

KIP REAL ESTATE INVESTMENT TRUST

Interim Financial Report for the 3rd quarter FY2022 ended 31 March 2022

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KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Quarter			Period-To-Date		
	31 Mar 2022	31 Mar 2021	Changes	31 Mar 2022	31 Mar 2021	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Gross rental income	16,557	16,000	3.5%	48,252	47,936	0.7%
Revenue from contracts with customers	2,273	1,992	14.1%	6,227	6,910	(9.9%)
Gross revenue	18,830	17,992	4.7%	54,479	54,846	(0.7%)
Utilities expenses	(1,936)	(1,571)	(23.3%)	(4,848)	(5,088)	4.7%
Maintenance and housekeeping expenses	(423)	(607)	30.3%	(1,247)	(1,929)	35.3%
Marketing expenses	(52)	(77)	32.4%	(88)	(157)	43.9%
Quit rent and assessment	(482)	(451)	(6.9%)	(1,392)	(1,440)	3.3%
Reimbursement costs	(855)	(976)	12.4%	(2,570)	(2,750)	6.6%
Property manager fee	(32)	(41)	21.5%	(96)	(122)	20.7%
Other operating expenses	(549)	(580)	5.4%	(1,684)	(1,774)	5.1%
Property operating expenses	(4,329)	(4,303)	(0.6%)	(11,925)	(13,260)	10.1%
Net property income	14,501	13,689	5.9%	42,554	41,586	2.3%
Changes in fair value on investment properties	-	-	0.0%	-	-	0.0%
Interest income	86	116	(25.6%)	251	357	(29.6%)
Net investment income	14,587	13,805	5.7%	42,805	41,943	2.1%
Manager's management fee	(1,429)	(1,433)	0.3%	(4,252)	(4,147)	(2.5%)
Trustees' fee	(44)	(45)	1.0%	(134)	(133)	(0.3%)
Auditors' remuneration	(40)	(30)	(33.3%)	(95)	(91)	(5.4%)
Valuers' fee	(10)	(45)	76.7%	(129)	(145)	11.1%
Other trust expenses	(661)	(513)	(28.7%)	(1,687)	(1,484)	(13.6%)
Borrowing costs	(3,277)	(3,296)	0.6%	(9,961)	(9,987)	0.3%
	(5,461)	(5,362)	(1.8%)	(16,258)	(15,987)	(1.7%)
Profit before taxation ^{N1}	9,126	8,443	8.1%	26,547	25,956	2.3%
Taxation	-	-		-	-	
Profit after taxation	9,126	8,443	8.1%	26,547	25,956	2.3%
Other comprehensive income, net of tax	-	-		-	-	
Total comprehensive income attributable to unitholders	9,126	8,443	8.1%	26,547	25,956	2.3%
Profit after taxation is made up as follows:						
- Realised	9,126	8,443	8.1%	26,547	25,956	2.3%
- Unrealised	-	-	0.0%	-	-	0.0%
	9,126	8,443	8.1%	26,547	25,956	2.3%
Weighted average number of units ('000)	505,300	505,300		505,300	505,300	
Basic / Diluted earnings per unit (sen)						
- Realised	1.81	1.67		5.25	5.14	
- Unrealised	-	-		-	-	
	1.81	1.67		5.25	5.14	
Total comprehensive income	9,126	8,443		26,547	25,956	
Distribution adjustments	456	513		1,052	2,142	
Total current period / year distributable income	9,582	8,956		27,599	28,098	
Distribution per unit (sen)	1.60	1.60		4.70	4.74	
^{N1} Included in profit before taxation are following items:						
Interest income	86	116		251	357	
Amortisation of rental rebate	(122)	(316)		(603)	(1,564)	
Depreciation of equipments	(165)	(128)		(500)	(400)	
Allowance for impairment on receivable	(105)	(3)		53	16	
Bad debts written off	-	(2)		(279)	(2)	

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 ("AFS FY2021") and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)
STATEMENT OF INCOME DISTRIBUTION

	Quarter			Period-To-Date		
	31 Mar 2022	31 Mar 2021	Changes	31 Mar 2022	31 Mar 2021	Changes
	RM '000	RM '000	%	RM '000	RM '000	%
Net property income	14,501	13,689	5.9%	42,554	41,586	2.3%
Interest income	86	116	(25.6%)	251	357	(29.6%)
	14,587	13,805	5.7%	42,805	41,943	2.1%
Less : Expenses	(5,461)	(5,362)	(1.8%)	(16,258)	(15,987)	(1.7%)
Total comprehensive income	9,126	8,443	8.1%	26,547	25,956	2.3%
Distribution adjustment						
- Amortisation of transactions costs	64	64	0.0%	192	192	0.0%
- Depreciation of equipment	165	128	28.9%	500	400	25.0%
- Allowance for impairment on receivable	105	3	3083.2%	(53)	(16)	220.4%
- Bad debts written off	-	2	(100.0%)	279	2	12814.1%
- Net amortisation of rental rebate for MCO	122	316	(61.4%)	134	1,564	(91.4%)
	456	513	(11.2%)	1,052	2,142	(50.9%)
Total current period / year distributable income	9,582	8,956	7.0%	27,599	28,098	(1.8%)
Undistributed distributable income brought forward	6,886	4,113	67.4%	4,532	840	439.7%
Distributable income	16,468	13,069	26.0%	32,131	28,938	11.0%
Less: Proposed / declared income distribution	(8,085)	(8,085)	0.0%	(23,748)	(23,954)	(0.9%)
Undistributed distributable income	8,383	4,984	68.2%	8,383	4,984	68.2%
Distribution per unit (sen)	1.60	1.60	0.0%	4.70	4.74	(0.8%)

The unaudited Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the audited financial statements for the financial year ended 30 June 2021 ("AFS FY2021") and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Group		Fund	
	Unaudited As At	Audited As At	Unaudited As At	Audited As At
	31 Mar 2022 RM '000	30 Jun 2021 RM '000	31 Mar 2022 RM '000	30 Jun 2021 RM '000
ASSETS				
<u>Non-Current Assets</u>				
Equipment	4,098	2,574	4,098	2,574
Investment properties	808,346	808,000	808,346	808,000
Investment in a subsidiary	-	-	-	-
Total Non-Current Assets	812,444	810,574	812,444	810,574
<u>Current Assets</u>				
Trade receivables	1,056	2,423	1,056	2,423
Other receivables and prepaid expenses	3,648	3,904	3,648	3,904
Cash and bank balances	28,049	29,320	20,433	21,805
Total Current Assets	32,753	35,647	25,137	28,132
TOTAL ASSETS	845,197	846,221	837,581	838,706
FINANCED BY:				
Unitholders' fund				
Unitholders' capital	492,333	492,333	492,333	492,333
Retained earnings	21,316	21,045	21,316	21,045
Total Unitholders' Fund	513,649	513,378	513,649	513,378
<u>Non-Current Liabilities</u>				
Borrowings	309,265	309,073	-	-
Amount due to subsidiary company	-	-	302,903	305,193
Other payables and accrued expenses	5,805	10,960	5,805	10,960
Total Non-Current Liabilities	315,070	320,033	308,708	316,153
<u>Current Liabilities</u>				
Borrowings	1,254	3,635	-	-
Trade payables	1,182	435	1,182	435
Other payables and accrued expenses	14,014	8,740	14,014	8,740
Amount due to related company	28	-	28	-
Total Current Liabilities	16,478	12,810	15,224	9,175
TOTAL LIABILITIES	331,548	332,843	323,932	325,328
TOTAL UNITHOLDERS' FUND AND LIABILITIES	845,197	846,221	837,581	838,706
Net Asset Value (NAV)				
- before income distribution	539,924	545,060	539,924	545,060
- after income distribution	513,649	513,378	513,649	513,378
Number of units in circulation (Units)	505,300	505,300	505,300	505,300
Net Asset Value per unit (RM)				
- before income distribution	1.0685	1.0787	1.0685	1.0787
- after income distribution	1.0165	1.0160	1.0165	1.0160

* Denotes RM2 share capital in KIP REIT Capital Sdn Bhd

The unaudited Condensed Consolidated Statement of the Financial Position should be read in conjunction with the AFS FY 2021 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN NET ASSET VALUE

	Unitholders'	Retained	Total
	RM '000	earnings	RM '000
	RM '000	RM '000	RM '000
<u>Group and Fund</u>			
As at 1 July 2021	492,333	21,045	513,378
Profit for the period	-	26,547	26,547
Total comprehensive income for the period attributable to unitholders	-	26,547	26,547
Unitholders' transactions			
Distribution to unitholders	-	(26,276)	(26,276)
Decrease in net asset resulting from unitholders' transactions	-	(26,276)	(26,276)
As at 31 March 2022	<u>492,333</u>	<u>21,316</u>	<u>513,649</u>
<u>Group and Fund</u>			
As at 1 July 2020	492,333	17,506	509,839
Profit for the period	-	25,956	25,956
Total comprehensive income for the period attributable to unitholders	-	25,956	25,956
Unitholders' transactions			
Distribution to unitholders	-	(23,599)	(23,599)
Decrease in net asset resulting from unitholders' transactions	-	(23,599)	(23,599)
As at 31 March 2021	<u>492,333</u>	<u>19,863</u>	<u>512,196</u>

The unaudited condensed Consolidated Statement of Changes in Net Asset Value should be read in conjunction with the AFS FY 2021 and the accompanying notes attached to this Interim Financial Report.

KIP REAL ESTATE INVESTMENT TRUST
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Group		Fund	
	Cumulative Year-To-Date 31 Mar 2022 RM '000	Cumulative Year-To-Date 31 Mar 2021 RM '000	Cumulative Year-To-Date 31 Mar 2022 RM '000	Cumulative Year-To-Date 31 Mar 2021 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation	26,547	25,956	26,547	25,956
Adjustment for:				
Interest expenses on borrowings	9,769	9,795	75	75
Interest expenses on advance from a subsidiary company	-	-	9,694	9,720
Interest income	(251)	(357)	(251)	(357)
Bad debts written off	279	2	279	2
Allowance for doubtful debts	(54)	(16)	(54)	(16)
Amortisation of transaction costs	192	192	192	192
Depreciation of equipment	500	400	500	400
Operating income before changes in working capital	36,982	35,972	36,982	35,972
Net change in trade and other receivables	1,396	2,030	1,428	2,030
Net change in payables and accruals	861	1,313	861	1,313
Cash generated from operations	39,239	39,315	39,271	39,315
Taxes paid	-	-	-	-
Net cash generated from operating activities	39,239	39,315	39,271	39,315
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest received	254	352	222	352
Pledge deposit	(119)	(122)	(17)	(17)
Purchase of equipment	(2,024)	(941)	(2,024)	(941)
Asset enhancement on investment properties	(346)	(1,437)	(346)	(1,437)
Net cash used in investing activities	(2,235)	(2,148)	(2,165)	(2,043)
CASH FLOWS FROM FINANCING ACTIVITIES				
Income distribution paid to unitholders	(26,276)	(23,598)	(26,276)	(23,598)
Repayment to a subsidiary company	-	-	(102)	(105)
Interest paid on advance from a subsidiary company	-	-	(12,075)	(12,024)
Interest paid on borrowings	(12,117)	(12,099)	(42)	(75)
Net cash used in financing activities	(38,393)	(35,697)	(38,495)	(35,802)
Net (decrease) / increase in cash and cash equivalents	(1,389)	1,470	(1,389)	1,470
Cash and cash equivalents at beginning of period	20,164	16,980	20,145	16,960
Cash and cash equivalents at end of period	18,775	18,450	18,756	18,430

Cash and cash equivalent in the consolidated statement of cash flows comprise the following statement of financial position amounts:

Cash in hand	-	8	-	8
Bank balances	1,146	940	1,128	923
Short term deposits placed with licensed bank	26,903	26,618	19,305	19,153
	28,049	27,566	20,433	20,084
Less: Pledged deposits	(9,274)	(9,116)	(1,677)	(1,654)
	18,775	18,450	18,756	18,430

The unaudited condensed Consolidated Statement of Cash Flow should be read in conjunction with the AFS FY 2021 and the accompanying notes attached to this Interim Financial Report.

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PART A - DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS ("MFRS") 134

A1 CORPORATE INFORMATION

KIP Real Estate Investment Trust ("KIP REIT" or the "Fund") is a Malaysia-domiciled real estate investment trust constituted pursuant to the trust deed dated 2 November 2016 as amended and restated by the Restated Deed dated 12 December 2019 and the supplementary deed dated 29 September 2020 (collectively referred to as the "Deed") between KIP REIT Management Sdn. Bhd. (the "Manager") and Pacific Trustees Berhad (the "Trustee"). The Fund was listed on the Main Market of Bursa Malaysia Securities Berhad on 6 February 2017. The unaudited condensed consolidated interim financial statements comprise KIPREIT and its subsidiary (the "Group").

A2 BASIS OF PREPARATION

The condensed consolidated financial statements of the Group are unaudited and have been prepared in accordance with MFRS 134: Interim Financial Reporting issued by Malaysian Accounting Standards Board, paragraph 9.44 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Deed and the Securities Commission Malaysia's Guidelines on Listed Real Estate Investment Trusts ("REIT Guidelines").

The unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 30 June 2021 ("AFS FY2021") and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements. The accounting policies and methods of computation adopted in these unaudited condensed consolidated financial statements are consistent with those disclosed in the AFS FY2021.

A3 AUDITORS' REPORT ON PRECEDING ANNUAL FINANCIAL STATEMENTS

The audit report of the financial statements of KIP REIT for the preceding financial year ended 30 June 2021 was not qualified.

A4 SEASONALITY AND CYCLICALITY OF OPERATIONS

KIP REIT's operations were not significantly affected by seasonal or cyclical factors.

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A5 UNUSUAL ITEMS AFFECTING THE FINANCIAL STATEMENTS

There were no significant unusual items that affect the assets, liabilities, equity, net income or cash flow during the financial period to date under review, except the amortisation of rental rebates during MCO 1.0 offered to non-essential retail tenants and rental assistance offered to affected tenants during MCO 2.0 and Full MCO ("FMCO") as explained in B1 and B2.

A6 CHANGES IN ESTIMATES

Not applicable as no estimates were previously reported.

A7 ISSUANCES, CANCELLATIONS, REPURCHASES AND REPAYMENT OF DEBT AND EQUITY SECURITIES

There were no issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter.

A8 INCOME DISTRIBUTION

For the quarter ended 31 March 2022, the Manager proposed a third interim income distribution of RM8.08 million or 1.60 sen per unit, which includes a non-taxable portion of approximately 0.51 sen per unit derived from capital allowances and tax-exempt income which is not subject to tax. The book closure and payment dates in respect of the proposed income distribution will be fixed on 10 May 2022 and 23 May 2022 respectively.

This amount has not been included in a liability in the current financial quarter under review.

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A9 SEGMENT REPORTING

Segmental result for the financial period ended 31 March 2022 is as follows:-

	3rd quarter Ended 31 March 2022				YTD Ended 31 March 2022			
	Southern Region	Central Region	Northern Region	Total	Southern Region	Central Region	Northern Region	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
By Location Segments								
Revenue and expenses								
Gross revenue	9,189	5,172	4,469	18,830	26,060	14,943	13,476	54,479
Net property income	7,123	3,065	4,313	14,501	20,323	9,223	13,008	42,554
Changes in fair value on investment properties	-	-	-	-	-	-	-	-
Interest income	39	13	34	86	110	38	103	251
Borrowing costs	(627)	(415)	(2,235)	(3,277)	(1,905)	(1,261)	(6,795)	(9,961)
Trust and other expenses	(1,096)	(599)	(489)	(2,184)	(3,174)	(1,674)	(1,449)	(6,297)
Profit before taxation	5,439	2,064	1,623	9,126	15,354	6,326	4,867	26,547
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,439	2,064	1,623	9,126	15,354	6,326	4,867	26,547
Assets								
Segment assets					394,728	200,401	221,301	816,430
Unallocated assets								
- Cash and bank balances								28,049
- Trade and other receivables								718
Total assets								845,197
Liabilities								
Segment liabilities					70,379	44,844	206,859	322,082
Unallocated liabilities								
- Payables and accruals								1,767
- Borrowings								7,699
Total liabilities								331,548
Other Segmental information								
Additional to non-current assets:								
- Investment properties					-	-	346	346
- Equipment					884	1,140	-	2,024
Depreciation					265	235	-	500

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Segmental result for the financial period ended 31 March 2021 is as follows:-

	<u>3rd quarter Ended 31 March 2021</u>				<u>YTD Ended 31 March 2021</u>			
	<u>Southern Region RM'000</u>	<u>Central Region RM'000</u>	<u>Northern Region RM'000</u>	<u>Total RM'000</u>	<u>Southern Region RM'000</u>	<u>Central Region RM'000</u>	<u>Northern Region RM'000</u>	<u>Total RM'000</u>
Revenue and expenses								
Gross revenue	8,760	4,946	4,286	17,992	26,802	15,336	12,708	54,846
Net property income	6,747	2,813	4,129	13,689	20,430	8,920	12,236	41,586
Changes in fair value on investment properties	-	-	-	-	-	-	-	-
Interest income	54	23	39	116	162	70	125	357
Borrowing costs	(630)	(417)	(2,249)	(3,296)	(1,909)	(1,265)	(6,813)	(9,987)
Trust and other expenses	(987)	(595)	(484)	(2,066)	(2,847)	(1,747)	(1,406)	(6,000)
Profit before taxation	5,184	1,824	1,435	8,443	15,836	5,978	4,142	25,956
Taxation	-	-	-	-	-	-	-	-
Total comprehensive income attributable to unitholders	5,184	1,824	1,435	8,443	15,836	5,978	4,142	25,956
Assets								
Segment assets					391,884	204,614	218,347	814,845
Unallocated assets								
- Cash and bank balances								27,566
- Trade and other receivables								963
Total assets								843,374
Liabilities								
Segment liabilities					69,628	44,115	208,300	322,043
Unallocated liabilities								
- Payables and accruals								1,641
- Borrowings								7,494
Total liabilities								331,178
Other Segmental information								
Additional to non-current assets:								
- Investment properties					530	164	743	1,437
- Equipment					570	371	-	941
Depreciation					160	240	-	400

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A10 VALUATION OF INVESTMENT PROPERTIES

Investment properties are valued by independent registered valuers. The difference between the valuation and the carrying amounts of the respective investment properties are charged or credited to the profit or loss for the period in which they arise. There was no valuation performed during the quarter under review.

A11 SUBSEQUENT MATERIAL EVENTS

There were no item, transaction or event of a material or unusual in nature during the period from the end of the quarter under review to the date of this report.

A12 CHANGES IN THE COMPOSITION OF KIP REIT

There was no change in composition of fund size for the current quarter under review.

A13 CONTINGENT LIABILITIES AND CONTINGENT ASSETS

There were no contingent liabilities or contingent assets to be disclosed.

A14 CAPITAL COMMITMENT

There were no capital commitments to be disclosed.

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PART B - ADDITIONAL INFORMATION PURSUANT TO PARAGRAPH 9.44 OF THE MMLR

B1 REVIEW OF PERFORMANCE

Comparison with Preceding Year Corresponding Quarter and Year-to-date

	Quarter			Year To Date		
	31.3.2022 RM'000	31.3.2021 RM'000	Changes (%)	31.3.2022 RM'000	31.3.2021 RM'000	Changes (%)
Gross revenue						
Southern Region	9,189	8,760	4.9%	26,060	26,802	(2.8%)
Central Region	5,172	4,946	4.6%	14,943	15,336	(2.6%)
Northern Region	4,469	4,286	4.3%	13,476	12,708	6.0%
	<u>18,830</u>	<u>17,992</u>	4.7%	<u>54,479</u>	<u>54,846</u>	(0.7%)
Net property income						
Southern Region	7,123	6,747	5.6%	20,323	20,430	(0.5%)
Central Region	3,065	2,813	9.0%	9,223	8,920	3.4%
Northern Region	4,313	4,129	4.5%	13,008	12,236	6.3%
	<u>14,501</u>	<u>13,689</u>	5.9%	<u>42,554</u>	<u>41,586</u>	2.3%
Profit before taxation						
Realised	9,126	8,443	8.1%	26,547	25,956	2.3%
Unrealised	-	-	N/A	-	-	N/A
	<u>9,126</u>	<u>8,443</u>	8.1%	<u>26,547</u>	<u>25,956</u>	2.3%
Income available for distribution	9,582	8,956	7.0%	27,599	28,098	(1.8%)

Quarterly Results

KIP REIT recorded revenue of RM18.8 million in Q3FY22, as compared to RM18.0 million recorded in the preceding year corresponding quarter. The increase in revenue was mainly due to lower rental rebate amortisation and higher promotional area income with further relaxation of the SOPs. Q3FY22 also saw the average occupancy rate increase as compared to Q2FY22 although it remains slightly lower as compared to preceding year corresponding quarter. The net property income came in higher in tandem with higher revenue at a higher positive variance as compared to preceding year corresponding quarter due to careful cost management.

Southern region recorded revenue of RM9.2 million, at 4.9% improvement against Q3FY21 mainly due to the same reason mentioned earlier. The net property income also came in at 5.6% better against Q3FY21.

Central region recorded better revenue of 4.6% against preceding year corresponding quarter. Central region also recorded higher promotional area income during the quarter from both Melaka and Senawang on top of the increase in occupancy rate at these two malls as compared to Q3FY21, but it was partially offset by Bangi's lower revenue recorded. Bangi saw a decrease in occupancy rate on the back of preparation for facelift commencement in March 2022. Net property income also came in better than preceding year corresponding quarter due to better cost management.

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Northern region recorded 4.3% improvement in revenue against Q3FY21 mainly due to step up rent upon renewal of lease agreement effective September 2020. The net property income was 4.5% better against Q3FY21, at a higher positive variance due to same property expenses pursuant to lease agreement with the lessee.

The investment properties in the Southern region, Central region and Northern region contributed 48.8%, 27.5% and 23.7% of the KIP REIT total revenue respectively.

KIP REIT's Q3FY22 realised profit before tax was 8.1% better than Q3FY21 mainly arising from careful cost management on top of lower rental rebate amortisation.

Current quarter income available for distribution was 7.0% higher than preceding year corresponding quarter on the back of higher realised profit before tax.

Year to date Results

Total revenue for year-to-date 31 March 2022 was RM54.5 million, at 0.7% shortfall against preceding year-to-date performance, mainly due to lower promotional income on the back of restrictions on activities and events at Mall level for the first two quarters and average occupancy rate decrease as compared to last year.

Southern region recorded revenue of RM26.1 million, at -2.8% against preceding year-to-date mainly due to lower average occupancy rate and lower promotional income. Correspondingly, the net property income came in 0.5% lower than last year after careful cost management.

Central region also recorded lower revenue year-on-year against last year. On top of the lower promotional area income, Bangi also experienced lower occupancy rate in preparation for facelift commencement in March 2022. However, the net property income came in better attributed to cost management.

Northern region recorded 6.0% better revenue and 6.3% better net property income due to step up rent upon renewal of lease agreement effective September 2020.

Year-to-date realised profit before tax was 2.3% higher against last year due to careful cost management despite lower revenue recorded during the year.

Year-to-date income available for distribution was 1.8% lower than last year mainly due to additional rental assistance offered amounted to RM0.5 million during Q1FY22 despite higher realised profit before tax as explained earlier.

The total net asset value and net asset value per unit (after income distribution) stood at RM513.6 million (30 June 2021: RM513.4 million) and RM1.0165 (30 June 2021 : RM1.0160) respectively. The increase in the net asset value and net asset value per unit was mainly due to net increase in realised profit after tax during the year.

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B2 MATERIAL CHANGES IN QUARTERLY RESULTS AS COMPARED TO IMMEDIATE PRECEDING QUARTER

	Current Quarter	Immediate Preceding Quarter	
	<u>31.3.2022</u>	<u>31.12.2021</u>	<u>Changes</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>(%)</u>
Gross revenue	18,830	18,512	1.7%
Net property income	14,501	14,380	0.8%
Profit before taxation			
Realised	9,126	9,050	0.8%
Unrealised	-	-	N/A
	9,126	9,050	0.8%
Income available for distribution	9,582	9,562	0.2%

KIP REIT's revenue for the current quarter was 1.7% better than the immediate preceding quarter ended 31 December 2021 mainly attributed to improved average occupancy rate, higher rental per sq. ft. during the quarter and lower rental rebate amortisation.

Net property income came in higher by 0.8%, at lower positive variance compared to the preceding quarter mainly due to higher utilities cost as a result of TNB discontinuing the 10% TNB discount effective 1 January 2022.

In tandem with higher net property income, realised profit before taxation was 0.8% higher than the immediate preceding quarter ended 31 December 2021.

Current quarter income available for distribution was 0.2% higher than the immediate preceding quarter ended 31 December 2021 mainly due to better realised profit before taxation.

KIP REAL ESTATE INVESTMENT TRUST

B3 PROSPECTS

The Malaysian economy registered a positive growth of 3.6% in the fourth quarter of 2021 (4Q2021) driven mainly by domestic demand following the easing of containment measures. As at 1 April 2022, Malaysia has entered into the endemic phase as announced by the government. Increased consumer confidence and shopper footfall have also been observed amid strong vaccination progress and milder symptoms of the Omicron variant.

The Manager will continue to work closely together with tenants and stakeholders to navigate into the endemic phase. The Manager will continue to strike an appropriate balance between rental rates and occupancy rates alongside practising fiscal prudence. The Manager will also continue to evaluate growth opportunities in its existing and new asset classes of retail and commercial and industrial assets.

B4 PORTFOLIO COMPOSITON

During the financial period under review, the KIP REIT's portfolio consists of seven (7) retail malls as investment properties, of which three (3) are in the Southern region, three (3) are in the Central region and one (1) in the Northern region.

B5 UTILISATION OF PROCEEDS RAISED FROM ANY ISSUANCE OF NEW UNITS

There was no issuance of new units during the financial period under review.

KIP REAL ESTATE INVESTMENT TRUST

B6 TAXATION

Trust Level

Pursuant to Section 61A of the Malaysian Income Tax Act, 1967 (“Act”), income of KIP REIT will be exempted from tax provided that at least 90% of its total taxable income (as defined in the Act) is distributed to the investors in the basis period of KIP REIT for that year of assessment within two (2) months after the close of the financial year. If the 90% distribution condition is not complied with or the 90% distribution is not made within two (2) months after the close of KIP REIT financial year which forms the basis period for a year of assessment, KIP REIT will be subjected to income tax at the prevailing rate on its total taxable income. Income which has been taxed at the KIP REIT level will have tax credits attached when subsequently distributed to unitholders.

As KIP REIT intends to distribute more than 90% of its distributable income, which translates to more than 90% of its total taxable income, to its unitholders for the financial year ending 30 June 2022, no provision for taxation has been made for the current quarter.

Unitholders' Level

Pursuant to the Section 109D of Act, the following withholding tax rates would be applicable on distribution of income which is tax exempt at KIP REIT's level:

Resident unitholder:

a)	Company	Tax flow through; thus no withholding tax
b)	Other than company	Withholding tax at 10%

Non-resident unitholder:

a)	Company	Withholding tax at 24%
b)	Institutional investors	Withholding tax at 10%
c)	Individuals	Withholding tax at 10%

B7 STATUS OF CORPORATE PROPOSAL

There were no corporate proposals that have been announced but not completed as at the date of this report.

KIP REAL ESTATE INVESTMENT TRUST

B8 BORROWINGS

The Group's borrowings as at 31 March 2022 are as follows:

	As at 31.3.2022 RM'000	As at 30.6.2021 RM'000
Current (secured):		
Medium term notes	1,510	3,891
Unamortised transaction cost	(256)	(256)
	<u>1,254</u>	<u>3,635</u>
Non-current (secured):		
Medium term notes	310,000	310,000
Unamortised transaction cost	(735)	(927)
	<u>309,265</u>	<u>309,073</u>
Total borrowings	<u>310,519</u>	<u>312,708</u>
Total assets	<u>845,197</u>	<u>846,221</u>
Gearing ratio (%)	36.74%	36.95%

The weighted average interest rate of borrowings as at 31 March 2022 was 4.28% (30 June 2021: 4.25%) and the percentage proportion of debt that is based on fixed and floating interest rate of 68 : 32.

B9 MATERIAL LITIGATION

There was no material litigation pending as at the date of this report.

B10 SOFT COMMISSION RECEIVED

There was no soft commission received by the Manager during the current period-to-date.

KIP REAL ESTATE INVESTMENT TRUST

B11 SUMMARY OF DPU, EPU, NAV AND MARKET PRICE

	Current Quarter ended 31 March 2022	Immediate Preceding Quarter ended 31 December 2021
Number of units in issue (units'000)	505,300	505,300
Net realised income (RM'000)	9,126	9,050
Realised earnings per unit (EPU) (sen)		
- before Manager's fee	2.09	2.06
- after Manager's fee	1.81	1.79
Net Income distribution to unitholders (RM'000)	8,085	7,832
Distribution per unit (DPU) (sen)	1.60	1.55
Net Asset Value (NAV) (RM'000)	513,649	512,355
NAV per unit (RM)	1.0165	1.0140
Market value per unit (RM)	0.855	0.835

B12 RESPONSIBILITY STATEMENT

In the opinion of the Directors of the Manager, this Interim Financial Report has been prepared in accordance with MFRS 134: Interim Financial Reporting, the MMLR and the REIT Guidelines so as to give a true and fair view of the financial position of KIP REIT as at 31 March 2022 and of its financial performance and cash flows for the financial period ended on that date and duly authorised for release by the Board of Directors of the Manager on 20 April 2022.