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

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2022
Quarter	4 Qtr
Quarterly report for the financial period ended	30 Jun 2022
The figures	have not been audited

Attachments

Tower REIT Q4 Results (30.06.2022).pdf
1.2 MB

Default Currency | Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
30 Jun 2022

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Jun 2022	30 Jun 2021	30 Jun 2022	30 Jun 2021
		$$'000	$$'000	$$'000	$$'000
1	Revenue	8,251	8,326	32,608	31,848
2	Profit/(loss) before tax	1,072	-10,894	5,895	-6,184
3	Profit/(loss) for the period	1,054	-9,745	5,877	-4,945
4	Profit/(loss) attributable to ordinary equity holders of the parent	1,054	-9,745	5,877	-4,945
5	Basic earnings/(loss) per share (Subunit)	0.38	-3.47	2.10	-1.76
6	Proposed/Declared dividend per share (Subunit)	0.65	1.16	1.85	2.21
		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 ($$)	1.8587		1.8613	

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	29 Jul 2022
Category	Financial Results
Reference Number	FRA-28072022-00019

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE FOURTH QUARTER ENDED 30 JUNE 2022

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

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2022 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2021 RM'000	Current Year To Date 30.06.2022 RM'000	Preceding Year To Date 30.06.2021 RM'000
Income				
Gross revenue	8,251	8,326	32,608	31,848
Property operating expenses	(4,247)	(4,157)	(14,566)	(14,449)
Net property income	4,004	4,169	18,042	17,399
Interest income	12	13	53	50
Other income	10	6	61	37
	4,026	**4,188**	**18,156**	**17,486**
Expenses				
Manager's fees	(550)	(555)	(2,256)	(2,229)
Trustee's fee	(39)	(40)	(157)	(159)
Administrative expenses	(103)	499	(493)	(927)
Interest expenses	(2,445)	(2,691)	(9,538)	(7,970)
	(3,137)	**(2,787)**	**(12,444)**	**(11,285)**
Net Trust Income	**889**	**1,401**	**5,712**	**6,201**
Change in fair value of investment properties	183	(12,385)	183	(12,385)
Income/(Loss) before tax	**1,072**	**(10,984)**	**5,895**	**(6,184)**
Tax expense	(18)	1,239	(18)	1,239
Income/(Loss) after tax	**1,054**	**(9,745)**	**5,877**	**(4,945)**
Other comprehensive income	-	-	-	-
Total comprehensive income/(loss) for the period	**1,054**	**(9,745)**	**5,877**	**(4,945)**
Total comprehensive income/(loss) for the period is made up as follows:				
- Realised	889	1,401	5,712	6,201
- Unrealised	165	(11,146)	165	(11,146)
	1,054	**(9,745)**	**5,877**	**(4,945)**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.32	0.50	2.04	2.21
- Unrealised	0.06	(3.97)	0.06	(3.97)
	0.38	(3.47)	2.10	(1.76)

The Condensed Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 and the accompanying explanatory notes attached.

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

	Unaudited As At 30.06.2022 RM'000	Audited As At 30.06.2021 RM'000
ASSETS		
Non-current assets		
Plant and equipment	6,099	11,965
Investment properties	818,600	811,800
	824,699	823,765
Current Assets		
Trade receivables	291	486
Other receivables, deposits and prepayments	344	328
Cash and bank balances	1,743	2,553
	2,378	3,367
TOTAL ASSETS	827,077	827,132
LIABILITIES		
Non-current liabilities		
Tenants' deposits	6,130	6,248
Borrowings	260,075	259,856
Deferred tax liability	19,432	19,414
	285,637	285,518
Current liabilities		
Trade payables	17	862
Other payables and provisions	6,099	5,292
Tenants' deposits	4,860	4,253
Borrowings	9,100	9,100
	20,076	19,507
TOTAL LIABILITIES	305,713	305,025
NET ASSET VALUE	**521,364**	**522,107**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	175,011	174,846
Undistributed income - realised	61,008	61,916
	521,364	**522,107**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8587	1.8613
- After income distribution	1.8522	1.8497

The Condensed Statement of Financial Position should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 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 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 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**
Preceding Year To Date				
At 1 July 2020	**285,345**	**185,992**	**61,969**	**533,306**
Operations for the year ended 30 June 2021				
Net (loss)/income for the year	-	(11,146)	6,201	(4,945)
Total comprehensive (loss)/income for the year	-	(11,146)	6,201	(4,945)
Unitholders' transactions				
Distribution to unitholders				
- 2020 final (paid on 28 August 2020)	-	-	(3,309)	(3,309)
- 2021 interim (paid on 26 February 2021)	-	-	(2,945)	(2,945)
	-	-	(6,254)	(6,254)
At 30 June 2021	**285,345**	**174,846**	**61,916**	**522,107**

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 2021 and the accompanying explanatory notes attached.

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE FOURTH QUARTER ENDED 30 JUNE 2022

The figures have not been audited.

	Current Period To Date 30.06.2022 RM'000	Preceding Period To Date 30.06.2021 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Income/(Loss) before tax	5,895	(6,184)
Adjustments for:		
Depreciation	788	758
Interest expense	9,538	7,970
Interest income	(53)	(50)
Property, plant & equipment expensed off	-	431
Change in fair value of investment properties	(183)	12,385
Operating profit before working capital changes	15,985	15,310
Changes in working capital:		
Trade and other receivables	179	1,393
Trade and other payables	451	5,843
Net cash generated from operating activities	16,615	22,546
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant & equipment	(1,539)	(6,424)
Acquisition of investment property	-	(245,558)
Interest income	53	50
Net cash used in investing activities	(1,486)	(251,932)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(9,319)	(8,153)
Proceeds from borrowings	4,200	259,640
Repayment of borrowings	(4,200)	(14,900)
Distribution paid to unitholders	(6,620)	(6,254)
Net cash (used in)/generated from financing activities	(15,939)	230,333
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(810)	947
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,553	1,606
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,743	2,553
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	1,743	2,553
	1,743	2,553

The Condensed Statement of Cash Flow should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 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 2021.

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 2021. 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 2021 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

No income distribution was paid during the quarter 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

During the quarter under review, a revaluation exercise was undertaken for three properties pursuant to Clause 10.02 of the Securities Commission's Listed REIT Guidelines. The revaluation exercise resulted in an aggregate revaluation surplus of RM0.2 million. The revaluation surplus has been incorporated into the financial statements of the Trust for the year ended 30 June 2022 as an unrealised gain.

A10. Borrowing and Debt Securities

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

	RM'000
Secured	269,175
Unsecured	-
	269,175

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 and Twelve-Month Financial Period

Gross revenue for the quarter ended 30 June 2022 ("Fourth Quarter") recorded a marginal decrease of 0.9% as compared to the previous corresponding quarter. This was mainly due to lower occupancy rate of Menara Guoco. Property operating expenses rose by 2.2% with the gradual return of tenants to their offices after the relaxation of MCO. Net trust income before tax for Fourth Quarter decreased by 36.5% as compared to the previous corresponding quarter. The differential was mainly due to the reversal of expenses overprovided in the previous corresponding quarter.

Gross revenue for the current financial year ended 30 June 2022 ("FY22") recorded an increase of 2.4% as compared to the previous financial year. The increase was mainly due to the full revenue recognition of Menara Guoco in FY22. However, the increased contribution from Menara Guoco was partially offset by the lower occupancy and rental rates from Plaza Zurich. Interest expense increased by 19.7% as a result of the full year's loan interest incurred on the acquisition of Menara Guoco and increase in interest rate. Net trust income before tax for FY22 decreased by 7.9% as compared to the previous financial year.

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

Net trust income for the Fourth Quarter of RM0.9 million was lower as compared to RM1.2 million in the preceding quarter. This was mainly due to higher property operating expenses for all three buildings.

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 June 2022, Tower REIT's composition of investment portfolio was as follows:

	RM'000	%
Real Estate		
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 30.6.2022 RM'000	As at 31.3.2022 RM'000
Net asset value ("NAV")	521,364	520,309
NAV per unit (RM)	1.8587	1.8549

NAV per unit as at 30 June 2022 was higher as compared to the immediate preceding quarter as a result of income distribution paid in the immediate preceding quarter.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.445 per unit on 30 June 2022 (RM0.525 as at 31 March 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 which 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 Malaysian economy is expected to improve with the recovery in domestic demand, expansion in exports and reopening of borders. While economic recovery is underway, its pace will be affected by the unfolding geopolitical developments arising from the Russia-Ukraine conflict, the uncertainty of covid-19 and other factors such as inflation, rising interest rates and labour cost. Coupled with the over-supply of office space, particularly in the Klang Valley, the outlook for office rental market remains challenging in the near future.

The Manager will continue to take active steps to improve its offering to target markets as well as improve the service level and cost efficiency.

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 18 August 2022. The amount of RPGT involved is RM2.4 million.

B11. Soft Commission

During the quarter ended 30 June 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 June 2022, gross revenue composition of leasing income and non-leasing income are as follows:

	RM'000
Leasing income	5,190
Non-leasing income (service charge)	2,364
Others	697
Gross Revenue	8,251

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 statement 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 statement of comprehensive income.

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 2022 of RM1,628,239 and RM627,175 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 2022 is RM156,575.

B15. Tax Expense

	Current Year to Date	Previous Year to Date
	30.6.2022 RM'000	30.06.2021 RM'000
Current tax expense	-	-
Defered tax expense/(income)	18	(1,239)
	18	(1,239)
Total income tax expense	18	(1,239)
Reconciliation of tax expense		
Income/(Loss) before tax	5,895	(6,184)
Income tax using Malaysian tax rate of 24%	1,415	(1,484)
Difference in tax rate arising from (gain)/loss on investment properties	(26)	1,734
Non-deductible expenses	370	463
Effect of income exempted from tax	(1,741)	(1,952)
Total income tax expense	18	(1,239)

B16. Income Distribution

The Manager of Tower REIT has declared a final income distribution of 0.65 sen per unit, amounting to RM1,823,250 (1.16 sen per unit, amounting to RM3,253,800 in the previous corresponding period), representing approximately 90.86% of the realised distributable net income for the year ended 30 June 2022, payable on 30 August 2022 to the unitholders registered in the Record of Depositors on 15 August 2022.

The distribution to the unitholders is derived from the following sources: -

The figures have not been audited.	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.06.2022 RM'000	Preceding Year Corresponding Quarter Ended 30.06.2021 RM'000	Current Year To Date 30.06.2022 RM'000	Preceding Year To Date 30.06.2021 RM'000
Rental income	8,251	8,326	32,608	31,848
Interest income	12	13	53	50
Other income	11	6	61	37
	8,274	8,345	32,722	31,935
Less:				
Expenses	(7,385)	(6,944)	(27,010)	(25,734)
Taxation	-	-	-	-
Realised income for the period/year	**889**	**1,401**	**5,712**	**6,201**
Previous quarter/year undistributed realised income	60,119	60,515	58,662	58,660
Total realised income available for distribution	**61,008**	**61,916**	**64,374**	**64,861**
Less: Proposed/declared income distribution	(1,823)	(3,254)	(5,189)	(6,199)
Balance undistributed realised income	**59,185**	**58,662**	**59,185**	**58,662**
Distribution per unit (sen)	0.65	1.16	1.85	2.21

B17. Units held by Related Parties

As at 30 June 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	27,042
Hong Leong Assurance Berhad	57,771	25,708
Asia Fountain Investment Company Limited	14,000	6,230
Associated Land Sendirian Berhad	13,409	5,967
Hong Leong Investment Bank Berhad	5,887	2,620

** The market value is determined by multiplying the number of units with the market price as at 30 June 2022 of RM0.445 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 2022 and of its financial performance and cash flows for the year ended 30 June 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
29 July 2022