Quarterly rpt on consolidated results for the financial period ended 30 Sep 2022

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2023
Quarter	1 Qtr
Quarterly report for the financial period ended	30 Sep 2022
The figures	have not been audited

Attachments

Tower REIT Q1 Results (30.09.2022).pdf
1.0 MB

Default Currency | Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
30 Sep 2022

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2022	30 Sep 2021	30 Sep 2022	30 Sep 2021
		$$'000	$$'000	$$'000	$$'000
1	Revenue	8,371	8,212	8,371	8,212
2	Profit/(loss) before tax	851	2,133	851	2,133
3	Profit/(loss) for the period	851	2,133	851	2,133
4	Profit/(loss) attributable to ordinary equity holders of the parent	851	2,133	851	2,133
5	Basic earnings/(loss) per share (Subunit)	0.30	0.76	0.30	0.76
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 ($$)	1.8552		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	21 Oct 2022
Category	Financial Results
Reference Number	FRA-19102022-00004

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2022

The figures have not been audited.	**Individual Quarter**		**Cumulative Quarter**	
	Current Year Quarter Ended 30.09.2022 RM'000	**Preceding Year Corresponding Quarter Ended 30.09.2021 RM'000**	**Current Year To Date 30.09.2022 RM'000**	**Preceding Year To Date 30.09.2021 RM'000**
Income				
Gross revenue	8,371	8,212	8,371	8,212
Property operating expenses	(4,149)	(3,021)	(4,149)	(3,021)
Net property income	4,222	5,191	4,222	5,191
Interest income	13	11	13	11
Other income	2	2	2	2
	4,237	**5,204**	**4,237**	**5,204**
Expenses				
Manager's fees	(559)	(588)	(559)	(588)
Trustee's fee	(39)	(40)	(39)	(40)
Administrative expenses	(79)	(67)	(79)	(67)
Interest expenses	(2,709)	(2,376)	(2,709)	(2,376)
	(3,386)	**(3,071)**	**(3,386)**	**(3,071)**
Net Trust Income	**851**	**2,133**	**851**	**2,133**
Change in fair value of investment properties	-	-	-	-
Income before tax	**851**	**2,133**	**851**	**2,133**
Taxation	-	-	-	-
Income after tax	**851**	**2,133**	**851**	**2,133**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**851**	**2,133**	**851**	**2,133**
Total comprehensive income for the period is made up as follows:				
- Realised	851	2,133	851	2,133
- Unrealised	-	-	-	-
	851	**2,133**	**851**	**2,133**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.30	0.76	0.30	0.76
- Unrealised	-	-	-	-
	0.30	0.76	0.30	0.76

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.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2022

	Unaudited As At 30.09.2022 RM'000	Audited As At 30.06.2022 RM'000
ASSETS		
Non-current assets		
Plant and equipment	6,140	6,099
Investment properties	818,600	818,600
	824,740	824,699
Current Assets		
Trade receivables	470	291
Other receivables, deposits and prepayments	1,378	344
Cash and bank balances	750	1,743
	2,598	2,378
TOTAL ASSETS	827,338	827,077
LIABILITIES		
Non-current liabilities		
Tenants' deposits	6,429	6,130
Borrowings	260,129	260,075
Deferred tax liability	19,432	19,432
	285,990	285,637
Current liabilities		
Trade payables	154	17
Other payables and provisions	5,014	6,099
Tenants' deposits	4,488	4,860
Borrowings	11,300	9,100
Provision for income distribution	-	-
	20,956	20,076
TOTAL LIABILITIES	306,946	305,713
NET ASSET VALUE	**520,392**	**521,364**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	175,011	175,011
Undistributed income - realised	60,036	61,008
	520,392	**521,364**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8552	1.8587
- After income distribution	1.8552	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 FIRST QUARTER ENDED 30 SEPTEMBER 2022

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 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**
Preceding Year To Date				
At 1 July 2021	**285,345**	**174,846**	**61,916**	**522,107**
Operations for the period ended 30 September 2021				
Net income for the period	-	-	2,133	2,133
Total comprehensive income for the period	-	-	2,133	2,133
Unitholders' transactions				
Distribution to unitholders				
- 2021 final (paid on 30 August 2021)	-	-	(3,254)	(3,254)
	-	-	(3,254)	(3,254)
At 30 September 2021	**285,345**	**174,846**	**60,795**	**520,986**

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 FIRST QUARTER ENDED 30 SEPTEMBER 2022

The figures have not been audited.	**Current Period To Date 30.09.2022 RM'000**	**Preceding Period To Date 30.09.2021 RM'000**
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax	851	2,133
Adjustments for:		
Depreciation	197	197
Interest expense	2,709	2,376
Interest income	(13)	(11)
Operating profit before working capital changes	3,744	4,695
Changes in working capital:		
Trade and other receivables	(1,213)	(160)
Trade and other payables	(1,022)	548
Net cash generated from operating activities	1,509	5,083
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant & equipment	(238)	(1,045)
Interest income	13	11
Net cash used in investing activities	(225)	(1,034)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,654)	(2,376)
Proceeds from borrowings	3,000	1,754
Repayment of borrowings	(800)	-
Distribution paid to unitholders	(1,823)	(3,254)
Net cash used in financing activities	(2,277)	(3,876)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(993)	173
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	1,743	2,553
CASH AND CASH EQUIVALENTS AT END OF PERIOD	750	2,726
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	750	2,726
	750	2,726

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 period and prior period financial statements of Tower REIT.

A2. Audit Report of Preceding Financial period

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 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 2022 paid a final income distribution of 0.65 sen per unit, amounting to RM1,823,250 for the financial year ended 30 June 2022.

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 amendment from the previous audited financial statements.

A10. Borrowing and Debt Securities

Particulars of the Trust's borrowings as at 30 September 2022 are as follows:

	RM'000
Secured	271,429
Unsecured	-
	271,429

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 2022 ("First Quarter") recorded an increase of 1.9% as compared to the corresponding quarter in the preceding year. This was mainly due to higher occupancy in Plaza Zurich and an increased average rental rate in Menara HLX but this was partially moderated by a lower occupancy rate in Menara Guoco. Property operating expenses rose by 37.3% with the progressive return of tenants to their offices after the relaxation of MCO as well as increase in housekeeping and security expenses arising from the increase in the minimum wages. Interest expenses were higher by 14.0% as compared to the corresponding quarter in the preceding year arising from the increase in interest rates. Accordingly, the net trust income before tax for First Quarter decreased by 60.1% 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 RM0.9 million was comparable with that of the immediate preceding quarter.

B3. Changes in State of Affairs

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

B4. Changes in Portfolio Composition

As at 30 September 2022, Tower REIT's composition of investment portfolio was as follows:

Real Estate	RM'000	% of Total Real Estate Portfolio
Menara HLX	340,500	42
Plaza Zurich	228,900	28
Menara Guoco	249,200	30
	818,600	100

B5. Changes in Net Asset Value

	As at 30.9.2022 RM'000	As at 30.6.2022 RM'000
Net asset value ('NAV')	520,392	521,364
NAV per unit (RM)	1.8552	1.8587

NAV per unit as at 30 September 2022 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 30 August 2022.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.470 per unit on 30 September 2022 (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 quarter under review.

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 Finance Minister of Malaysia in the recent Budget speech has projected a slowdown in GDP to 4% - 5% in 2023 as compared to 6.5% - 7% in 2022. Strong domestic demand, new infrastructure projects and a vibrant service sector will offset some of the risks from a global slowdown. The office rental market continues to be challenging in the near future mainly due to mismatch of supply and demand resulting in high vacancies and low yields.

Nevertheless, the Manager will continue to take proactive steps to improve its offering to target markets, enhance its service level, adopt appropriate strategies and operational measures to sustain and progressively improve the overall performance of the Trust.

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 next case management on 30 October 2022. The amount of RPGT involved is RM2.4 million.

B11. Soft Commission

During the quarter ended 30 September 2022, 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 Recognition

i) Gross Revenue

For the 3-month quarter ended 30 September 2022, gross revenue composition of leasing income and non-leasing income are as follows:

	RM'000
Leasing income	5,143
Non-leasing income (service charge)	2,404
Others	824
Gross Revenue	8,371

ii) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease unless collectability is in doubt, in which case, it is 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 over time when services are delivered.

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 2022 of RM410,277 and RM148,310 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 2022 is RM39,446.

B15. Tax Expense

	3 months ended	
	30.09.2022	**30.09.2021**
	RM'000	**RM'000**
Current tax expense	-	-
Reconciliation of tax expense		
Income before tax	851	2,133
Income tax using Malaysian tax rate of 24%	204	512
Non-deductible expenses	68	64
Effect of income exempted from tax	(272)	(576)
Total income tax expense	-	-

B16. Income Distribution

No income distribution had been declared for the current quarter.

B17. Units held by Related Parties

As at 30 September 2022, 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	28,561
Hong Leong Assurance Berhad	57,771	27,152
Asia Fountain Investment Company Limited	14,000	6,580
Associated Land Sendirian Berhad	13,409	6,302
Hong Leong Investment Bank Berhad	5,887	2,767

** The market value is determined by multiplying the number of units with the market price as at 30 September 2022 of RM0.47 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 2022 and of its financial performance and cash flows for the period ended 30 September 2022.

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
21 October 2022