

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020 (KShs)	2019 (KShs)
Revenue	324,669,579	353,886,007
Rental and related income	341,156,587	344,346,639
Straight-lining of lease income	(16,487,008)	9,539,368
Other income	22,875,975	25,323,607
Interest income	22,412,016	24,996,287
Sundry income	463,959	327,320
Operating expenses	(229,611,646)	(225,636,051)
Property expenses	(97,242,732)	(114,211,367)
Bad debts provision	(33,118,966)	(122,941)
Fund operating expenses	(99,249,948)	(111,301,743)
Increase in fair value of investment property	30,091,205	21,654,685
Fair value adjustment to investment property	13,604,197	31,194,053
Straight-lining of lease income	16,487,008	(9,539,368)
Net profit for the year	148,025,113	175,228,248
Other comprehensive income	-	-
Total comprehensive income attributable to unit holders for the year	148,025,113	175,228,248

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020 (KShs)	2019 (KShs)
ASSETS		
Non-current assets		
Investment property	3,481,400,000	3,456,600,000
Fair value of investment property for accounting purposes	3,385,601,287	3,344,314,279
Straight-line lease adjustment	95,798,713	112,285,721
Property and equipment	14,525,608	15,615,047
	3,495,925,608	3,472,215,047
Current assets		
Investment securities	150,437,699	238,925,753
Trade and other receivables	39,610,337	71,245,082
Cash and cash equivalents	197,772,556	96,063,143
	387,820,592	406,233,978
Total assets	3,883,746,200	3,878,449,025
EQUITY & LIABILITIES		
Capital and reserves		
Trust capital	3,479,540,745	3,479,540,745
Revaluation reserve	140,417,484	126,813,287
Retained earnings	155,780,508	157,088,817
	3,775,738,737	3,763,442,849
Current liabilities		
Trade and other payables	108,007,463	115,006,176
Total equity & liabilities	3,883,746,200	3,878,449,025
Net asset value per unit	20.86	20.80

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Trust capital	Revaluation reserve	Retained earnings	Total
	KShs	KShs	KShs	KShs
2020				
Balance at 1 January 2020	3,479,540,745	126,813,287	157,088,817	3,763,442,849
Total comprehensive income				
Net profit for the year	-	-	148,025,113	148,025,113
Transfer to non-distributable reserve	-	13,604,197	(13,604,197)	-
Transactions with owners of the REIT				
Distribution	-	-	(135,729,225)	(135,729,225)
Balance at 31 December 2020	3,479,540,745	140,417,484	155,780,508	3,775,738,737
2019				
Balance at 1 January 2019	3,479,540,745	95,619,234	148,783,847	3,723,943,826
Total comprehensive income				
Net profit for the year	-	-	175,228,248	175,228,248
Transfer to non-distributable reserve	-	31,194,053	(31,194,053)	-
Transactions with owners of the REIT				
Distribution	-	-	(135,729,225)	(135,729,225)
Balance at 31 December 2019	3,479,540,745	126,813,287	157,088,817	3,763,442,849

CONSOLIDATED STATEMENT OF CASH FLOWS

	2020 (KShs)	2019 (KShs)
Cash flows from operating activities		
Cash generated from operations	160,356,537	115,335,771
Net cash inflow from operating activities	160,356,537	115,335,771
Cash flows from investing activities		
Additions to investment property	(11,195,803)	(19,705,947)
Additions to property and equipment	(210,150)	(11,543,938)
(Increase)/decrease in investment securities	88,488,054	(155,116,238)
Net cash inflow/outflow from investing activities	77,082,101	(186,366,123)
Cash flows from financing activities		
Distribution paid	(135,729,225)	(135,729,225)
Net cash outflow from financing activities	(135,729,225)	(135,729,225)
Net movement in cash and cash equivalents	101,709,413	(206,759,577)
Cash and cash equivalents at beginning of year	96,063,143	302,822,720
Cash and cash equivalents at end of year	197,772,556	96,063,143

NOTES

Basic and headline earnings

Basic earnings - comprehensive income attributable to unit holders for the period

Adjusted for:

Fair value adjustment to investment property (including straight-line lease accrual movement)

Headline earnings

Adjusted for:

Straight-line lease accrual movement

Distributable earnings

Distributable earnings per unit (KShs)

Basic earnings per unit (KShs)

Headline earnings per unit (KShs)

Weighted average units in issue (units)

Units in issue at the end of the period (units)

	2020 (KShs)	2019 (KShs)
Basic earnings - comprehensive income attributable to unit holders for the period	148,025,113	175,228,248
Adjusted for:		
Fair value adjustment to investment property (including straight-line lease accrual movement)	(30,091,205)	(21,654,685)
Headline earnings	117,933,908	153,573,563
Adjusted for:		
Straight-line lease accrual movement	16,487,008	(9,539,368)
Distributable earnings	134,420,916	144,034,195
Distributable earnings per unit (KShs)	0.74	0.80
Basic earnings per unit (KShs)	0.82	0.97
Headline earnings per unit (KShs)	0.65	0.85
Weighted average units in issue (units)	180,972,300	180,972,300
Units in issue at the end of the period (units)	180,972,300	180,972,300

COMMENTARY

1. Basis for preparation

The audited condensed consolidated financial statements of ILAM Fahari I-REIT ("the REIT") for the year ended 31 December 2020 have been prepared in accordance with the requirements of International Financial Reporting Standard (IFRSs) and the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013.

The consolidated financial statements for the year ended 31 December 2020 were audited by KPMG Kenya and received an unqualified audit opinion. These will be available on the REIT's website as detailed in Note 5 below.

2. Business review

Net earnings decreased by 16% to KShs 148.0 mln in 2020 (2019: KShs 175.2 mln). The decrease was mainly due to reduction in fair value gain on revaluation of investment property compared to prior year against the backdrop of Covid-19 pandemic whose impact is a material valuation uncertainty in the short to medium term.

Distributable earnings decreased by 7% to KShs 134.4 mln (2019: KShs 144.0 mln). The decline was mainly due to higher property expenses arising from a significant provision for bad debts as a result of non-performance of the anchor tenant at Greenspan Mall. This was partially offset by a reduction in fund operating expenses after the REIT Manager temporarily reduced their fees by 10% to cushion the investors during a particularly difficult year. Tax leakages at the subsidiary level continued to dampen the performance during the year where KShs 13.9 mln (2019: KShs 16.5 mln) was provided against irrecoverable withholding taxes. The subsidiary tax legislation whose publication was slowed down by the pandemic is expected to be completed in 2021. The legislation will curb the leakages in 2021 as it will pave way for issuance of tax exemption certificates to the REIT subsidiaries.

3. Distribution

REIT Manager has recommended and the Trustee has approved a first and final distribution of KShs. 108,583,380 in relation to the year ended 31 December 2020 (2019: KShs. 135,729,225) subject to unitholder approval at the annual general meeting scheduled for 16 April 2021. The distribution amounts to 60 cents per unit (2019: 75 cents per unit) and is payable by no later than 30 April 2021.

4. Change of REIT Manager

On 20 May 2020, STANLIB Kenya Limited ("SKL") together with The Co-operative Bank of Kenya Limited ("Co-op Bank") and ICEA LION Asset Management ("ILAM") in their respective capacities as the outgoing REIT Manager, REIT Trustee and the incoming REIT Manager announced that all the conditions precedent in relation to the transfer of the management of the REIT (including the approvals of the Capital Markets Authority and the Competition Authority of Kenya) have been fulfilled, with the result that such transfer became effective on 18 May 2020 (the Effective Date) and has been implemented. ILAM is accordingly now the Manager and Promoter of the REIT.

5. Website information

The REIT Manager's annual report and audited financial statements will be available on the ILAM Fahari I-REIT website at www.ilamfahariireit.com from 31 March 2021.

Approval of the financial statements

The financial statements were approved for issue by the Trustee and the Board of the REIT Manager on 18 March 2021 and signed on their behalf by:


Henry Karanja
Trustee Compliance Officer
The Co-operative Bank of Kenya Limited


Andrew Ndegwa
Chairman
ICEA LION Asset Management Limited


Einstein Kihanda
Chief Executive Officer
ICEA LION Asset Management Limited