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

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2024
Quarter	1 Qtr
Quarterly report for the financial period ended	30 Sep 2023
The figures	have not been audited

Attachments

Tower REIT Q1 Results.pdf
244.3 kB

Default Currency | **Other Currency**

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
30 Sep 2023

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2023	30 Sep 2022	30 Sep 2023	30 Sep 2022
		$$'000	$$'000	$$'000	$$'000
1	Revenue	9,054	8,371	9,054	8,371
2	Profit/(loss) before tax	282	851	282	851
3	Profit/(loss) for the period	282	851	282	851
4	Profit/(loss) attributable to ordinary equity holders of the parent	282	851	282	851
5	Basic earnings/(loss) per share (Subunit)	0.10	0.30	0.10	0.30
6	Proposed/Declared dividend per share (Subunit)	0.00	0.00	0.00	0.00
		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 ($$)	1.7847		1.7863	

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	16 Oct 2023
Category	Financial Results
Reference Number	FRA-11102023-00002

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2023

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

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2023 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2022 RM'000	Current Period To Date 30.09.2023 RM'000	Preceding Period To Date 30.09.2022 RM'000
Income				
Gross revenue	9,054	8,371	9,054	8,371
Property operating expenses	(4,713)	(4,149)	(4,713)	(4,149)
Net property income	4,341	4,222	4,341	4,222
Interest income	17	13	17	13
Other income	12	2	12	2
	4,370	**4,237**	**4,370**	**4,237**
Expenses				
Manager's fees	(565)	(559)	(565)	(559)
Trustee's fee	(38)	(39)	(38)	(39)
Administrative expenses	(82)	(79)	(82)	(79)
Interest expenses	(3,403)	(2,709)	(3,403)	(2,709)
	(4,088)	**(3,386)**	**(4,088)**	**(3,386)**
Net Trust Income	**282**	**851**	**282**	**851**
Change in fair value of investment properties	-	-	-	-
Income before tax	**282**	**851**	**282**	**851**
Income tax expense	-	-	-	-
Income after tax	**282**	**851**	**282**	**851**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**282**	**851**	**282**	**851**
Total comprehensive income for the period is made up as follows:				
- Realised	282	851	282	851
- Unrealised	-	-	-	-
	282	**851**	**282**	**851**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.10	0.30	0.10	0.30
- Unrealised	-	-	-	-
	0.10	0.30	0.09	0.30

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached.

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

The figures have not been audited.

	Unaudited As At 30.09.2023 RM'000	Audited As At 30.06.2023 RM'000
ASSETS		
Non-current assets		
Plant and equipment	8,723	7,963
Investment properties	797,200	797,200
	805,923	805,163
Current Assets		
Trade receivables	1,360	487
Other receivables, deposits and prepayments	1,757	1,260
Cash and bank balances	798	1,324
	3,915	3,071
TOTAL ASSETS	809,838	808,234
LIABILITIES		
Non-current liabilities		
Tenants' deposits	9,686	9,116
Borrowings	260,347	260,292
Deferred tax liability	17,279	17,279
	287,312	286,687
Current liabilities		
Trade payables	90	1,562
Other payables and provisions	6,695	5,584
Tenants' deposits	2,745	2,330
Borrowings	12,400	11,000
	21,930	20,476
TOTAL LIABILITIES	309,242	307,163
NET ASSET VALUE	**500,596**	**501,071**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	155,631	155,631
Undistributed income - realised	59,620	60,095
	500,596	**501,071**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.7847	1.7863
- After income distribution	1.7847	1.7836

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 and the accompanying explanatory notes attached.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 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 Period To Date				
At 1 July 2023	**285,345**	**155,631**	**60,095**	**501,071**
Operations for the period ended 30 September 2023				
Net income for the period	-	-	282	282
Total comprehensive income for the period	-	-	282	282
Unitholders' transactions				
Distribution to unitholders				
- 2023 final (paid on 30 August 2023)	-	-	(757)	(757)
	-	-	(757)	(757)
At 30 September 2023	**285,345**	**155,631**	**59,620**	**500,596**
Preceding Period To Date				
At 1 July 2022	**285,345**	**175,011**	**61,008**	**521,364**
Operations for the period ended 30 September 2022				
Net income for the period	-	-	851	851
Total comprehensive income for the period	-	-	851	851
Unitholders' transactions				
Distribution to unitholders				
- 2022 final (paid on 30 August 2022)	-	-	(1,823)	(1,823)
	-	-	(1,823)	(1,823)
At 30 September 2022	**285,345**	**175,011**	**60,036**	**520,392**

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 2023 and the accompanying explanatory notes attached.

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

The figures have not been audited.

	Current Year To Date 30.09.2023 RM'000	Preceding Year To Date 30.09.2022 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax	282	851
Adjustments for:		
Depreciation	206	197
Interest expense	3,403	2,709
Interest income	(17)	(13)
Operating profit before working capital changes	3,874	3,744
Changes in working capital:		
Trade and other receivables	(1,370)	(1,213)
Trade and other payables	624	(1,022)
Net cash generated from operating activities	3,128	1,509
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant & equipment	(966)	(238)
Interest income	17	13
Net cash used in investing activities	(949)	(225)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(3,348)	(2,654)
Proceeds from borrowings	2,000	3,000
Repayment of borrowings	(600)	(800)
Distribution paid to unitholders	(757)	(1,823)
Net cash used in financing activities	(2,705)	(2,277)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(526)	(993)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	1,324	1,743
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	798	750
Cash and cash equivalents at end of year comprise:		
Cash and bank balances	798	750
	798	750

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2023 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 2023.

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 2023. 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 2023 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 years/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

The Trust had, on 30 August 2023 paid a final income distribution of 0.27 sen per unit, amounting to RM757,350 for the financial year 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

The valuation of Menara HLX, Plaza Zurich and Menara Guoco had been brought forward without any amendments from the previous audited financial statements.

A10. Borrowing and Debt Securities

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

	RM'000
Secured	272,747
Unsecured	-
	272,747

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 First Quarter/Three-Month Financial Period

Gross revenue for the quarter ended 30 September 2023 ("First Quarter") recorded an increase of 8.2% 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 and rental rates achieved. Property operating expenses increased 13.6% mainly arising from higher electricity tariff. Interest expense increased by 25.6% as compared to the corresponding quarter in the preceding year due to the increase in interest rates. The net trust income for the First Quarter decreased by 66.9% as compared to the corresponding quarter in the preceding year.

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

Net trust income for the First Quarter of RM0.3 million was lower as compared to net trust income of RM0.7 million in the preceding quarter. This was mainly due to assessment rebate received for Plaza Zurich and Menara Guoco in the preceding quarter.

B3. Changes in State of Affairs

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

B4. Changes in Portfolio Composition

As at 30 September 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 30.09.2023 RM'000	As at 30.06.2023 RM'000
Net asset value ('NAV')	500,596	501,071
NAV per unit (RM)	1.7847	1.7863

NAV per unit as at 30 September 2023 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 30 August 2023.

B6. Changes in Unit Price

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

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

There was no issuance of new units during the First 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 particularly in the Klang Valley, with high vacancies, depressed rental rates, higher operating cost and rising interest cost. Despite the difficult operating environment, the Manager has secured improved occupancy in all its properties within the REIT portfolio, while recognising that more work needs to be done. The Manager will continue to take a proactive stance, diligently working to enhance its offering to cater to the target market, contain costs and ensuring a sustainable and competitive position.

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 September 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 September 2023, gross revenue composition of rental income and non-rental income are as follows:

	RM'000
Rental income	5,466
Service charge	2,627
Car park and other income	960
Gross Revenue	9,054

ii) Rental income and service charge

Rental income and service charge from investment property are recognised in profit or loss 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 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 period ended 30 September 2023 of RM405,631 and RM159,654 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 period ended 30 September 2023 is RM37,868.

B15. Income tax expense

	3 months ended	
	30.09.2023	**30.09.2022**
	RM'000	**RM'000**
Current tax expense	-	-
Income before tax	282	851
Income tax using Malaysian tax rate of 24%	68	204
Non-deductible expenses	67	68
Effect of income exempted from tax	(135)	(272)
Total income tax expense	-	-

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

No income distribution had been declared for the current quarter.

B17. Units held by Related Parties

As at 30 September 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	58,271	24,182
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 September 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 September 2023 and of its financial performance and cash flows for the period ended 30 September 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
16 October 2023