Quarterly rpt on consolidated results for the financial period ended 30 Sep 2021

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2022
Quarter	1 Qtr
Quarterly report for the financial period ended	30 Sep 2021
The figures	have not been audited

Attachments

Tower REIT Q1 Results (30.09.2021).pdf
230.9 kB

Default Currency | Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
30 Sep 2021

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		30 Sep 2021	30 Sep 2020	30 Sep 2021	30 Sep 2020
		$$'000	$$'000	$$'000	$$'000
1	Revenue	8,212	6,511	8,212	6,511
2	Profit/(loss) before tax	2,133	1,566	2,133	1,566
3	Profit/(loss) for the period	2,133	1,566	2,133	1,566
4	Profit/(loss) attributable to ordinary equity holders of the parent	2,133	1,566	2,133	1,566
5	Basic earnings/(loss) per share (Subunit)	0.76	0.56	0.76	0.56
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 ($$)	1.8573		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	13 Oct 2021
Category	Financial Results
Reference Number	FRA-12102021-00002

TOWERreit

TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 30.09.2021 RM'000	Preceding Year Corresponding Quarter Ended 30.09.2020 RM'000	Current Year To Date 30.09.2021 RM'000	Preceding Year To Date 30.09.2020 RM'000
Income				
Gross revenue	8,212	6,511	8,212	6,511
Property operating expenses	(3,021)	(3,083)	(3,021)	(3,083)
Net property income	5,191	3,428	5,191	3,428
Interest income	11	10	11	10
Other income	2	28	2	28
	5,204	**3,466**	**5,204**	**3,466**
Expenses				
Manager's fees	(588)	(525)	(588)	(524)
Trustee's fee	(40)	(40)	(40)	(40)
Administrative expenses	(67)	(544)	(67)	(544)
Interest expenses	(2,376)	(791)	(2,376)	(791)
	(3,071)	**(1,900)**	**(3,071)**	**(1,899)**
Net Trust Income	**2,133**	**1,566**	**2,133**	**1,566**
Change in fair value of investment properties	-	-	-	-
Income before tax	**2,133**	**1,566**	**2,133**	**1,566**
Taxation	-	-	-	-
Income after tax	**2,133**	**1,566**	**2,133**	**1,566**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**2,133**	**1,566**	**2,133**	**1,566**
Total comprehensive income for the period is made up as follows:				
- Realised	2,133	1,566	2,133	1,566
- Unrealised	-	-	-	-
	2,133	**1,566**	**2,133**	**1,566**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.76	0.56	0.76	0.56
- Unrealised	-	-	-	-
	0.76	0.56	0.76	0.56

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 SEPTEMBER 2021

	Unaudited As At 30.09.2021 RM'000	Audited As At 30.06.2021 RM'000
ASSETS		
Non-current assets		
Plant and equipment	12,813	11,965
Investment properties	811,800	811,800
	824,613	823,765
Current Assets		
Trade receivables	665	487
Other receivables, deposits and prepayments	309	327
Cash and bank balances	2,726	2,553
	3,700	3,367
TOTAL ASSETS	828,313	827,132
LIABILITIES		
Non-current liabilities		
Tenants' deposits	6,202	6,248
Borrowings	259,910	259,856
Deferred tax liability	19,414	19,414
	285,526	285,518
Current liabilities		
Trade payables	680	863
Other payables and provisions	5,926	5,291
Tenants' deposits	4,395	4,253
Borrowings	10,800	9,100
	21,801	19,507
TOTAL LIABILITIES	307,327	305,025
NET ASSET VALUE	**520,986**	**522,107**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	174,846	174,846
Undistributed income - realised	60,795	61,916
	520,986	**522,107**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8573	1.8613
- After income distribution	1.8573	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.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CHANGES IN NET ASSET VALUE
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

The figures have not been audited.

		Undistributed Income		
	Unitholders' Capital	Non-distributable Unrealised	Distributable Realised	Total
	RM'000	RM'000	RM'000	RM'000
Current Period To Date				
At 1 July 2021	**285,345**	**174,846**	**61,916**	**522,107**
Operations for the year ended 30 September 2021				
Net income for the year	-	-	2,133	2,133
Total comprehensive income for the year	-	-	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**
Preceding Year To Date				
At 1 July 2020	**285,345**	**185,992**	**61,969**	**533,306**
Operations for the year ended 30 September 2020				
Net income for the year	-	-	1,566	1,566
Total comprehensive income for the year	-	-	1,566	1,566
Unitholders' transactions				
Distribution to unitholders				
- 2020 final (paid on 28 August 2020)	-	-	(3,310)	(3,310)
	-	-	(3,310)	(3,310)
At 30 September 2020	**285,345**	**185,992**	**60,225**	**531,562**

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.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF CASH FLOW
FOR THE FIRST QUARTER ENDED 30 SEPTEMBER 2021

The figures have not been audited.

	Current Period To Date 30.09.2021 RM'000	Preceding Period To Date 30.9.2020 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax	2,133	1,566
Adjustments for:		
Depreciation	197	77
Interest expense	2,376	791
Interest income	(11)	(10)
Operating profit before working capital changes	4,695	2,424
Changes in working capital:		
Trade and other receivables	(160)	(746)
Trade and other payables	548	2,874
Net cash generated from operating activities	5,083	4,552
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant & equipment	(1,045)	(858)
Acquisition of investment property	-	(245,558)
Interest income	11	10
Net cash used in investing activities	(1,034)	(246,406)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(2,376)	(791)
Proceeds from borrowings	1,754	254,053
Repayment of borrowings	-	(6,000)
Distribution paid to unitholders	(3,254)	(3,310)
Net cash (used in)/generated from financing activities	(3,876)	243,952
NET INCREASE IN CASH AND CASH EQUIVALENTS	173	2,098
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	2,553	1,606
CASH AND CASH EQUIVALENTS AT END OF YEAR	2,726	3,704
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	2,726	3,704
	2,726	3,704

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 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 30 August 2021 paid a final income distribution of 1.16 sen per unit, amounting to RM3,253,800 for the financial year ended 30 June 2021.

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 2021 are as follows:

	RM'000
Secured	270,710
Unsecured	-
	270,710

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 3-month quarter ended 30 September 2021 ("First Quarter") recorded an increase of 26.1% as compared to the previous corresponding quarter. This was mainly due to the recognition of the full 3 months revenue of Menara Guoco in First Quarter. In addition, the building operating expenses in Plaza Zurich and Menara HLX had also reduced as compared to the previous corresponding quarter. Accordingly, the net trust income before tax for First Quarter increased by 36.2%.

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

Net trust income for the First Quarter of RM2.1 million was higher as compared to RM1.4 million in the preceding quarter. This was mainly due to a lower building operating costs in Menara HLX and Plaza Zurich.

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 2021, Tower REIT's composition of investment portfolio was as follows:

	RM'000	Total Real Estate Portfolio %
Real Estate		
Menara HLX	340,500	42
Plaza Zurich	225,400	28
Menara Guoco	245,900	30
	811,800	100

B5. Changes in Net Asset Value

	As at 30.09.2021 RM'000	As at 30.06.2021 RM'000
Net asset value ("NAV")	520,986	522,107
NAV per unit (RM)	1.8573	1.8613

The NAV per unit as at 30 September 2021 was lower as compared to the immediate preceding quarter as a result of the payment of distribution on 30 August 2021.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.60 per unit on 30 September 2021 (RM0.585 as at 30 June 2021).

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

As mass vaccination across the country continues to be enhanced, more states will transition to Phase 3 & Phase 4 of the National Recovery Plan. Malaysia is expected to open all economic sectors by the end of 2021 and it is anticipated that the economy will gradually recover.

The COVID -19 may continue to impact the strength of the economic recovery. The cautious economic recovery coupled together with the oversupply of office space, in particular in the Klang Valley, demand and rental rates in the office sector will continue to be subdued. 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

Tower REIT has previously appealed to the Special Commissioners of Income Tax ("SCIT") against the issuance of assessment of real property gains tax ("RPGT") to Tower REIT on its disposal of Menara ING in year 2014. The SCIT has decided the matter in favour of Tower REIT in August 2020. The amount of RPGT involved is RM2.3 million. The Inland Revenue Board of Malaysia has appealed to the High Court against the decision of SCIT. The case was heard at the High Court on 22 September 2021 and is now fixed for decision on 19 October 2021.

B11. Soft Commission

During the quarter ended 30 September 2021, 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 2021, gross revenue composition of leasing income and non-leasing income are as follows:

	RM'000
Leasing income	5,238
Non-leasing income (service charge)	2,360
Others	614
Gross Revenue	8,212

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 on an accrual basis except where default in payment of rent has already occurred and rent dues remain outstanding for over six months, in which case, recognition of car park income is suspended. Subsequent to suspension, income is recognised on the receipt basis until all arrears have been paid.

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 period ended 30 September 2021 of RM410,320 and RM177,701 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 2021 is RM39,512.

B15. Tax Expense

	Current Year to Date 30.09.2021 RM'000
Current tax expense	-
Reconciliation of tax expense	
Income before tax	2,133
Income tax using Malaysian tax rate of 24%	512
Non-deductible expenses	64
Effect of income exempted from tax	(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 2021, 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	36,461
Hong Leong Assurance Berhad	57,771	34,663
Asia Fountain Investment Company Limited	14,000	8,400
Associated Land Sendirian Berhad	13,409	8,046
Hong Leong Investment Bank Berhad	5,887	3,532

** The market value is determined by multiplying the number of units with the market price as at 30 September 2021 of RM0.60 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 2021 and of its financial performance and cash flows for the period ended 30 September 2021.

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
13 October 2021