

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Unaudited 6 months 30 June 2021 KShs	Unaudited 6 months 30 June 2020 KShs	Audited 12 months 31 December 2020 KShs
<b>Revenue</b>	135,221,664	166,924,249	324,669,579
Rental and related income	136,683,077	174,711,214	341,156,587
Straight-lining of lease income	(1,461,413)	(7,786,965)	(16,487,008)
<b>Other income</b>	11,829,475	13,202,863	22,875,975
Interest income	11,829,475	13,082,463	22,412,016
Sundry income	-	120,400	463,959
<b>Operating expenses</b>	(106,300,761)	(101,880,986)	(229,611,646)
Property expenses	(52,772,281)	(48,459,134)	(130,361,698)
Fund operating expenses	(53,528,480)	(53,421,853)	(99,249,948)
<b>Increase in fair value of investment property</b>	1,461,413	7,786,965	30,091,205
Fair value adjustment to investment property	-	-	13,604,197
Straight-lining of lease income	1,461,413	7,786,965	16,487,008
<b>Profit for the period</b>	42,211,791	86,033,091	148,025,113
Other comprehensive income	-	-	-
<b>Total comprehensive income attributable to unit holders for the period</b>	42,211,791	86,033,091	148,025,113
Basic earnings per unit (KShs)	0.23	0.48	0.82
Headline earnings per unit (KShs)	0.23	0.43	0.65
Supplementary information Distributable earnings per unit (KShs)	0.23	0.48	0.74

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

	Unaudited 6 months 30 June 2021 KShs	Unaudited 6 months 30 June 2020 KShs	Audited 12 months 31 December 2020 KShs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	3,481,400,000	3,467,884,174	3,481,400,000
Fair value of investment property for accounting purposes	3,387,062,700	3,363,385,418	3,385,601,287
Straight-line lease accrual	94,337,300	104,498,756	95,798,713
Property and equipment	13,876,160	15,195,896	14,525,608
	<b>3,495,276,160</b>	<b>3,483,080,070</b>	<b>3,495,925,608</b>
<b>Current assets</b>			
Investment securities	199,457,137	102,665,264	150,437,699
Trade and other receivables	85,880,448	91,994,412	39,610,337
Cash and cash equivalents	115,450,495	138,916,023	197,772,556
	<b>400,788,080</b>	<b>333,575,699</b>	<b>387,820,592</b>
<b>Total assets</b>	<b>3,896,064,240</b>	<b>3,816,655,769</b>	<b>3,883,746,200</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Trust capital	3,479,540,745	3,479,540,745	3,479,540,745
Revaluation reserve	140,417,484	126,813,287	140,417,484
Retained earnings	89,408,919	107,392,682	155,780,508
	<b>3,709,367,148</b>	<b>3,713,746,714</b>	<b>3,775,738,737</b>
<b>Current liabilities</b>			
Trade and other payables	186,697,092	102,909,055	108,007,463
<b>Total equity and liabilities</b>	<b>3,896,064,240</b>	<b>3,816,655,769</b>	<b>3,883,746,200</b>
<b>Net asset value per unit</b>	<b>20.50</b>	<b>20.52</b>	<b>20.86</b>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
<b>Audited balance at 31 December 2019</b>	3,479,540,745	126,813,287	157,088,817	3,763,442,849
Net profit for the period	-	-	86,033,091	86,033,091
Transactions with owners of equity	-	-	-	-
Distribution to unit holders	-	-	(135,729,225)	(135,729,225)
<b>Unaudited balance at 30 June 2020</b>	<b>3,479,540,745</b>	<b>126,813,287</b>	<b>107,392,683</b>	<b>3,713,746,715</b>
Net profit for the period	-	-	61,992,022	61,992,022
Transfer to non-distributable reserve	-	13,604,197	(13,604,197)	-
<b>Audited balance at 31 December 2020</b>	<b>3,479,540,745</b>	<b>140,417,484</b>	<b>155,780,508</b>	<b>3,775,738,737</b>
Net profit for the period	-	-	42,211,791	42,211,791
<b>Transactions with owners of equity</b>				
Distribution to unit holders	-	-	(108,583,380)	(108,583,380)
<b>Unaudited balance at 30 June 2021</b>	<b>3,479,540,745</b>	<b>140,417,484</b>	<b>89,408,919</b>	<b>3,709,367,148</b>

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	Unaudited 6 months 30 June 2021 KShs	Unaudited 6 months 30 June 2020 KShs	Audited 12 months 31 December 2020 KShs
<b>Cash flows from operating activities</b>			
Cash generated from operations	75,280,757	53,815,939	160,356,537
<b>Net cash inflow/(outflow) from operating activities</b>	<b>75,280,757</b>	<b>(81,913,286)</b>	<b>160,356,537</b>
<b>Cash flows from investing activities</b>			
Additions to investment property	-	(11,284,174)	(11,195,803)
Additions to property and equipment	-	(210,150)	(210,150)
(Decrease)/increase in investment securities	(49,019,438)	136,260,490	88,488,054
<b>Net cash (outflow)/inflow from investing activities</b>	<b>(49,019,438)</b>	<b>124,766,166</b>	<b>77,082,101</b>
<b>Cash flows from financing activities</b>			
Distribution paid	(108,583,380)	(135,729,225)	(135,729,225)
<b>Net cash outflow from financing activities</b>	<b>(108,583,380)</b>	<b>(135,729,225)</b>	<b>(135,729,225)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(82,322,061)</b>	<b>42,852,880</b>	<b>101,709,413</b>
Cash and cash equivalents at beginning of period	197,772,556	96,063,143	96,063,143
<b>Cash and cash equivalents at end of period</b>	<b>115,450,495</b>	<b>138,916,023</b>	<b>197,772,556</b>

**COMMENTARY**

**1. Introduction**

ILAM Fahari I-REIT ("the REIT") is a real estate investment trust, listed on the Nairobi Securities Exchange. It currently owns four properties (a shopping centre, an office building and two semi-office/light industrial buildings) valued at KShs 3.5 billion, all held through special purpose vehicles.

**2. Basis of preparation**

The unaudited condensed consolidated financial statements of ILAM Fahari I-REIT for the six months ended 30 June 2021 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the Accounting Standard IAS 34: Interim Financial Reporting, the Nairobi Securities Exchange and the requirements of the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013. IFRS and the Financial Pronouncements as issued by the Financial Reporting Standards Council require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements required by IAS 34: Interim Financial Reporting.

The interim consolidated financial statements have not been audited by ILAM Fahari I-REIT's independent auditors. They have been prepared by the REIT Manager (ICEA LION Asset Management Limited) to give a true and fair view of the financial position, financial performance and cash flows of the REIT.

**3. Business review**

**Financial results**

Net profit for the six months ended 30 June 2021 declined by 51% to KShs 42.2 million against a net profit of KShs 86.0 million in the comparative period last year. This translates to distributable earnings of 23 cents per unit (June 2020: 48 cents). The significant decline is mainly attributable to the loss of revenue from the anchor tenant at Greenspan Mall during the period under review. The financial difficulties experienced by Tusksys Supermarket (the former anchor tenant) led to their distress towards the end of 2020. The REIT Manager has now on boarded Naivas Supermarket as the replacement anchor tenant with rental income accruing from the second half of the year.

**Key performance highlights are as follows:**

- Rental and related income decreased significantly by 22% (KShs 38.0 million) owing to the aforementioned loss of revenue from the anchor tenant at Greenspan Mall who occupied about 48% of the Gross Lettable Area (GLA). Rental income from the new anchor tenant will be recognized from the second half of the year.
- Interest income declined by 10% compared to the comparative period. This is due to reduced cash available for investment as a result of the loss of rental income explained above.
- Property expenses increased by 9% compared to the corresponding period in the prior year. The increase is mainly due to more tenants withholding 10% tax on rent paid which is considered a tax leakage to the REIT subsidiaries. The REIT Manager is engaging KRA on resolving the matter to avoid further loss of income going forward. However, to be prudent, the REIT manager has provided for irrecoverable withholding tax amounting to KShs 11.4 million deducted during the period under review.
- Fund operating expenses are in line with prior year. The REIT Manager continues to control the fund management expenses which are expected to reduce further upon completion of the on-going strategic review.
- As at 30 June 2021, total assets under management stood at KShs 3.8 billion comprising investment property valued at KShs 3.5 billion and cash reserves of KShs 315 million.

**4. Borrowings ILAM Fahari I-REIT is currently ungeared.**

**5. Distribution**

A first and final distribution of 60 cents per unit was paid in April 2021 in respect of the 2020 financial year. The REIT Manager has not recommended an interim distribution for the period ended 30 June 2021. A full distribution will be declared in line with the requirements of the REITs Regulations to distribute a minimum of 80% of distributable earnings within four months after the end of the financial year.

**6. Website information**

The REIT Manager's semi-annual report and unaudited condensed financial statements will be available on the ILAM Fahari I-REIT website at [www.ilamfahariireit.com](http://www.ilamfahariireit.com) from 31 July 2021.

**Approval of the financial statements**

The financial statements were approved for issue by the Trustee and the REIT Manager on 27 July 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