

Quarterly rpt on consolidated results for the financial period ended 31 Mar 2016

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End 31 Dec 2016
 Quarter 1 Qtr
 Quarterly report for the financial period ended 31 Mar 2016
 The figures have not been audited

Attachments

Quarterly Report (1st quarter)- Twr REIT.pdf
 874.6 kB

Default Currency Other Currency Currency: Malaysian Ringgit (MYR)

SUMMARY OF KEY FINANCIAL INFORMATION 31 Mar 2016

	INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31 Mar 2016	31 Mar 2015	31 Mar 2016	31 Mar 2015
	\$\$'000	\$\$'000	\$\$'000	\$\$'000
1 Revenue	9,609	9,580	9,609	9,580
2 Profit/(loss) before tax	6,332	4,054	6,332	4,217
3 Profit/(loss) for the period	6,332	4,054	6,332	4,217
4 Profit/(loss) attributable to ordinary equity holders of the parent	6,332	4,054	6,332	4,217
5 Basic earnings/(loss) per share (Subunit)	2.26	1.45	2.26	1.45
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		1.9230		1.9377

**holders of the
parent (\$\$)**

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	26 Apr 2016
Category	Financial Results
Reference Number	FRA-26042016-00010

**CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 31 MARCH 2016**

<u>Contents</u>	<u>Page</u>
Condensed Statement of Profit or Loss and Other Comprehensive Income	1
Condensed Statement of Financial Position	2
Condensed Statement of Changes In Net Asset Value	3
Condensed Statement of Cash Flows	4
Notes to the Financial Statements	5 - 11



TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2016 RM	Preceding Year Corresponding Quarter Ended 31.03.2015 RM	Current Year To Date 31.03.2016 RM	Preceding Year To Date 31.03.2015 RM
<u>Income</u>				
Gross revenue	9,608,607	9,580,372	9,608,607	9,580,372
Property operating expenses	(2,839,788)	(3,404,323)	(2,839,788)	(3,404,323)
Net property income	6,768,819	6,176,049	6,768,819	6,176,049
Interest income	57,141	42,359	57,141	42,359
Other income	247,755	11,699	247,755	11,699
Gain on sale of investment property	-	658,815	-	658,815
	7,073,715	6,888,922	7,073,715	6,888,922
<u>Expenses</u>				
Manager's fees	540,724	1,294,996	540,724	1,294,996
Trustee's fee	40,387	39,413	40,387	39,413
Administrative expenses	93,202	85,806	93,202	85,806
Interest expenses	66,991	1,252,110	66,991	1,252,110
	741,304	2,672,325	741,304	2,672,325
Net Trust Income	6,332,411	4,216,597	6,332,411	4,216,597
Change in fair value of derivatives	-	(162,329)	-	(162,329)
Income before tax	6,332,411	4,054,268	6,332,411	4,054,268
Taxation	-	-	-	-
Income after tax	6,332,411	4,054,268	6,332,411	4,054,268
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	6,332,411	4,054,268	6,332,411	4,054,268
Total comprehensive income for the year is made up as follows:				
- Realised	6,332,411	4,216,597	6,332,411	4,216,597
- Unrealised	-	(162,329)	-	(162,329)
	6,332,411	4,054,268	6,332,411	4,054,268
EARNINGS PER UNIT (SEN)				
- Basic	2.26	1.45	2.26	1.45
- Diluted	N/A	N/A	N/A	N/A

The Condensed Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached.



TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016

The figures have not been audited.

	As At 31.03.2016 RM	As At 31.12.2015 RM
ASSETS		
<u>Non-current assets</u>		
Investment properties	559,000,000	559,000,000
<u>Current Assets</u>		
Trade receivables	689,624	1,157,226
Other receivables, deposits and prepayments	1,117,171	313,828
Deposits placed with licensed bank	1,400,000	6,705,542
Cash and bank balances	231,121	1,138,688
	3,437,916	9,315,284
TOTAL ASSETS	562,437,916	568,315,284
LIABILITIES		
<u>Non-current liabilities</u>		
Tenants' deposits	6,039,052	5,297,436
Borrowings	100,000	100,000
Deferred tax liability	10,400,000	10,400,000
	16,539,052	15,797,436
<u>Current liabilities</u>		
Trade payables	524,504	618,521
Other payables and provisions	861,447	2,655,740
Tenants' deposits	5,120,826	5,721,260
	6,506,777	8,995,521
TOTAL LIABILITIES	23,045,828	24,792,957
NET ASSET VALUE	539,392,088	543,522,327
<u>REPRESENTED BY :</u>		
Unitholders' capital	285,344,766	285,344,766
Undistributed income - unrealised	193,503,714	193,503,714
Undistributed income - realised	60,543,608	64,673,847
	539,392,088	543,522,327
NUMBER OF UNITS IN CIRCULATION (UNITS)	280,500,000	280,500,000
NET ASSET VALUE PER UNIT (RM)	1.9230	1.9377

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 2016

The figures have not been audited.

	Undistributed Income			Total RM
	Unitholders' Capital RM	Non-distributable Unrealised RM	Distributable Realised RM	
<u>Current Year To Date</u>				
At 1 January 2016	285,344,766	193,503,714	64,673,847	543,522,327
Operations for the year ended 31 March 2016				
Net income for the year	-	-	6,332,411	6,332,411
Realisation of unrealised income	-	-	-	-
Total comprehensive income for the year	-	-	6,332,411	6,332,411
Unitholders' transactions				
Distribution to unitholders				
- 2015 final (paid on 29 February 2016)	-	-	(10,462,650)	(10,462,650)
	-	-	(10,462,650)	(10,462,650)
At 31 March 2016	285,344,766	193,503,714	60,543,608	539,392,088
<u>Preceding Year To Date</u>				
At 1 January 2015	285,344,766	227,177,751	23,158,909	535,681,426
Operations for the year ended 31 March 2015				
Net income for the year	-	(162,329)	4,216,597	4,054,268
Realisation of unrealised income	-	(41,564,405)	41,564,405	-
Total comprehensive income for the year	-	(41,726,734)	45,781,002	4,054,268
Unitholders' transactions				
Distribution to unitholders				
- 2014 final (paid on 27 February 2015)	-	-	(8,976,000)	(8,976,000)
	-	-	(8,976,000)	(8,976,000)
At 31 March 2015	285,344,766	185,451,017	59,963,911	530,759,694

The Condensed Statement of Changes in Net Asset Value should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and the accompanying explanatory notes attached.



TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOWS
FOR THE FIRST QUARTER ENDED 31 MARCH 2016

The figures have not been audited.

	Current Year To Date 31.03.2016 RM	Preceding Year To Date 31.03.2015 RM
<u>CASH FLOW FROM OPERATING ACTIVITIES</u>		
Income before tax	6,332,411	4,054,268
Adjustments for:		
Interest expense	66,991	1,252,110
Interest income	(57,141)	(42,359)
Realised gain on disposal of investment properties	-	(658,815)
Change in fair value of derivatives	-	162,329
Operating profit before working capital changes	<u>6,342,261</u>	<u>4,767,533</u>
Changes in working capital:		
Trade and other receivables	(335,741)	8,629,904
Trade and other payables	<u>(1,747,129)</u>	<u>(11,452,470)</u>
Net cash generated from operating activities	<u>4,259,391</u>	<u>1,944,967</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Interest income	<u>57,141</u>	<u>42,359</u>
Net cash generated from investing activities	<u>57,141</u>	<u>42,359</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Interest paid	(66,991)	(1,252,110)
Drawdown of borrowings	-	100,000
Distribution paid to unitholders	<u>(10,462,650)</u>	<u>(8,976,000)</u>
Net cash used in financing activities	<u>(10,529,641)</u>	<u>(10,128,110)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	<u>(6,213,109)</u>	<u>(8,140,784)</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	<u>7,544,230</u>	<u>9,138,661</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>1,331,121</u>	<u>997,877</u>
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	231,121	497,877
Deposits placed with licensed financial bank	<u>1,400,000</u>	<u>800,000</u>
	1,631,121	1,297,877
Deposits pledged as security	<u>(300,000)</u>	<u>(300,000)</u>
	<u>1,331,121</u>	<u>997,877</u>

The Condensed Statement of Cash Flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 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 31 December 2015.

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 31 December 2015.

A2. Audit Report of Preceding Financial Year

The Auditors' Report of the preceding financial year ended 31 December 2015 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

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 period.

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 Financial Period

The Trust had, on 29 February 2016, paid a final income distribution of 3.73 sen per unit, amounting to RM10,462,650 for the financial year ended 31 December 2015.

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 HP Towers had been brought forward without any amendment from the previous audited financial statements.

A10. Material Events

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 stood 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad
B1. Review of Performance

For the current quarter ended 31 March 2016, the Trust recorded a gross revenue of RM9.61 million and a net realised income of RM6.33 million, representing an increase of 0.3% and 50% respectively as compared to the corresponding quarter in the preceding year.

The higher net trust income in the current quarter as compared to the corresponding quarter in the preceding year is mainly due to the lower interest expense and lower Manager's fees.

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 2016, Tower REIT's composition of investment portfolio was as follows:

	At Valuation RM'000	Total Real Estate Portfolio %
<u>Real Estate</u>		
Menara HLA	340,000	61%
HP Towers	219,000	39%
	559,000	100%

B4. Changes in Net Asset Value

	As at 31.03.2016 RM	As at 31.12.2015 RM
Net asset value ("NAV")	539,392,088	543,522,327
NAV per unit	1.9230	1.9377

The NAV per unit as at 31 March 2016 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 29 February 2016.

B5. Changes in Unit Price

On 31 March 2016, Tower REIT's unit price closed at RM1.20 per unit (RM1.23 as at 31 December 2015).

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 limited demand growth.

B9. Prospects

Prospects for the Trust will continue to be challenging due to the oversupply situation. Notwithstanding the difficult operating environment, the Manager will continue to take active steps to manage the portfolio assets to maximise 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 costs and capital expenditure incurred during the quarter under review.

B12. Soft Commission

During the quarter 31 March 2016, 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 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 in the profit or loss as it accrues, using the effective interest method.

B14. Manager's Fees

Pursuant to the Deed constituting Tower REIT, the Manager's fees consist of:-

- (1) a base fee (excluding any Goods and Services Tax payable) of up to 0.75% per annum of the gross asset value;
- (2) a performance fee (excluding any Goods and Services Tax payable) of up to 4.00% per annum of the net property income, but before deduction of property management fee;
- (3) an acquisition fee of 1.00% of the acquisition price of assets acquired; and
- (4) a divestment fee of 0.50% of the sale price of any asset sold.

The total base fee and performance fee for the period ended 31 March 2016 of RM310,151 and RM230,574 respectively are 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 0.03% per annum of the net asset value of Tower REIT with a cap of RM200,000. The total Trustee's fee for the period ended 31 March 2016 is RM40,387.

B16. Tax Expense

	Current Year to Date 31.03.2016 RM'000	Preceding Year to Date 31.03.2015 RM'000
Current tax expense	-	-
Reconciliation of effective tax expense		
Income before tax	6,332	4,217
Income tax using Malaysian tax rate of 24% (2015: 25%)	1,520	1,054
Non-deductible expenses	104	95
Effect of fair value adjustment on derivatives	-	41
Gain on disposal of investment property	(223)	(165)
Effect of income exempted from tax	(1,401)	(1,025)
Tax expense	-	-

B17. Income Distribution

No income distribution had been declared for the current quarter.

B18. Units held by Related Parties

As at 31 March 2016, 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 31.03.2016	
	Number of Units '000	Market Value** RM'000
Direct/Indirect unitholdings in Tower REIT of the related parties of the Manager:		
HLP Equities Sdn Bhd	60,769	72,923
Hong Leong Assurance Berhad	57,771	69,325
Asia Fountain Investment Company Limited	14,000	16,800
Associated Land Sendirian Berhad	13,409	16,091
Hong Leong Investment Bank Berhad	5,887	7,064
Dato' Poh Yang Hong	3,085 *	3,702

* Indirect unitholdings

** The market value is determined by multiplying the number of units with the market price of RM1.20 per unit as at 31 March 2016.



TOWER REAL ESTATE INVESTMENT TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE FIRST QUARTER ENDED 31 MARCH 2016

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 31 March 2016 and of its financial performance and cash flows for the period ended 31 March 2016.

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

**LIM YEW YOKE
CHIN MIN YANN
Secretaries**

**Kuala Lumpur
26 April 2016**