Quarterly rpt on consolidated results for the financial period ended 31 Mar 2022

TOWER REAL ESTATE INVESTMENT TRUST

Financial Year End	30 Jun 2022
Quarter	3 Qtr
Quarterly report for the financial period ended	31 Mar 2022
The figures	have not been audited

Attachments

Tower REIT Q3 Results (31.03.2022).pdf
239.8 kB

Default Currency | Other Currency

Currency: **Malaysian Ringgit (MYR)**

SUMMARY OF KEY FINANCIAL INFORMATION
31 Mar 2022

		INDIVIDUAL PERIOD		CUMULATIVE PERIOD	
		CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
		31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
		$$'000	$$'000	$$'000	$$'000
1	Revenue	7,995	8,424	24,357	23,522
2	Profit/(loss) before tax	1,163	1,785	4,823	4,800
3	Profit/(loss) for the period	1,163	1,785	4,823	4,800
4	Profit/(loss) attributable to ordinary equity holders of the parent	1,163	1,785	4,823	4,800
5	Basic earnings/(loss) per share (Subunit)	0.41	0.64	1.72	1.71
6	Proposed/Declared dividend per share (Subunit)	0.00	0.00	1.20	1.05
		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 ($$)	1.8549		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	25 Apr 2022
Category	Financial Results
Reference Number	FRA-24042022-00001

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TOWER REAL ESTATE INVESTMENT TRUST

CONDENSED FINANCIAL STATEMENTS
FOR THE THIRD QUARTER ENDED 31 MARCH 2022

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TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF COMPREHENSIVE INCOME
FOR THE THIRD QUARTER ENDED 31 MARCH 2022

The figures have not been audited.

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter Ended 31.03.2022 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2021 RM'000	Current Year To Date 31.03.2022 RM'000	Preceding Year To Date 31.03.2021 RM'000
Income				
Gross revenue	7,995	8,424	24,357	23,522
Property operating expenses	(3,845)	(3,450)	(10,319)	(10,292)
Net property income	4,150	4,974	14,038	13,230
Interest income	16	15	41	37
Other income	32	3	51	31
	4,198	**4,992**	**14,130**	**13,298**
Expenses				
Manager's fees	(545)	(572)	(1,706)	(1,674)
Trustee's fee	(39)	(39)	(118)	(119)
Administrative expenses	(116)	(394)	(390)	(1,426)
Interest expenses	(2,335)	(2,202)	(7,093)	(5,279)
	(3,035)	**(3,207)**	**(9,307)**	**(8,498)**
Net Trust Income	**1,163**	**1,785**	**4,823**	**4,800**
Change in fair value of investment properties	-	-	-	-
Income before tax	**1,163**	**1,785**	**4,823**	**4,800**
Taxation	-	-	-	-
Income after tax	**1,163**	**1,785**	**4,823**	**4,800**
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	**1,163**	**1,785**	**4,823**	**4,800**
Total comprehensive income for the period is made up as follows:				
- Realised	1,163	1,785	4,823	4,800
- Unrealised	-	-	-	-
	1,163	**1,785**	**4,823**	**4,800**
BASIC EARNINGS PER UNIT (SEN)				
- Realised	0.41	0.64	1.72	1.71
- Unrealised	-	-	-	-
	0.41	0.64	1.72	1.71

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.

TOWER REAL ESTATE INVESTMENT TRUST
CONDENSED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2022

	Unaudited As At 31.03.2022 RM'000	Audited As At 30.06.2021 RM'000
ASSETS		
Non-current assets		
Plant and equipment	12,509	11,965
Investment properties	811,800	811,800
	824,309	823,765
Current Assets		
Trade receivables	663	487
Other receivables, deposits and prepayments	1,331	327
Cash and bank balances	1,683	2,553
	3,677	3,367
TOTAL ASSETS	827,986	827,132
LIABILITIES		
Non-current liabilities		
Tenants' deposits	6,567	6,248
Borrowings	260,021	259,856
Deferred tax liability	19,414	19,414
	286,002	285,518
Current liabilities		
Trade payables	13	863
Other payables and provisions	5,510	5,291
Tenants' deposits	4,452	4,253
Borrowings	11,700	9,100
	21,675	19,507
TOTAL LIABILITIES	307,677	305,025
NET ASSET VALUE	**520,309**	**522,107**
REPRESENTED BY :		
Unitholders' capital	285,345	285,345
Undistributed income - unrealised	174,846	174,846
Undistributed income - realised	60,118	61,916
	520,309	**522,107**
NUMBER OF UNITS IN CIRCULATION (UNITS)	**280,500,000**	**280,500,000**
NET ASSET VALUE PER UNIT (RM)		
- Before income distribution	1.8549	1.8613
- After income distribution	1.8549	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 THIRD QUARTER ENDED 31 MARCH 2022

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 Year To Date				
At 1 July 2021	**285,345**	**174,846**	**61,916**	**522,107**
Operations for the period ended 31 March 2022				
Net income for the period	-	-	4,823	4,823
Total comprehensive income for the period	-	-	4,823	4,823
Unitholders' transactions				
Distribution to unitholders				
- 2021 final (paid on 30 August 2021)	-	-	(3,255)	(3,255)
- 2022 interim (paid on 28 February 2022)	-	-	(3,366)	(3,366)
	-	-	(6,621)	(6,621)
At 31 March 2022	**285,345**	**174,846**	**60,118**	**520,309**
Preceding Year To Date				
At 1 July 2020	**285,345**	**185,992**	**61,969**	**533,306**
Operations for the period ended 31 March 2021				
Net income for the period	-	-	4,800	4,800
Total comprehensive income for the period	-	-	4,800	4,800
Unitholders' transactions				
Distribution to unitholders				
- 2020 final (paid on 28 August 2020)	-	-	(3,309)	(3,309)
- 2021 interim (paid on 26 February 2021)	-	-	(2,944)	(2,944)
	-	-	(6,253)	(6,253)
At 31 March 2021	**285,345**	**185,992**	**60,516**	**531,853**

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 THIRD QUARTER ENDED 31 MARCH 2022

The figures have not been audited.

	Current Period To Date 31.03.2022 RM'000	Preceding Period To Date 31.03.2021 RM'000
CASH FLOW FROM OPERATING ACTIVITIES		
Income before tax	4,823	4,800
Adjustments for:		
Depreciation	591	231
Interest expense	7,093	5,279
Interest income	(41)	(37)
Operating profit before working capital changes	12,466	10,273
Changes in working capital:		
Trade and other receivables	(1,180)	(152)
Trade and other payables	(113)	3,994
Net cash generated from operating activities	11,173	14,115
CASH FLOWS FROM INVESTING ACTIVITIES		
Payment for acquisition of property, plant & equipment	(1,135)	(4,659)
Acquisition of investment property	-	(245,558)
Interest income	41	37
Net cash used in investing activities	(1,094)	(250,180)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(7,093)	(5,279)
Proceeds from borrowings	2,765	261,171
Repayment of borrowings	-	(12,500)
Distribution paid to unitholders	(6,621)	(6,253)
Net cash (used in)/generated from financing activities	(10,949)	237,139
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(870)	1,074
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,553	1,606
CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,683	2,680
Cash and cash equivalents at end of period comprise:		
Cash and bank balances	1,683	2,680
	1,683	2,680

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

The Trust had, on 28 February 2022 paid an interim income distribution of 1.20 sen per unit, amounting to RM3,366,000 for the financial year ending 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 valuations 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 31 March 2022 are as follows:

	RM'000
Secured	271,721
Unsecured	-
	271,721

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 Third Quarter and Ninth-Month Financial Period

Gross revenue for the 3-month quarter ended 31 March 2022 ("Third Quarter") recorded a decrease of 5.1% as compared to the previous corresponding quarter. This was mainly due to lower occupancy and rental rates in Menara Guoco and Plaza Zurich. Property operating expenses rose by 11.4% with the gradual return of tenants to their offices after the relaxation of MCO. The net trust income before tax for Third Quarter decreased by 34.8% as compared to the previous corresponding quarter, in tandem with the decrease in revenue and increase in property operating expenses.

Gross revenue for the current 9-month financial period ended 31 March 2022 ("Current Financial Period") recorded an increase of 3.5% as compared to the previous corresponding period. The increase was mainly due to the full revenue recognition for Menara Guoco in the Current Financial Period. However, the increased contribution from Menara Guoco was partially offset by the lower occupancy and rental rates in Plaza Zurich. Administrative expenses for the Current Financial Period declined by 72.7% compared to the previous corresponding period which had recorded a one-off acquisition cost of Menara Guoco incurred in that period. However, interest expenses for the Current Financial Period increased by 34.4% compared to the previous corresponding period, as a result of the full 9 months' loan interest incurred on the acquisition of Menara Guoco. The net trust income before tax for the Current Financial Period increased by 0.5% as compared to the previous corresponding period.

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

Net trust income for the Third Quarter of RM1.2 million was lower as compared to RM1.5 million in the preceding quarter. This was mainly due to lower revenue in Menara Guoco and higher property operating expenses for all the 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 31 March 2022, 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 31.3.2022 RM'000	As at 31.12.2021 RM'000
Net asset value ("NAV")	520,309	522,511
NAV per unit (RM)	1.8549	1.8628

The NAV per unit as at 31 March 2022 was lower as compared to the immediate preceding quarter as a result of income distribution paid in current quarter.

B6. Changes in Unit Price

Tower REIT's unit price was last traded at RM0.525 per unit on 31 March 2022 (RM0.56 as at 31 December 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

The Malaysian economy is expected to show improvement with the recovery in domestic demand, expansion in exports and reopening of borders. While economic recovery remains underway, its pace will be conditional upon the unfolding geopolitical developments arising from the Russia-Ukraine conflict and their impact on business optimism and expansion. The uncertainty of the emergence of covid-19 new variant mutations may further dampen the economy recovery. Domestic businesses may experience recovery from the low base seen in the previous quarters but this may not be vigorous enough to spur broad expansion in demand for new office space in which the Trust operates. This, coupled with the over-supply of office space particularly in the Klang Valley, will cause the office rental market outlook to remain challenging in the near term. 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 amount of RPGT paid by the Trust on disposal of Menara ING was RM2.4 million.

B11. Soft Commission

During the quarter ended 31 March 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 quarter ended 31 March 2022, gross revenue composition of leasing income and non-leasing income is as follows:

	RM'000
Leasing income	4,910
Non-leasing income (service charge)	2,375
Others	710
Gross Revenue	7,995

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 31 March 2022 of RM1,222,455 and RM483,604 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 31 March 2022 is RM117,605.

B15. Tax Expense

	Current Year to Date 31.3.2022 RM'000
Current tax expense	-
Reconciliation of tax expense	
Income before tax	4,823
Income tax using Malaysian tax rate of 24%	1,158
Non-deductible expenses	267
Effect of income exempted from tax	(1,425)
Total income tax expense	-

B16. Income Distribution

No income distribution had been declared for the current quarter.

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 31.03.2022 RM'000	Preceding Year Corresponding Quarter Ended 31.03.2021 RM'000	Current Year To Date 31.03.2022 RM'000	Preceding Year To Date 31.03.2021 RM'000
Rental income	7,995	8,424	24,357	23,522
Interest income	16	15	41	37
Other income	32	3	51	31
	8,043	8,442	24,449	23,590
Less:				
Expenses	(6,880)	(6,657)	(19,626)	(18,790)
Taxation	-	-	-	-
Realised income for the period	**1,163**	**1,785**	**4,823**	**4,800**
Previous quarter/period undistributed realised income	58,955	58,731	58,661	58,660
Total realised income available for distribution	**60,118**	**60,516**	**63,484**	**63,460**
Less: Proposed/declared income distribution	-	-	(3,366)	(2,944)
Balance undistributed realised income	**60,118**	**60,516**	**60,118**	**60,516**
Distribution per unit (sen)	-	-	1.20	1.05

B17. Units held by Related Parties

As at 31 March 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	31,904
Hong Leong Assurance Berhad	57,771	30,330
Asia Fountain Investment Company Limited	14,000	7,350
Associated Land Sendirian Berhad	13,409	7,040
Hong Leong Investment Bank Berhad	5,887	3,091

** The market value is determined by multiplying the number of units with the market price as at 31 March 2022 of RM0.525 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 31 March 2022 and of its financial performance and cash flows for the period ended 31 March 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
25 April 2022