fee (excluding any goods and services tax payable) of up to 4% per annum of the net property income, but before deduction of property management fee. The total base fee and performance fee for the year ended 31 December 2010 of RM1,370,476 and RM1,161,256 are 0.23% and 3.02% of the gross asset value and net property income respectively.

### B15. Trustee's Fee

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of 0.03% per annum of the NAV of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 31 December 2010 is RM136,490.

### B16. Tax Expense

	Current Year to Date 31.12.2010 RM'000	Preceding Year to Date 31.12.2009 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before taxation	29,759	30,056
Income tax using Malaysian tax rate of 25% (2009: 25%)	7,440	7,514
Non-deductible expenses	213	413
Effect of fair value adjustment on derivatives	(233)	-
Effect of fair value adjustment on investment properties	-	(1,442)
Effect of income exempted from tax	(7,420)	(6,485)
Tax expense	-	-

**B17. Income Distribution**

The Manager of Tower REIT is declaring a final income distribution of 5.5 sen per unit (subject to withholding tax), amounting to RM15,427,500 payable on 28 February 2011 to the unitholders registered in the Record of Depositors on 21 February 2011.

The final income distribution for the period ended 31 December 2010 is from the following sources:

	01.07.2010 to 31.12.2010 RM'000	01.07.2009 to 31.12.2009 RM'000
Net rental income	19,664	18,449
Interest income	17	17
Other income	26	14
	<u>19,707</u>	<u>18,480</u>
Less: Expenses	<u>(3,845)</u>	<u>(3,851)</u>
	15,862	14,629
Less: Undistributed income	<u>(435)</u>	<u>(604)</u>
	<u>15,427</u>	<u>14,025</u>
The distribution comprises:		
Final income distribution	<u>15,427</u>	<u>14,025</u>
	<u>15,427</u>	<u>14,025</u>
Distribution per unit		
Final (sen)	<u>5.50</u>	<u>5.00</u>
	<u>5.50</u>	<u>5.00</u>

Pursuant to the amended Section 109D of the Income Tax Act, 1967, the following withholding tax rates (effective 1 January 2009) will be deducted for distributions made to the following categories of unitholders:

- Resident corporate (no withholding tax, to tax at prevailing rate)
- Non-resident corporate (withholding tax 25%)
- Resident non-corporate (withholding tax 10%)
- Non-resident institutional (withholding tax 10%)
- Non-resident individual (withholding tax 10%)

### B18. Units held by Related Parties

As at 31 December 2010, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	As at 31.12.2010	
	Number of Units '000	Market value RM'000
Direct/Indirect* unitholdings in Tower REIT of the related parties of the Manager:		
HLP Equities Sdn Bhd	60,769	75,354
Hong Leong Assurance Berhad	58,271	72,256
Asia Fountain Investment Company Limited	14,000	17,360
Hong Leong Bank Berhad	13,990	17,348
Hong Leong Investment Bank Berhad	5,981	7,416
Tang Hong Cheong	160 *	198
Lim Chew Yan	20	25
Poh Yang Hong	5,157 *	6,395

The market value is determined by multiplying the number of units with the market price of RM1.24 per unit as at 31 December 2010.

### B19. Derivative Financial Instrument

The Trust had entered into Interest Rate Swaps (“IRS”) with a licensed financial institution to swap its floating rate into fixed rate as a pre-emptive move to mitigate the Trust’s interest rate exposure. As at 31 December 2010, the Trust had entered into IRS with total notional contracts of RM85 million, fixed for contractual periods expiring in years 2011 and 2012, at rates ranging from 3.58% to 3.66% against 3-month KLIBOR.

	Contract/ Notional Value as at 31.12.2010 RM'000	Fair Value Assets/(Liabilities) as at 31.12.2010 RM'000
Interest rate swaps		
- Less than 1 year	20,000	(109)
- 1 year to 3 years	65,000	(379)
	<u>85,000</u>	<u>(488)</u>

Hedged accounting is not applied and the changes in fair value of IRS are recognised in the profit or loss. For the year ended 31 December 2010, the Trust had recognised a gain of RM932,838 arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.12.2010 RM'000	Fair Value as at 01.01.2010 RM'000	Gain RM'000
Interest rate swaps	<u>(488)</u>	<u>(1,421)</u>	<u>933</u>

The fair value of the interest rate swaps is derived from the yield curves obtained from broker quotes in the market. The valuations are tested for reasonableness by discounting estimated future cash flows of the swap based on the terms and maturity of each contract using discount factors obtained from the prevailing interest rate swap yield curves in the market on the valuation date.

There were no changes in the credit risk, market risk and liquidity risk associated with the above derivatives since the last financial year ended 31 December 2009.

## B20. Comparatives

With the adoption of amendments to FRS 110, Events After the Reporting Periods, the following comparatives have been restated:

<u>As at 31 December 2009</u>	As restated RM'000	As previously stated RM'000
<b>Statement of financial position</b>		
Undistributed income - realised	17,627	3,602
Provision for income distribution	-	14,025
<b>Statement of changes in net asset value</b>		
Undistributed income - realised	17,627	3,602

## B21. Statement by the Directors of the Manager

In the opinion of the Directors of the Manager, the quarterly financial report gives a true and fair view of the financial position of Tower REIT as at 31 December 2010 and of its financial performance and cash flows for the year ended 31 December 2010.

By Order of the Board  
GLM REIT Management Sdn Bhd  
(as the Manager of Tower Real Estate Investment Trust)

LIM YEW YOKE  
LEE SOW YEANG  
Secretaries

Kuala Lumpur  
31 January 2011