

**Financial Results**Reference No **TR-100519-44892**

Company Name : **TOWER REAL ESTATE INVESTMENT TRUST**  
 Stock Name : **TWRREIT**  
 Date Announced : **19/05/2010**  
 Financial Year End : **31/12/2010**  
 Quarter : **1**  
 Quarterly report for the financial period ended : **31/03/2010**  
 The figures : **have not been audited**

Converted attachment :

Please attach the full Quarterly Report here:

[Twrreit-1st Quarter.pdf](#)

Remark:

- DEFAULT CURRENCY
- OTHER CURRENCY

Currency : Malaysian Ringgit (MYR)

**SUMMARY OF KEY FINANCIAL INFORMATION****31/03/2010**

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31/03/2010 \$\$'000	31/03/2009 \$\$'000	31/03/2010 \$\$'000	31/03/2009 \$\$'000
<b>1Revenue</b>	11,036	12,548	11,036	12,548
<b>2Profit/(loss) before tax</b>	7,115	7,718	7,115	7,718
<b>3Profit/(loss) for the period</b>	7,115	7,718	7,115	7,718
<b>4Profit/(loss) attributable to ordinary equity holders of the parent</b>	7,115	7,718	7,115	7,718
<b>5Basic earnings/(loss) per share (Subunit)</b>	2.54	2.75	2.54	2.75

<b>6Proposed/Declared dividend per share (Subunit)</b>	0.00	0.00	0.00	0.00
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**AS AT END OF CURRENT QUARTER**                      **AS AT PRECEDING FINANCIAL YEAR END**

<b>7Net assets per share attributable to ordinary equity holders of the parent (\$)</b>		1.6187		1.6196
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Remarks :

**Definition of Subunit:**

In a currency system, there is usually a main unit (base) and subunit that is a fraction amount of the main unit. Example for the subunit as follows:

<b>Country</b>	<b>Base Unit</b>	<b>Subunit</b>
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

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**CONDENSED FINANCIAL STATEMENTS  
FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

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# TOWERreit

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

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2010 RM	Preceding Year Corresponding Quarter Ended 31.03.2009 RM	Current Year To Date 31.03.2010 RM	Preceding Year To Date 31.03.2009 RM
<b>INCOME</b>				
Gross revenue	11,035,996	12,547,851	11,035,996	12,547,851
Property operating expenses	(2,639,385)	(2,732,959)	(2,639,385)	(2,732,959)
Net property income	8,396,611	9,814,892	8,396,611	9,814,892
Interest income	7,883	8,840	7,883	8,840
Other income	5,672	13,820	5,672	13,820
	<b>8,410,166</b>	<b>9,837,552</b>	<b>8,410,166</b>	<b>9,837,552</b>
<b>EXPENSES</b>				
Manager's fees	635,709	683,761	635,709	683,761
Trustee's fees	33,584	33,230	33,584	33,230
Administrative expenses	61,794	271,864	61,794	271,864
Interest expenses	1,056,919	1,130,575	1,056,919	1,130,575
	<b>1,788,006</b>	<b>2,119,430</b>	<b>1,788,006</b>	<b>2,119,430</b>
<b>NET TRUST INCOME</b>	<b>6,622,160</b>	<b>7,718,122</b>	<b>6,622,160</b>	<b>7,718,122</b>
Change in fair value of derivatives financial instrument	492,557	-	492,557	-
<b>INCOME BEFORE TAXATION</b>	<b>7,114,717</b>	<b>7,718,122</b>	<b>7,114,717</b>	<b>7,718,122</b>
Taxation	-	-	-	-
<b>NET INCOME FOR THE PERIOD</b>	<b>7,114,717</b>	<b>7,718,122</b>	<b>7,114,717</b>	<b>7,718,122</b>
<b>Net income for the period is made up as follows:</b>				
- Realised	6,622,160	7,718,122	6,622,160	7,718,122
- Unrealised	492,557	-	492,557	-
	<b>7,114,717</b>	<b>7,718,122</b>	<b>7,114,717</b>	<b>7,718,122</b>
<b>INCOME DISTRIBUTION</b>				
- Distributed income	-	-	-	-
- Provision for income distribution	5,908,150	7,023,000	5,957,820	7,023,000
	<b>5,908,150</b>	<b>7,023,000</b>	<b>5,957,820</b>	<b>28,050,000</b>
<b>EARNINGS PER UNIT (SEN)</b>				
- Basic	2.54	2.75	2.54	2.75
- Diluted	N/A	N/A	N/A	N/A

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 MARCH 2010**

The figures have not been audited.

	As At 31.03.2010 RM	As At 31.12.2009 RM
<b>ASSETS</b>		
<b><u>Non-current assets</u></b>		
Investment properties	596,000,000	596,000,000
<b><u>Current Assets</u></b>		
Trade receivables	293,153	144,348
Other receivables, deposits and prepayments	3,659,119	1,979,889
Deposits placed with licensed financial institution	300,000	300,000
Cash and bank balances	132,667	375,370
	<b>4,384,939</b>	<b>2,799,607</b>
<b>TOTAL ASSETS</b>	<b>600,384,939</b>	<b>598,799,607</b>
<b>LIABILITIES</b>		
<b><u>Non-current liabilities</u></b>		
Tenants' deposits	9,857,448	5,980,041
Borrowings	105,500,000	105,500,000
	<b>115,357,448</b>	<b>111,480,041</b>
<b><u>Current liabilities</u></b>		
Trade payables	449,326	400,440
Other payables and provisions	2,089,655	2,550,054
Derivative financial instrument	928,873	-
Tenants' deposits	5,363,630	7,341,352
Borrowings	16,200,000	8,700,000
Provision for income distribution	5,957,820	14,025,000
	<b>30,989,304</b>	<b>33,016,846</b>
<b>TOTAL LIABILITIES</b>	<b>146,346,752</b>	<b>144,496,887</b>
<b>NET ASSET VALUE</b>	<b>454,038,187</b>	<b>454,302,720</b>
<b><u>REPRESENTED BY :</u></b>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	164,427,209	165,356,082
Undistributed income - realised	4,266,212	3,601,872
	<b>454,038,187</b>	<b>454,302,720</b>
<b>NUMBER OF UNITS IN CIRCULATION (UNITS)</b>	<b>280,500,000</b>	<b>280,500,000</b>
<b>NET ASSET VALUE PER UNIT (RM)</b>		
- before income distribution	1.6399	1.6696
- after income distribution	1.6187	1.6196

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.

**TOWER REAL ESTATE INVESTMENT TRUST**  
**CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE**  
**FOR THE FIRST QUARTER ENDED 31 MARCH 2010**

The figures have not been audited.

	Unitholders' capital RM	-----Distributable----- Undistributed Income		Total RM
		Unrealised RM	Realised RM	
<b><u>Current Year To Date</u></b>				
At 1 January 2010, as previously stated	285,344,766	165,356,082	3,601,872	454,302,720
- effect of adopting FRS 139	-	(1,421,430)	-	(1,421,430)
At 1 January 2010, as restated	285,344,766	163,934,652	3,601,872	452,881,290
<b>Operations for the period ended 31 March 2010</b>				
Net trust income	-	-	6,622,160	6,622,160
Change in fair value of derivatives financial instrument	-	492,557	-	492,557
	-	492,557	6,622,160	7,114,717
<b>Unitholders' transactions</b>				
Provision for income distribution			(5,957,820)	(5,957,820)
	-	-	(5,957,820)	(5,957,820)
At 31 March 2010	285,344,766	164,427,209	4,266,212	454,038,187
<b><u>Preceding Year Corresponding Period</u></b>				
At 1 January 2009	285,344,766	159,586,337	1,596,283	446,527,386
<b>Operations for the period ended 31 March 2009</b>				
Net income for the period	-	-	7,718,122	7,718,122
	-	-	7,718,122	7,718,122
<b>Unitholders' transactions</b>				
Provision for income distribution	-	-	(7,023,000)	(7,023,000)
	-	-	(7,023,000)	(7,023,000)
At 31 March 2009	285,344,766	159,586,337	2,291,405	447,222,508

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.

# TOWERreit

## TOWER REAL ESTATE INVESTMENT TRUST CONDENSED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2010

The figures have not been audited.

	<b>Current Year To Date 31.03.2010 RM</b>	<b>Preceding Year To Date 31.03.2009 RM</b>
<b><u>CASH FLOW FROM OPERATING ACTIVITIES</u></b>		
Income before taxation	7,114,717	7,718,122
Adjustments for:		
Interest expense	1,056,919	1,130,575
Interest income	(7,883)	(8,840)
Change in fair value of derivatives financial instrument	(492,557)	-
Operating profit before working capital changes	<u>7,671,196</u>	<u>8,839,857</u>
Changes in working capital:		
Trade and other receivables	(1,828,035)	(664,174)
Trade and other payables	<u>1,488,172</u>	<u>(17,614)</u>
<b>Net cash generated by operating activities</b>	<u>7,331,333</u>	<u>8,158,069</u>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Upgrade / enhancement of investment properties	-	(297,789)
Interest income	<u>7,883</u>	<u>8,840</u>
<b>Net cash generated by (used in) investing activities</b>	<u>7,883</u>	<u>(288,949)</u>
<b><u>CASH FLOWS FROM FINANCING ACTIVITIES</u></b>		
Interest paid	(1,056,919)	(1,130,575)
Proceeds from loan and borrowing	7,500,000	5,700,000
Distribution paid to unitholders	<u>(14,025,000)</u>	<u>(12,201,750)</u>
<b>Net cash used in financing activities</b>	<u>(7,581,919)</u>	<u>(7,632,325)</u>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>	(242,703)	236,795
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<u>375,370</u>	<u>497,189</u>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<u>132,667</u>	<u>733,984</u>
Cash and cash equivalents at end of year comprise of:		
Cash and bank balances	132,667	500,000
Deposits placed with licensed financial institution	<u>300,000</u>	<u>233,984</u>
	432,667	733,984
Deposits pledged as security	<u>(300,000)</u>	<u>-</u>
	<u>132,667</u>	<u>733,984</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 Bursa Malaysia Securities Berhad Main Market Listing Requirements. This do 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") as at and for the financial 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 financial year ended 31 December 2009.

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

With the adoption of FRS 101 (revised), the components of the financial statements presented have changed to consist of statement of comprehensive income, statement of financial position, statement of changes in net asset value and statement of cash flows and notes to the financial statements. Since the changes only affect presentation aspects, there is no impact on the financial position and results of the Trust.

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

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new 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 issue 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 of 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 profit or loss.

**(b) Loans and receivables**

Loans and receivables category comprises of 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 of 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 profit or loss.

**Impact on opening balance**

In accordance with the transition 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	168,958
Adjustments arising from adoption of FRS 139:	
- Recognition of derivatives previously not recognised	(1,421)
At 1 January 2010, as restated	<u>167,537</u>

**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.

**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**

There were no changes in estimates that had a material effect in the quarterly results.

**A6. Debt and Equity Securities**

There were no issuance, cancellation, repurchase, resale and repayment of equity securities for the current quarter.

**A7. Income Distribution**

During the quarter under review, the Trust had, on 25 February 2010, paid a final income distribution of 5.00 sen per unit (of which 4.99 sen per unit is subject to withholding tax and 0.01 sen per unit is tax exempt in the hands of unitholders) for the year ended 31 December 2009, amounting to RM14,025,000.

A provision was made to distribute approximately 90% of the distributable income for the quarter ended 31 March 2010.

**A8. Segmental Reporting**

The principal activity of the Tower REIT is to invest in properties in Malaysia with the primary objective to derive rental income and medium to long terms capital growth. Hence, no segmental reporting is presented.

**A9. Valuation of Investment Properties**

The valuation of the existing properties, namely, Menara HLA, HP Towers and Menara ING, had been brought forward without any amendment from the previous audited financial statements.

**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 Bursa Malaysia Securities Berhad Main Market Listing Requirements**

**B1. Review of Performance**

For the current quarter ended 31 March 2010, the Trust recorded gross revenue and net income of RM11.036 million and RM7.115 million respectively, representing a decrease of about 12% and 8% respectively as compared to the preceding year's corresponding quarter ended 31 March 2009.

The decrease in gross income and net income for the period was mainly attributed to the drop in average occupancy rate of Menara HLA as a result of two long-term anchor tenants moving out to their own premises. However, the Manager is pleased to report that through the proactive marketing strategies, committed occupancy rate of Menara HLA is back to about 90%, having already secured new replacement tenants with tenancies commencing mostly in the second quarter of 2010.

**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 March 2010, Tower REIT's composition of investment portfolio is as follows:

<u>Real Estate</u>	Fair Value as at 31.03.2010 RM'000	Total Real Estate Portfolio %
Menara HLA	295,000	49
HP Towers	207,000	35
Menara ING	94,000	16
	596,000	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 ("NAV")**

The total NAV and NAV per unit after income distribution of the Trust as at 31 March 2010 were RM454.038 million and RM1.6187 respectively. There were no material changes in the total NAV and NAV per unit compared to the immediate preceding quarter. The adjustment arising from the adoption of FRS 139 on the recognition of derivatives previously not recognised has resulted in a slight change in NAV of approximately 0.5 sen or 0.3% as compared to the NAV as at 31 December 2009.

**B5. Changes in Unit Price**

On 31 March 2010, Tower REIT unit price closed at RM1.20 per unit, an increase of 5% compared to the opening unit price of RM1.14 per unit on 1 January 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. Review of Office Property Market**

The economy improved during the quarter under review supported by improved consumer and business sentiments. However, the office occupiers remain cautious about expansion with leasing activity driven mainly by consolidation and relocation. With limited new office buildings completed during the quarter under review, the overall occupancy and rental rates remained stable generally across all submarket.

No major investment transaction was recorded during the quarter under review. The gap on price expectation between the seller and buyer still exists and yields for office investments remain within the range of 6% to 8 %.

**B8. Prospects**

Given the improved economic outlook, the Bank Negara Malaysia has projected 4.5% - 5.5% growth in Gross Domestic Product for 2010. Generally, the outlook of office market is expected to stabilise as economy continues to recover with government's initiative to stimulate economy by further liberalising the business environment.

However, due to considerable amount of incoming new supply, there are increasing downwards pressure on rental and occupancy rates. The entry of newly completed buildings is expected to intensify the competition on securing tenants and hence, the rental value is expected to ease.

The Manager will continue to proactively manage the assets under the Trust's portfolio in order to safeguard its rental income stream and to strengthen the Trust's financial position.

Barring any unforeseen circumstances, we expect the Trust to deliver sustainable performance for the remaining period of the financial year ending 31 December 2010.

**B9. Circumstances affecting Interest of the Unitholders**

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

**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 March 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.

#### ii) Rental / Car Park Income (continued)

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.

#### iii) 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 period ended 31 March 2010 of RM336,559 and RM299,150 are 0.05% and 3.35% 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 March 2010 is RM33,584.

### B16. Tax Expense

	Current Year to Date 31.03.2010 RM'000	Preceding Year to Date 31.03.2009 RM'000
Current tax expense	-	-
<b>Reconciliation of effective tax expense</b>		
Income before taxation	7,115	7,718
Income tax using Malaysian tax rate of 25% (2009: 25%)	1,779	1,930
Non-deductible expenses	54	148
Effect of fair value adjustment on derivatives which is not taxable	(123)	-
Effect of income exempted from tax	(1,710)	(2,078)
Tax expense	-	-

**B17. Units held by Related Parties**

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

	As at 31.03.2010	
	Number of Units	Market value
	'000	RM'000
Direct/Indirect* unitholdings in Tower REIT of the related parties of the Manager:		
HLP Equities Sdn Bhd	56,219	67,463
Hong Leong Assurance Berhad	49,965	59,958
Asia Fountain Investment Company Limited	14,000	16,800
Hong Leong Bank Berhad	13,990	16,788
Hong Leong Investment Bank Berhad	5,981	7,177
Tang Hong Cheong	160 *	192
Poh Yang Hong	800 *	960
Lim Chew Yan	20	24
Chan Wan Leong	90	108

The market value is determined by multiplying the number of units with the market price of RM1.20 per unit as at 31 March 2010.

**B18. Income Distribution**

A provision was made to distribute approximately 90% of the realised distributable income for the quarter ended 31 March 2010 amounting to RM5,957,820.

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%)

### 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 March 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 31.03.2010 RM'000	Fair Value Assets / (Liabilities) as at 31.03.2010 RM'000
Interest rate swaps		
- 1 year to 3 years	85,000	(929)
	<u>85,000</u>	<u>(929)</u>

Hedged accounting is not applied and the changes in fair value of IRS are recognised in profit or loss. During the quarter under review, the Trust had recognised a gain of RM492,557 arising from the changes in fair value of the IRS as derived below:

	Fair Value as at 31.03.2010 RM'000	Fair Value as at 01.01.2010 RM'000	Gain/(Loss) RM'000
Interest rate swaps	(929)	(1,421)	493
	<u>(929)</u>	<u>(1,421)</u>	<u>493</u>

The fair value of the interest rate swaps are 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 curve 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. Statement by the Directors of the Managers

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 March 2010 and of its financial performance and cash flows for the period ended 31 March 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  
19 May 2010