

Quarterly rpt on consolidated results for the financial period ended 30 Sep 2019

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2020
Quarter	1 Qtr
Quarterly report for the financial period ended	30 Sep 2019
The figures	have not been audited

Attachments



[Tower REIT Q1 Results \(30.09.2019\).pdf](#)

222.3 kB

Default Currency	Other Currency
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Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION 30 Sep 2019

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2019	30 Sep 2018	30 Sep 2019	30 Sep 2018
		\$\$'000	\$\$'000	\$\$'000	\$\$'000
1	Revenue	5,659	0	5,659	0
2	Profit/(loss) before tax	2,040	0	2,040	0
3	Profit/(loss) for the period	2,040	0	2,040	0
4	Profit/(loss) attributable to ordinary equity holders of the parent	2,040	0	2,040	0
5	Basic earnings/(loss) per share (Subunit)	0.73	0.00	0.73	0.00
6	Proposed/Declared dividend per share (Subunit)	0.00	0.00	3.93	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 (\$\$)	1.8934		1.9254	

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	17 Oct 2019
Category	Financial Results
Reference Number	FRA-03102019-00001

**CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2019**

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The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 30.09.2019 RM	Current Year To Date 30.09.2019 RM
<u>Income</u>		
Gross revenue	5,658,953	5,658,953
Property operating expenses	(3,020,505)	(3,020,505)
Net property income	2,638,448	2,638,448
Interest income	46,842	46,842
Other income	25,147	25,147
	2,710,437	2,710,437
<u>Expenses</u>		
Manager's fees	(409,169)	(409,169)
Trustee's fee	(40,389)	(40,389)
Administrative expenses	(160,786)	(160,786)
Interest expenses	(60,182)	(60,182)
	(670,526)	(670,526)
Net Trust Income	2,039,911	2,039,911
Change in fair value of investment properties	-	-
Income before tax	2,039,911	2,039,911
Taxation	-	-
Income after tax	2,039,911	2,039,911
Other comprehensive income	-	-
Total comprehensive income for the period	2,039,911	2,039,911
Total comprehensive income for the period is made up as follows:		
- Realised	2,039,911	2,039,911
- Unrealised	-	-
	2,039,911	2,039,911
EARNINGS PER UNIT (SEN)		
- Basic	0.73	0.73

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

The figures have not been audited.

	Individual Quarter	Cumulative Quarter
	Current Year Quarter Ended 30.09.2019 RM	Current Year To Date 30.09.2019 RM
Statement of Income Distribution:		
Rental income	5,658,953	5,658,953
Interest income	46,842	46,842
Other income	25,147	25,147
	5,730,942	5,730,942
Less:		
Expenses	(3,691,031)	(3,691,031)
Taxation	-	-
Realised income for the period/year	2,039,911	2,039,911
Previous quarter/year undistributed realised income	57,983,648	69,007,298
Total realised income available for distribution	60,023,559	71,047,209
Less: Proposed/declared income distribution	-	(11,023,650)
Balance undistributed realised income	60,023,559	60,023,559
Distribution per unit (sen)	-	3.93

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

The figures have not been audited.

	As At 30.09.2019 RM	As At 30.06.2019 RM
ASSETS		
<u>Non-current assets</u>		
Investment Properties	562,300,000	562,300,000
<u>Current Assets</u>		
Trade receivables	922,349	242,778
Other receivables, deposits and prepayments	5,446,408	3,182,151
Deposits placed with licensed bank	1,550,000	5,662,000
Cash and bank balances	3,203,982	779,247
	11,122,739	9,866,176
TOTAL ASSETS	573,422,739	572,166,176
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	3,526,933	2,638,976
Deferred tax liability	20,622,645	20,622,645
	24,149,578	23,261,621
<u>Current liabilities</u>		
Trade payables	638,575	685,682
Other payables and provisions	3,492,555	3,448,103
Tenants' deposits	4,649,845	4,594,845
Borrowings	9,400,000	100,000
	18,180,975	8,828,630
TOTAL LIABILITIES	42,330,553	32,090,251
NET ASSET VALUE	531,092,186	540,075,925
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	185,723,861	185,723,861
Undistributed income - realised	60,023,559	69,007,298
	531,092,186	540,075,925
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8934	1.9254
- After income distribution	1.8934	1.8861

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
Current Year To Date				
At 1 July 2019	285,344,766	185,723,861	69,007,298	540,075,925
Operations for the period ended 30 September 2019				
Net income for the year	-	-	2,039,911	2,039,911
Total comprehensive income for the year	-	-	2,039,911	2,039,911
Unitholders' transactions				
Distribution to unitholders				
- 2019 final (paid on 28 August 2019)	-	-	(11,023,650)	(11,023,650)
	-	-	(11,023,650)	(11,023,650)
At 30 September 2019	285,344,766	185,723,861	60,023,559	531,092,186

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 and the accompanying explanatory notes attached.

The figures have not been audited.

	Current Year To Date 30.09.2019 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>	
Income before tax	2,039,911
Adjustments for:	
Interest expense	60,182
Interest income	(46,842)
Operating profit before working capital changes	<u>2,053,251</u>
Changes in working capital:	
Trade and other receivables	(2,943,828)
Trade and other payables	<u>940,303</u>
Net cash generated from operating activities	<u><u>49,726</u></u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>	
Interest income	<u>46,842</u>
Net cash generated from investing activities	<u><u>46,842</u></u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>	
Interest paid	(60,182)
Proceeds from borrowings	9,300,000
Distribution paid to unitholders	<u>(11,023,650)</u>
Net cash used in financing activities	<u><u>(1,783,832)</u></u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,687,264)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>6,141,247</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>4,453,983</u></u>
Cash and cash equivalents at end of period comprise:	
Cash and bank balances	3,203,982
Deposits placed with licensed financial bank	<u>1,550,000</u>
	4,753,982
Deposits pledged as security	<u>(300,000)</u>
	<u><u>4,453,982</u></u>

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial period ended 30 June 2019 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 period ended 30 June 2019.

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 period ended 30 June 2019. 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 except as mentioned below:

MFRS 15, Revenue from Contracts with Customers

MFRS 15 replaces the guidance in MFRS 111, Construction Contracts, MFRS 118, Revenue, IC Interpretation 13, Customer Loyalty Programmes, IC Interpretation 15, Agreements for Construction of Real Estate, IC Interpretation 18, Transfers of Assets from Customers and IC Interpretation 131, Revenue - Barter Transactions Involving Advertising Services.

The initial application of the accounting standard, amendment and interpretation is not expected to have any material financial impacts to the current period and prior period financial statements of Tower REIT save for the disclosures and separation of leasing income from non-leasing income in statement of profit or loss.

A2. Audit Report of Preceding Financial period

The Auditors' Report of the preceding financial period ended 30 June 2019 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/period

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

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 Paid During the Current Quarter

The Trust had, on 28 August 2019 paid a final income distribution of 3.93 sen per unit, amounting to RM11,023,650 for the financial period ended 30 June 2019.

A8. Segmental Reporting

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

A9. Valuation of Investment Properties

The valuation of Menara HLA and Plaza Zurich 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 2019 are as follows:

	RM
Secured	9,400,000
Unsecured	-
	<u>9,400,000</u>

The above borrowing is denominated in Ringgit Malaysia.

A11. Material Events

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

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

For the current quarter ended 30 September 2019, the Trust recorded gross revenue of RM5.66 million and a net realised income of RM2.04 million, representing a decrease of 19.3% and 37.8% respectively as compared to the corresponding quarter in the preceding year.

The lower net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to lower occupancy rate in both Menara HLA and Plaza Zurich.

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 30 September 2019, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	342,200	61
Plaza Zurich	220,100	39
	<u>562,300</u>	<u>100</u>

B4. Changes in Net Asset Value

	As at 30.09.2019 RM	As at 30.06.2019 RM
Net asset value ("NAV")	531,092,186	540,075,925
NAV per unit	1.8934	1.9254

The NAV per unit as at 30 September 2019 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 28 August 2019.

B5. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.85 per unit on 30 September 2019 (RM0.88 as at 30 June 2019).

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

Both office occupancy and rental rates continue to face strong challenges due to the incoming supply of buildings and coupled by limited demand growth.

B9. Prospects

The business prospects will continue to be challenging due to difficult operating environment mainly caused by the oversupply situation. The Manager has taken active steps and shall continue to manage the portfolio to maximise the return to unitholders.

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 and capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter ended 30 September 2019, 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) Gross Revenue

As at 30 September 2019, gross revenue composition of leasing income and non-leasing income are as follows:

	RM
Leasing income	3,496,638
Non-leasing income (service charge)	1,414,110
Others	748,205
Gross Revenue	<u>5,658,953</u>

Leasing income comprises of rental from investment property and rental/car park income. Rental from investment property is recognised in the statement of profit or loss 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 as it accrues using the effective interest method in statement of profit or loss.

B14. 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 2019 of RM316,842 and RM92,327 respectively were 0.22% 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 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 2019 is RM40,389.

B16. Tax Expense

	Current Year to Date 30.09.2019 RM'000
Current tax expense	-
Reconciliation of effective tax expense	
Income before tax	2,039
Income tax using Malaysian tax rate of 24%	489
Non-deductible expenses	116
Effect of income exempted from tax	(605)
Income tax expense	-

B17. Income Distribution

No income distribution had been declared for the current quarter.

B18. Units held by Related Parties

As at 30 September 2019, 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 30.09.2019	
	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	51,653
Hong Leong Assurance Berhad	57,771	49,105
Asia Fountain Investment Company Limited	14,000	11,900
Associated Land Sendirian Berhad	13,409	11,398
Hong Leong Investment Bank Berhad	5,887	5,004

** The market value is determined by multiplying the number of units with the market price as at 30 September 2019 of RM0.85 per unit.

B19. 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 2019 and of its financial performance and cash flows for the period ended 30 September 2019.

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

**CHEW ANN NEE
Secretary**

**Kuala Lumpur
17 October 2019**