

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited 6 months 30 June 2022 KShs	Unaudited 6 months 30 June 2021 KShs	Audited 12 months 31 December 2021 KShs
<b>Revenue</b>	168,395,109	135,221,664	265,670,495
Rental and related income	171,765,039	136,683,077	297,549,052
Straight-lining of lease income	(3,369,930)	(1,461,413)	(31,878,557)
<b>Other income</b>	14,544,469	11,829,475	33,972,521
Interest income	14,542,469	11,829,475	25,664,245
Sundry income	2,000	-	8,308,276
<b>Operating expenses</b>	(100,146,650)	(106,300,761)	(229,548,302)
Property expenses	(48,351,210)	(52,772,281)	(122,048,628)
Fund operating expenses	(51,795,440)	(53,528,480)	(107,499,674)
<b>Increase in fair value of investment property</b>	3,369,930	1,461,413	(194,045,724)
Fair value adjustment to investment property	-	-	(225,924,281)
Straight-lining of lease income	3,369,930	1,461,413	31,878,557
<b>Profit for the period</b>	86,162,858	42,211,791	(123,951,010)
Other comprehensive income	-	-	-
<b>Total comprehensive income attributable to unitholders for the period</b>	86,162,858	42,211,791	(123,951,010)
Basic earnings per unit (KShs)	0.48	0.23	(0.68)
Headline earnings per unit (KShs)	0.46	0.23	0.39
<b>Supplementary information</b>			
Distributable earnings per unit (KShs)	0.48	0.23	0.56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months 30 June 2022 KShs	Unaudited 6 months 30 June 2021 KShs	Audited 12 months 31 December 2021 KShs
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment property	3,263,044,283	3,481,400,000	3,258,000,000
Fair value of investment property for accounting purposes	3,202,494,056	3,387,062,700	3,194,079,844
Straight-line lease accrual	60,550,227	94,337,300	63,920,156
Property and equipment	12,666,894	13,876,160	13,272,024
	<b>3,275,711,177</b>	<b>3,495,276,160</b>	<b>3,271,272,024</b>
<b>Current assets</b>			
Investment securities	290,219,164	199,457,137	246,686,432
Trade and other receivables	82,921,747	85,880,448	74,273,158
Cash and cash equivalents	38,890,360	115,450,495	120,294,160
	<b>412,031,271</b>	<b>400,788,080</b>	<b>441,253,750</b>
<b>Total assets</b>	<b>3,687,742,448</b>	<b>3,896,064,240</b>	<b>3,712,525,774</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	(85,506,797)	140,417,484	(85,506,797)
Retained earnings	144,847,107	89,408,919	149,170,399
	<b>3,538,881,055</b>	<b>3,709,367,148</b>	<b>3,543,204,347</b>
<b>Current liabilities</b>			
Trade and other payables	148,861,393	186,697,092	169,321,427
	<b>148,861,393</b>	<b>186,697,092</b>	<b>169,321,427</b>
<b>Total equity and liabilities</b>	<b>3,687,742,448</b>	<b>3,896,064,240</b>	<b>3,712,525,774</b>
Net asset value per unit	19.55	20.50	19.58

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
<b>Audited balance at 31 December 2020</b>	3,479,540,745	140,417,484	155,780,508	3,775,738,737
Net profit for the period	-	-	42,211,791	42,211,791
<b>Transactions with owners of equity</b>				
Distribution to unitholders	-	-	(108,583,380)	(108,583,380)
<b>Unaudited balance at 30 June 2021</b>	3,479,540,745	140,417,484	89,408,919	3,709,367,148
Net profit for the period	-	-	(166,162,801)	(166,162,801)
Transfer to non-distributable reserve	-	(225,924,281)	225,924,281	-
<b>Audited balance at 31 December 2021</b>	3,479,540,745	(85,506,797)	149,170,399	3,543,204,347
Net profit for the period	-	-	86,162,858	86,162,858
<b>Transactions with owners of equity</b>				
Distribution to unitholders	-	-	(90,486,150)	(90,486,150)
<b>Unaudited balance at 30 June 2022</b>	3,479,540,745	(85,506,797)	144,847,107	3,538,881,055

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months 30 June 2022 KShs	Unaudited 6 months 30 June 2021 KShs	Audited 12 months 31 December 2021 KShs
<b>Cash flows from operating activities</b>			
Cash generated from operations	57,659,365	75,280,757	129,877,998
<b>Net cash inflow from operating activities</b>	<b>57,659,365</b>	<b>75,280,757</b>	<b>129,877,998</b>
<b>Cash flows from investing activities</b>			
Additions to investment property	(5,044,283)	-	(2,524,281)
Increase in investment securities	(43,532,732)	(49,019,438)	(96,248,733)
<b>Net cash outflow from investing activities</b>	<b>(48,577,015)</b>	<b>(49,019,438)</b>	<b>(98,773,014)</b>
<b>Cash flows from financing activities</b>			
Distribution paid	(90,486,150)	(108,583,380)	(108,583,380)
<b>Net cash outflow from financing activities</b>	<b>(90,486,150)</b>	<b>(108,583,380)</b>	<b>(108,583,380)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(81,403,800)</b>	<b>(82,322,061)</b>	<b>(77,478,396)</b>
Cash and cash equivalents at beginning of period	120,294,160	197,772,556	197,772,556
<b>Cash and cash equivalents at end of period</b>	<b>38,890,360</b>	<b>115,450,495</b>	<b>120,294,160</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 3.3 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<sup>th</sup> June 2022 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the Accounting Standard IAS 34: Interim Financial Reporting 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<sup>th</sup> June 2022 increased by 104% to KShs 86.2 million against a net profit of KShs 42.2 million in the comparative period last year. This translates to distributable earnings of 48 cents per unit (June 2021: 23 cents). The significant increase is mainly attributable to the contribution of rental income from the new anchor tenant at Greenspan Mall who opened their store in February 2022. During the comparative period, there was loss of revenue occasioned by the absence of an anchor tenant at the Mall.

Key performance highlights are as follows:

-Rental and related income increased by 26% (KShs 35.0 million) owing to the aforementioned contribution from the new anchor tenant at Greenspan Mall.

-Interest income increased by 23% compared to the comparative period. This is mainly due to increased cash available for investment as a result of the higher rental income explained above.

-Property expenses decreased by 8% compared to the corresponding period in the prior year. This is mainly due to a significant reduction in provision for irrecoverable withholding tax. The REIT Manager was successful in securing tax exemption letters for the REIT subsidiaries which enabled tenants cease withholding 10% of rental income from the second quarter of the period under review.

-Fund operating expenses reduced slightly by 3% compared to the prior period mainly due to lower expenses resulting from the deferral of the Annual General Meeting (AGM) that is expected take place at a later date in the year.

-As at 30<sup>th</sup> June 2022, total assets under management stood at KShs 3.6 billion comprising investment property valued at KShs 3.3 billion and cash reserves of KShs 329 million.

4. Borrowings

ILAM Fahari I-REIT is currently ungeared.

5. Distribution

A first and final distribution of 50 cents per unit was paid in April 2022 in respect of the 2021 financial year. The REIT Manager has not recommended an interim distribution for the period ended 30<sup>th</sup> June 2022. 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. Update on the strategic review and the Annual General Meeting (AGM)

On 24<sup>th</sup> March 2022, the Board of the REIT Manager together with the REIT Trustee issued a cautionary statement regarding a strategic review undertaken which, if approved and implemented, may involve an operational restructuring of the REIT. The process is subject to, inter alia, regulatory and unitholders' approvals. A detailed announcement including all the relevant information on the proposed process will be available on the REIT's website, [www.ilamfahariireit.com](http://www.ilamfahariireit.com) at an appropriate time. Due to the aforementioned, the AGM was not held in April 2022, and is expected to take place at a later date during the year. The AGM notice will be published through the REIT's website and in the newspapers in due course. Unitholders will also be advised via SMS and/or email.

7. Disposal of non-core assets

In line with the strategic initiative mentioned above, the REIT Manager, with the approval of the Trustee, will be disposing of non-core assets within the property portfolio. The process is subject to, inter alia, regulatory and unitholders' approval.

8. 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<sup>st</sup> July 2022.

Approval of the financial statements

The financial statements were approved for issue by the Trustee and the REIT Manager on 19<sup>th</sup> July 2022 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.