Quarterly rpt on consolidated results for the financial period ended 30 Jun 2023

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2023
Quarter	4 Qtr
Quarterly report for the financial period ended	30 Jun 2023
The figures	have not been audited

Attachments

Tower REIT Q4 Results.pdf
208.9 kB

Default Currency | **Other Currency**

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
30 Jun 2023

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Jun 2023	30 Jun 2022	30 Jun 2023	30 Jun 2022
		$$'000	$$'000	$$'000	$$'000
1	Revenue	8,651	8,251	33,871	32,608
2	Profit/(loss) before tax	-20,858	1,072	-19,753	5,895
3	Profit/(loss) for the period	-18,705	1,054	-17,600	5,877
4	Profit/(loss) attributable to ordinary equity holders of the parent	-18,705	1,054	-17,600	5,877
5	Basic earnings/(loss) per share (Subunit)	-6.67	0.38	-6.28	2.10
6	Proposed/Declared dividend per share (Subunit)	0.27	0.65	0.58	1.85
		AS AT END OF CURRENT QUARTER		AS AT PRECEDING FINANCIAL YEAR END	
7	Net assets per share attributable to ordinary equity holders of the parent ($$)	1.7863		1.8587	

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:

Country	Base Unit	Subunit
Malaysia	Ringgit	Sen
United States	Dollar	Cent
United Kingdom	Pound	Pence

Announcement Info

Company Name	TOWER REAL ESTATE INVESTMENT TRUST
Stock Name	TWRREIT
Date Announced	31 Jul 2023
Category	Financial Results
Reference Number	FRA-28072023-00010

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 30 JUNE 2023

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FOURTH QUARTER ENDED 30 JUNE 2023

The figures have not been audited.	**Individual Quarter**		**Cumulative Quarter**	
	Current Year Quarter Ended 30.06.2023 RM'000	**Preceding Year Corresponding Quarter Ended 30.06.2022 RM'000**	**Current Year To Date 30.06.2023 RM'000**	**Preceding Year To Date 30.06.2022 RM'000**
Income				
Gross revenue	8,651	8,251	33,871	32,608
Property operating expenses	(4,094)	(4,247)	(17,254)	(14,566)
Net property income	4,557	4,004	16,617	18,042
Interest income	20	12	64	53
Other income	11	10	38	61
	4,588	**4,026**	**16,719**	**18,156**
Expenses				
Manager's fees	(567)	(550)	(2,215)	(2,256)
Trustee's fee	(40)	(39)	(156)	(157)
Administrative expenses	(91)	(103)	(504)	(493)
Interest expenses	(3,215)	(2,445)	(12,064)	(9,538)
	(3,913)	**(3,137)**	**(14,939)**	**(12,444)**
Net Trust Income	**675**	**889**	**1,780**	**5,712**
Change in fair value of investment properties	(21,533)	183	(21,533)	183
(Loss)/Income before tax	**(20,858)**	**1,072**	**(19,753)**	**5,895**
Income tax expense	2,153	(18)	2,153	(18)
(Loss)/Income after tax	**(18,705)**	**1,054**	**(17,600)**	**5,877**
Other comprehensive income	-	-	-	-
Total comprehensive (loss)/income for the period/year	**(18,705)**	**1,054**	**(17,600)**	**5,877**
Total comprehensive (loss)/income for the period/year is made up as follows:				
- Realised	675	889	1,780	5,712
- Unrealised	(19,380)	165	(19,380)	165
	(18,705)	**1,054**	**(17,600)**	**5,877**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.24	0.32	0.63	2.04
- Unrealised	(6.91)	0.06	(6.91)	0.06
	(6.67)	0.38	(6.28)	2.10

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

The figures have not been audited.	**Unaudited As At 30.06.2023 RM'000**	**Audited As At 30.06.2022 RM'000**
ASSETS		
Non-current assets		
Plant and equipment	7,963	6,099
Investment properties	797,200	818,600
	805,163	824,699
Current Assets		
Trade receivables	487	291
Other receivables, deposits and prepayments	1,260	344
Cash and bank balances	1,324	1,743
	3,071	2,378
TOTAL ASSETS	808,234	827,077
LIABILITIES		
Non-current liabilities		
Tenants' deposits	9,116	6,130
Borrowings	260,292	260,075
Deferred tax liability	17,279	19,432
	286,687	285,637
Current liabilities		
Trade payables	1,562	17
Other payables and provisions	5,584	6,099
Tenants' deposits	2,330	4,860
Borrowings	11,000	9,100
	20,476	20,076
TOTAL LIABILITIES	307,163	305,713
NET ASSET VALUE	**501,071**	**521,364**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	155,631	175,011
Undistributed income - realised	60,095	61,008
	501,071	**521,364**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.7863	1.8587
- After income distribution	1.7836	1.8522

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FOURTH QUARTER ENDED 30 JUNE 2023

The figures have not been audited.

		Undistributed Income		
	Unitholders' Capital RM'000	Non-distributable Unrealised RM'000	Distributable Realised RM'000	Total RM'000
Current Year To Date				
At 1 July 2022	**285,345**	**175,011**	**61,008**	**521,364**
Operations for the year ended 30 June 2023				
Net loss for the year	-	(19,380)	1,780	(17,600)
Total comprehensive income for the year	-	(19,380)	1,780	(17,600)
Unitholders' transactions				
Distribution to unitholders				
- 2022 final (paid on 30 August 2022)	-	-	(1,823)	(1,823)
- 2023 interim (paid on 28 February 2023)	-	-	(870)	(870)
	-	-	(2,693)	(2,693)
At 30 June 2023	**285,345**	**155,631**	**60,095**	**501,071**
Preceding Year To Date				
At 1 July 2021	**285,345**	**174,846**	**61,916**	**522,107**
Operations for the year ended 30 June 2022				
Net income for the year	-	165	5,712	5,877
Total comprehensive income for the year	-	165	5,712	5,877
Unitholders' transactions				
Distribution to unitholders				
- 2021 final (paid on 30 August 2021)	-	-	(3,254)	(3,254)
- 2022 interim (paid on 28 February 2022)	-	-	(3,366)	(3,366)
	-	-	(6,620)	(6,620)
At 30 June 2022	**285,345**	**175,011**	**61,008**	**521,364**

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE FOURTH QUARTER ENDED 30 JUNE 2023

The figures have not been audited.	**Current Year To Date 30.06.2023 RM'000**	**Preceding Year To Date 30.06.2022 RM'000**
CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/Income before tax	(19,753)	5,895
Adjustments for:		
Depreciation	792	788
Interest expense	12,064	9,538
Interest income	(64)	(53)
Change in fair value of investment properties	21,533	(183)
Operating profit before working capital changes	14,572	15,985
Changes in working capital:		
Trade and other receivables	(1,112)	179
Trade and other payables	1,486	451
Net cash generated from operating activities	14,946	16,615
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant & equipment	(2,789)	(1,539)
Interest income	64	53
Net cash used in investing activities	(2,725)	(1,486)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(11,847)	(9,319)
Proceeds from borrowings	6,000	4,200
Repayment of borrowings	(4,100)	(4,200)
Distribution paid to unitholders	(2,693)	(6,620)
Net cash used in financing activities	(12,640)	(15,939)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(419)	(810)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,743	2,553
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	1,324	1,743
Cash and cash equivalents at end of year comprise:		
Cash and bank balances	1,324	1,743
	1,324	1,743

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2022 and the accompanying explanatory notes attached.

A. Explanatory Notes pursuant to the Malaysian Financial Reporting Standard ("MFRS") 134

A1. Basis of Preparation

The quarterly financial report is unaudited and prepared in accordance with MFRS 134: Interim Financial Reporting, IAS 34: Interim Financial Reporting and Paragraph 9.44 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. It does not include all the information required for full annual financial statements and should be read in conjunction with the audited financial statements of Tower Real Estate Investment Trust ("Tower REIT" or "Trust") for the financial year ended 30 June 2022.

Changes in Accounting Policies

The accounting policies and methods of computation used in the preparation of the quarterly financial statements are consistent with those adopted in the preparation of the audited financial statements of Tower REIT for the financial year ended 30 June 2022. The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current year and prior year financial statements of Tower REIT.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 30 June 2022 was not subject to any qualification.

A3. Seasonality or Cyclicality 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 year/period

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

A6. Debt and Equity Securities

There was 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 Paid During the Current Quarter

No income distribution was paid during the quarter ended 30 June 2023.

A8. Segmental Reporting

No operating segment information has been prepared as the Trust has only one reportable segment and its assets are located in Malaysia.

A9. Valuation of Investment Properties

During the quarter under review, a revaluation exercise was undertaken for the three properties pursuant to Clause 10.02 of the Securities Commission's Listed REIT Guideline. The revaluation exercise resulted in an aggregate revaluation deficit of RM21.5 million. The revaluation deficit has been incorporated into the financial statements of the Trust for the year ended 30 June 2023 as an unrealised loss.

A10. Borrowing and Debt Securities

Particulars of the Trust's borrowings as at 30 June 2023 are as follows:

As at 30 June 2023, Tower REIT's composition of investment portfolio was as follows:

	RM'000
Secured	271,292
Unsecured	-
	271,292

The above borrowing is denominated in Ringgit Malaysia.

A11. Material Events

There were no material events subsequent to the current period under review up to the date of this quarterly report that required disclosure.

A12. Changes in the Composition of the Trust

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

A13. 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

Performance of the Fourth Quarter/Twelve-Month Financial Period

Gross revenue for the quarter ended 30 June 2023 ("Fourth Quarter") recorded an increase of 4.8% as compared to the corresponding quarter in the preceding year. This is mainly due to higher rental income derived from Menara HLX and Plaza Zurich as a result of higher occupancy but partially offset by lower rental income from Menara Guoco due to lower rental rates. Property operating expenses decreased 3.6% as a result of assessment rebates received by Plaza Zurich and Menara Guoco. Interest expense increased by 31.5% as compared to the corresponding quarter in the preceding year mainly arising from the increase in interest rates. The net trust income before the change in the fair value of investment properties and tax for the Fourth Quarter decreased by 24.1% as compared to the corresponding quarter in the preceding year.

Gross revenue for the financial year ended 30 June 2023 ("Current Financial Year") recorded an increase of 3.9% as compared to the previous financial year. This is due to higher occupancy rates in Menara HLX and Plaza Zurich but partially reduced by lower occupancy in Menara Guoco. Property operating expenses increased by 18.5% arising mainly from higher electricity cost following the tariff hike, higher housekeeping cost with the increase in minimum wages and higher commission paid consequent to the increased occupancy achieved. The net trust income before the change in the fair value of investment properties and tax for the Current Financial Year decreased by 68.8% as compared to the previous financial year mainly due to increased property operating expenses and interest expenses.

In June 2023 the Trust undertook an annual valuation of its properties which determined the current aggregate valuation at RM797.2 million, details of which are provided in note B4 – Changes in Portfolio Composition. Measured against its carrying value, a revaluation deficit of RM21.5 million was recorded.

B2. Material Change in Income before Tax for the Fourth Quarter Compared with Immediate Preceding Quarter

Net trust income for the Fourth Quarter of RM0.7 million was higher as compared to RM0.1 million in the preceding quarter. This was mainly due to the assessment rebates received for Plaza Zurich and Menara Guoco. The Trust also provided a revaluation deficit of RM21.5 million in Fourth Quarter resulting in loss after tax of RM18.7 million.

B3. Changes in State of Affairs

There were no material changes in the state of affairs of the Trust for the Fourth Quarter.

B4. Changes in Portfolio Composition

As at 30 June 2023, Tower REIT's composition of investment portfolio was as follows:

Real Estate	RM'000	% of Total Real Estate Portfolio
Menara HLX	324,000	41
Plaza Zurich	224,000	28
Menara Guoco	249,200	31
	797,200	100

B5. Changes in Net Asset Value

	As at 30.06.2023 RM'000	As at 31.03.2023 RM'000
Net asset value ('NAV')	501,071	519,776
NAV per unit (RM)	1.7863	1.8530

NAV per unit as at 30 June 2023 was lower as compared to the immediate preceding quarter as a result of the properties revaluation deficit in the current quarter.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.415 per unit on 30 June 2023 (RM0.445 as at 30 June 2022).

B7. Utilisation of Proceeds Raised from any Issuance of New Units

There was no issuance of new units during the Fourth Quarter.

B8. Circumstances Affecting Interest of the Unitholders

There were no unusual circumstances that had materially affected the interest of the unitholders for the current quarter save and except for the circumstances mentioned in B10 below.

B9. Prospects

The office rental market remains challenging with the imbalance between supply and demand of office space particularly in the Klang Valley. This has resulted in weak rental rates. The situation is further exacerbated by the increase in electricity tariff, rising interest rate and maintenance costs. Although there has been an increase in leasing enquiries and viewings, prospective tenants remain cautious in making commitments.

Nevertheless, the Manager continues to take proactive steps to improve its offerings to target markets, enhance its facility management service, formulate new strategies, and implement relevant measures as part of cost containment initiatives.

B10. Material Litigation

On 19 November 2021, the High Court delivered its decision in favour of Tower REIT and dismissed the appeal by the Inland Revenue Board against the Special Commissioners of Income Tax's decision on the assessment of real property gains tax ("RPGT") in relation to the disposal of Menara ING in year 2014. The Inland Revenue Board of Malaysia has on 7 December 2021, appealed to the Court of Appeal against the decision of the High Court. The Court of Appeal has fixed the court hearing on 14 December 2023. The amount of RPGT involved is RM2.4 million.

B11. Soft Commission

During the quarter ended 30 June 2023, 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.

B12. Revenue and Other Income

i) Gross Revenue

For the 3-month quarter ended 30 June 2023, gross revenue composition of rental income and non-rental income are as follows:

	RM'000
Rental income	5,215
Service charge	2,553
Car park and other income	883
Gross Revenue	8,651

ii) Rental income and service charge

Rental income and service charge from investment property are recognised in profit or loss on a straight-line basis over the term of the lease unless collectability is in doubt, in which case, are recognised on a receipt basis.

iii) Car park income

Car park income is recognised in profit or loss upon services being rendered.

iv) Other income

Other income consists of income from services, signage rental, compensation charges and other associated income. Other income is recognised when services are rendered.

v) Interest Income

Interest income is recognised as it accrues using the effective interest method in profit or loss.

B13. Manager's Fees

Pursuant to the Deed constituting Tower REIT, the Manager's fees (excluding taxes) shall consist of:-

(1) a base fee of up to 0.75% per annum of the gross asset value;

(2) a performance fee of up to 4.00% per annum of the net property income, but before deduction of property management fees payable;

(3) an acquisition fee of 1.00% of the acquisition price of any assets acquired; and

(4) a divestment fee of 0.50% of the sale price of any asset sold or divested.

The total base fee and performance fee for the year ended 30 June 2023 of RM1,621,616 and RM593,720 respectively were 0.20% and 3.35% of the gross asset value and net property income respectively.

B14. Trustee's Fee

Pursuant to the Deed constituting Tower REIT, the Trustee is entitled to receive a fee of up to 0.03% per annum of the audited net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the year ended 30 June 2023 is RM155,674.

B15. Income tax expense

	Year-To-Date	
	30.06.2023	**30.06.2022**
	RM'000	**RM'000**
Current tax expense	-	-
Deferred tax (income)/expense	(2,153)	18
Total income tax expense	(2,153)	18
(Loss)/Income before tax	(19,753)	5,895
Income tax using Malaysian tax rate of 24%	(4,741)	1,415
Different in tax rate arising from gain/(loss) on investment properties	3,015	(26)
Non-deductible expenses	354	400
Effect of income exempted from tax	(781)	(1,771)
Total income tax expense	(2,153)	18

Under Section 61A of the Income Tax Act 1967, the undistributed income of a REIT are exempted from income tax provided that the REIT distributes 90% or more of its total income for the year. If the REIT is unable to meet the 90% distribution criteria, the entire taxable income of the REIT for the year would be subject to income tax.

As Tower REIT intends to distribute at least 90% of its total income for the year to its unitholders, no provision for tax has been made in the current quarter.

B16. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 0.27 sen per unit, amounting to RM757,350 (0.65 sen per unit, amounting to RM1,823,250 in the previous corresponding period), representing approximately 91.42% of the realised distributable net income for the year ended 30 June 2023, payable on 30 August 2023 to the unitholders registered in the Record of Depositors on 15 August 2023.

The income distribution to the unitholders ended 30 June 2023 is derived from the following sources:-

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2023 RM'000	**Preceding Year Corresponding Quarter Ended 30.06.2022 RM'000**	**Current Year To Date 30.06.2023 RM'000**	**Preceding Year To Date 30.06.2022 RM'000**
Rental income	8,651	8,251	33,871	32,608
Interest income	20	12	64	53
Other income	11	10	38	61
	8,682	8,273	33,973	32,722
Less:				
Expenses	(8,007)	(7,384)	(32,193)	(27,010)
Income tax expense	-	-	-	-
Realised income for the period/year	**675**	**889**	**1,780**	**5,712**
Previous quarter/year undistributed realised income	59,420	60,119	59,185	58,662
Total realised income available for distribution	**60,095**	**61,008**	**60,965**	**64,374**
Less: Proposed/declared income distribution	(757)	(1,823)	(1,627)	(5,189)
Balance undistributed realised income	**59,338**	**59,185**	**59,338**	**59,185**
Distribution per unit (sen)	0.27	0.65	0.58	1.85

B17. Units held by Related Parties

As at 30 June 2023, the Manager did not hold any unit in Tower REIT. The related parties of the Manager held units in Tower REIT as follows:

	Number of units '000	Market Value ** RM'000
Direct unitholdings in Tower REIT of the related parties of the Manager:		
GLM Equities Sdn Bhd	60,769	25,219
Hong Leong Assurance Berhad	57,771	23,975
Asia Fountain Investment Company Limited	14,000	5,810
Associated Land Sendirian Berhad	13,409	5,565
Hong Leong Investment Bank Berhad	5,887	2,443

** The market value is determined by multiplying the number of units with the market price as at 30 June 2023 of RM0.415 per unit.

B18. 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 30 June 2023 and of its financial performance and cash flows for the period ended 30 June 2023.

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

CHIN MIN YANN
Secretary

Kuala Lumpur
31 July 2023