



**SEMI-ANNUAL REPORT AND UNAUDITED CONDENSED
FINANCIAL STATEMENTS AS AT 30 JUNE 2021**

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1. INTRODUCTION

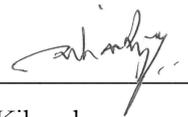
The REIT Manager submits its interim report together with the unaudited condensed financial statements for the six-month period ended 30th June 2021, which show the state of affairs of ILAM Fahari I-REIT (“the REIT”).

2. APPROVAL OF THE REIT MANAGER’S SEMI-ANNUAL REPORT AND UNAUDITED INTERIM FINANCIAL STATEMENTS

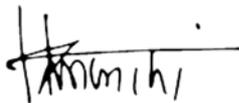
The REIT Manager’s semi-annual report and unaudited condensed financial statements of ILAM Fahari I-REIT for the interim period ended 30th June 2021 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the Accounting Standard IAS 34: Interim Reporting, and the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013. These were approved by the Board of the REIT Manager and by the REIT Trustee on 26th July 2021 and are signed on their behalf by:



Andrew Ndegwa
Chairman
ICEA LION Asset Management Limited



Einstein Kihanda
Chief Executive Officer
ICEA LION Asset Management Limited



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

3. REPORT OF THE TRUSTEE

Please refer to Annexure A.

4. REIT MANAGER'S COMPLIANCE REPORT

Please refer to Annexure B.

5. NATURE OF BUSINESS AND DURATION OF THE SCHEME

The ILAM Fahari I-REIT is a real estate investment trust licenced under the REITs Regulations. The REIT was authorised by the Capital Markets Authority on 30th September 2015 and became the first REIT in East Africa. It later became listed on the Nairobi Securities Exchange ("NSE") on 26th November 2015, raising capital of KShs 3.6 billion. The REIT's duration is a maximum 80 years subject to the Trust Deed. The REIT Scheme is a closed ended Scheme and trades as FAHR on the NSE.

The principal activities of the REIT include but are not limited to:

- ✓ the acquisition, for long-term investment, of income-generating eligible real estate and eligible investments, but not limited to housing, commercial and other real estate;
- ✓ undertaking of such development and construction activities as may be permitted by the Capital Markets Act, Chapter 485A of the Laws of Kenya and the REITs Regulations; and
- ✓ investing in cash, deposits, bonds, securities and money market instruments.

6. SCHEME'S OBJECTIVES AS AT THE DATE OF THE REPORT AND ANY CHANGES SINCE LAST REPORT

The objectives of the REIT Scheme have not changed since the last report. The primary objective of the REIT Scheme is to provide unitholders with stable annual cash distributions from investment in a diversified portfolio of income generating real estate assets.

A further objective is to improve and maximise unit value through the on-going management of the REIT Scheme's assets, future acquisitions and the development of additional income producing real estate assets within regulatory limits.

7. DIRECTORS OF THE REIT MANAGER

The directors of ICEA LION Asset Management Limited during the period under review and up to the date of this report were:

Director's name	Role	Appointment date
Andrew Ndegwa	Non-executive Chairman	18 May 2020
Einstein Kihanda	Chief Executive Officer	18 May 2020
Patrick Mugambi	Non-executive Director	18 May 2020
Stephen Mallowah	Non-executive Director	18 May 2020
Kairo Thuo	Non-executive Director	18 May 2020

8. ACQUISITIONS

a. Acquisitions during the period

During the period under review, the REIT did not acquire any real estate assets.

b. Real estate assets contracted for purchase or sale

At the date of this report, no real estate assets were contracted for purchase or sale.

c. Compliance with Regulation 66

The Scheme completed the acquisitions of the nominated real estate investment within regulatory limit.

d. Other non-direct real estate assets

Other than the assets listed below, the Scheme does not hold any other non-direct real estate assets.

9. CONSTRUCTION ARRANGEMENTS

a. Construction and development activities

During the period under review, the Scheme did not enter into any construction and development activities.

b. Contractual arrangements to enter into construction and development activities in the next six months

The Scheme has not entered into any contractual arrangements to commence construction and development activities in the next six months.

10. DETAILS OF ANY MATERIAL LITIGATION AND POTENTIAL IMPACT

As at the date of this report, the REIT Manager is unaware of any material litigation.

11. BORROWINGS

The Scheme has not entered into any borrowings or financial arrangement in the period under review.

12. BUSINESS REVIEW

The 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 Tuskys 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). The rental income from the new anchor tenant will be recognised 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.

13. DISTRIBUTION

The distribution of KShs 108,583,380 as disclosed in the 2020 annual report (2019: KShs 135,729,225) was paid in April 2021. The distribution was declared out of distributable earnings and met the requirements of a minimum distribution in terms of the REIT's Regulations, which require that a minimum of 80% of net profit after tax, from sources other than realised gains from disposal of real estate assets, is distributed. No interim distribution has been declared for the period ended 30th June 2021.

The table below shows how the December 2020, 2019, 2018, 2017 and 2016 distribution was derived:

Details	Dec 2020	Dec 2019	Dec 2018	Dec 2017	Dec 2016
Distributable earnings (KShs)	134,420,916	144,034,195	127,885,294	149,113,640	98,000,288
Minimum distribution per Trust Deed and Regulations	107,536,733	115,227,356	102,308,235	119,290,912	78,400,230
Distribution (KShs)	108,583,380	135,729,225	135,729,225	135,729,225	90,486,150
Distribution as a % of distributable earnings (%)	81	94	106	91	92
Weighted average units in issue (number)	180,972,300	180,972,300	180,972,300	180,972,300	180,972,300
Distributable earnings per unit (KShs)	0.74	0.80	0.71	0.82	0.54
Distribution per unit (KShs)	0.60	0.75	0.75	0.75	0.50

The declaration of the above distribution occurred after the end of the annual financial period resulting in a non-adjusting event at the end of that period and full recognition in the subsequent financial year.

The source of the above distribution was as follows:

Sources of distribution	Dec 2020	Dec 2019	Dec 2018	Dec 2017	Dec 2016
Net rental/dividend income from wholly owned property companies	211,258,848	230,724,761	201,460,125	184,894,243	190,587,729
Fund interest and other income	22,412,016	24,611,177	56,646,680	99,852,345	111,209,231
	233,670,864	255,335,938	258,106,805	284,746,588	301,796,960
LESS:					
Fund operating expenses	(99,249,948)	(111,301,743)	(130,221,511)	(135,632,948)	(180,422,344)
Interest paid	-	-	-	-	(23,374,328)
Total potential distributable income	134,420,916	144,034,195	127,885,294	149,113,640	98,000,288
Distribution from prior year retained earnings	-	-	7,843,931	-	-
Distribution	108,583,380	135,729,225	135,729,225	135,729,225	90,486,150
Distribution as a % of distributable income	81%	94%	106%	91%	92%

14. GOING CONCERN

The condensed unaudited financial statements of the REIT have been prepared using appropriate accounting policies consistent with those applied at the last report, supported by reasonable and prudent judgments and estimates. The REIT Manager has a reasonable expectation based on an appropriate assessment of a comprehensive range of factors, that the REIT has adequate resources to continue as a going concern for the foreseeable future and at least for the next twelve months from the date of this report.

15. AUDITORS

The condensed consolidated financial statements of the REIT for the interim period ended 30th June 2021 have not been audited by the REIT's independent auditors.

16. ONGOING REQUIREMENT FOR REIT AUTHORIZATION

In order to retain its authorization as an I-REIT, the REIT Scheme must comply with the requirements set out in the REIT's Regulations, including:

- ✓ Investing only in eligible investments;
- ✓ Investing at least 75% of the total NAV in income producing real estate;
- ✓ Earning at least 70% of its income from rent, licence fees or access or usage rights or other income streams of a similar nature generated by eligible investments in income producing real estate; and
- ✓ Distributing, within four months of the end of each financial year, a minimum of 80% of the net after tax income of the Scheme, unless otherwise authorised by unitholders. Failure to comply with this requirement could have tax implications for the REIT Scheme such that its income may no longer be treated as tax exempt.

All the above requirements have been complied with.

17. REIT MANAGER'S OPERATIONAL REVIEW

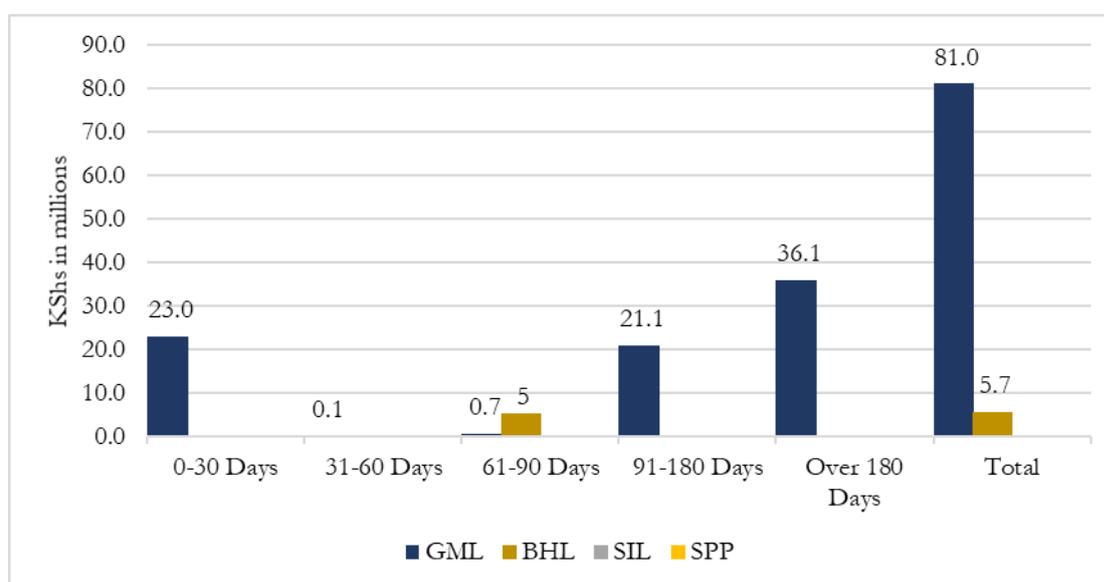
During the 6 months ended 30th June 2021, the REIT Manager continued to offer strategic and operational functions to the REIT in order to deliver returns to the investors as well as comply with regulatory and legislative requirements. Some of the key functions are detailed below:

- ✓ Replacement of the anchor tenant at Greenspan Mall after distress of the former anchor tenant following their non-performance due to financial difficulties;
- ✓ Strategic review which is still ongoing and expected to be complete in the second half of the year. The new strategy is expected to deliver better returns to the investors;
- ✓ Implementation of the portfolio strategy, which manages risk through portfolio diversification and seeks to deliver appropriately risk-adjusted returns through superior asset allocation and selection;
- ✓ Cash management (all cash collected from rentals is invested in a diversified portfolio of near-cash instruments, in line with a dedicated Investment Policy Statement ("IPS"), to ensure optimal returns with minimal exposure to financial-sector risk);
- ✓ Liquidity planning (once the cash is optimally invested, sufficient liquidity is available to make payments when due);
- ✓ Exploration of mechanisms to raise additional capital (such as debt financing, vendor placement, and general issuances of new equity);
- ✓ Efficient use of capital at the SPV level, through management of capital expenditure to improve core asset value;

- ✓ Transaction management - identifying target assets for the portfolio, motivating acquisitions for the fund, and negotiating deal structures pursuant to acquisition;
- ✓ Deal management - ensuring that risk is managed and obligations are met through to deal execution;
- ✓ Managing properties in accordance with their specific property strategies (which guide the composition of tenant mix and execution of leasing strategy) such that net income and capital growth at a property level is optimised, in a manner that is aligned to the fund strategy; and
- ✓ Management of service providers, such that their delivery is aligned to property-level as well as portfolio-level strategy.

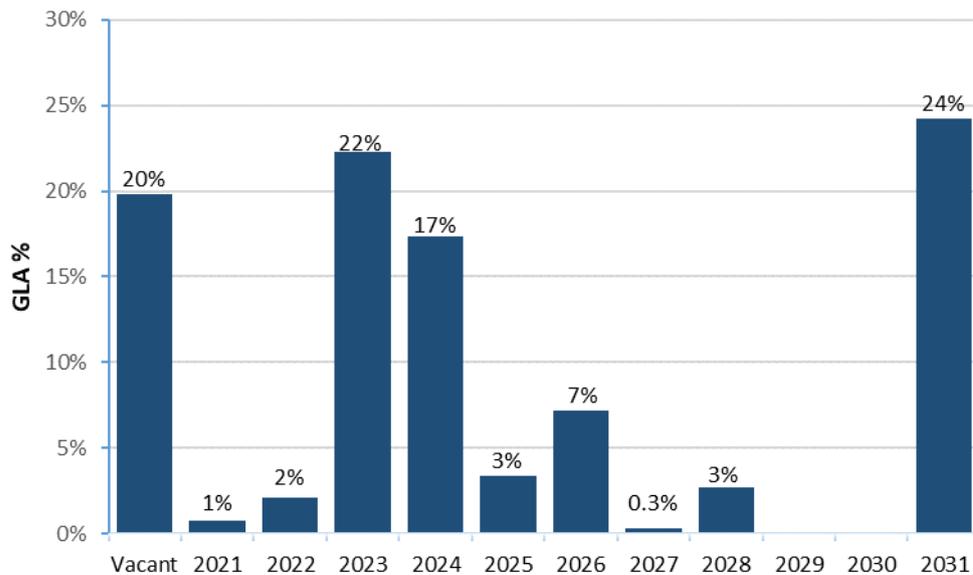
18. KEY PERFORMANCE INDICATORS – 30TH JUNE 2021

18.1 Debtors Age Analysis



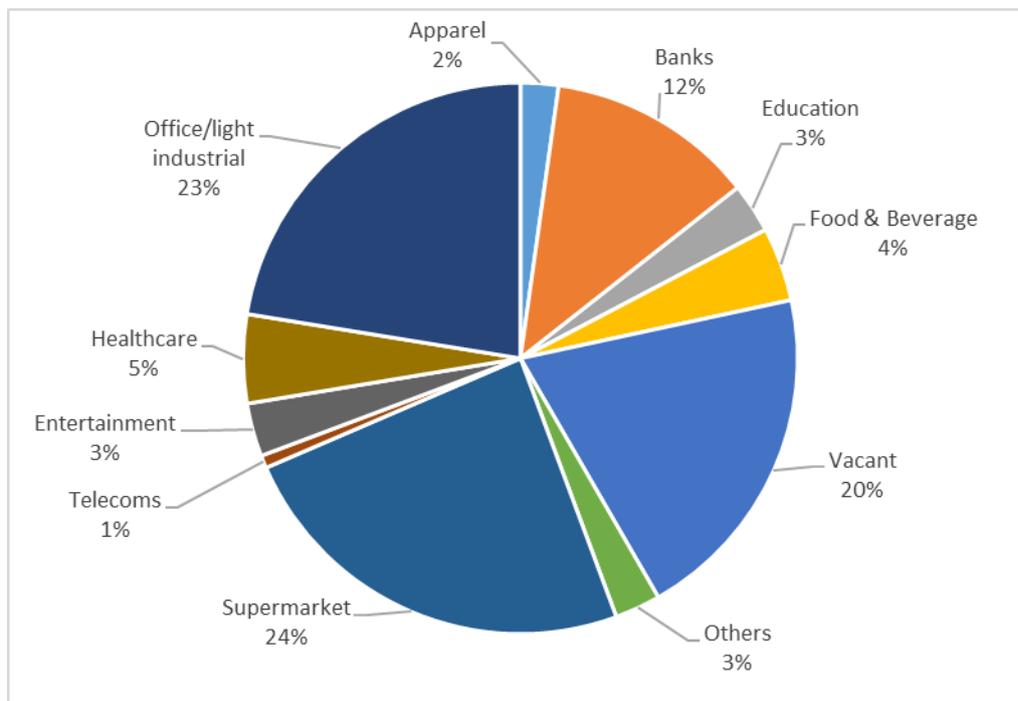
Tenant debtors for the portfolio stood at KShs 86.8 million as at 30th June 2021, before taking into account the provision for doubtful debts of KShs 37.8 million. The significant amount outstanding is attributable to the former anchor tenant who was distressed but still owes Greenspan Mall about KShs 26 million. Most of the remaining balance from the other tenants was received in July after the reporting date. The REIT Manager continues (through the Property Manager) to intensify arrears management processes with the aim of reducing tenant arrears to acceptable levels.

18.2 Lease Expiry Profile by GLA



The lease expiry profile is well spread, with 22% of the leases expiring in two years and 55% of the leases expiring three years from the date of this report. The 24% expiry in 2031 relates to the new anchor tenant lease at Greenspan Mall Limited.

18.3 Portfolio Tenancy Mix



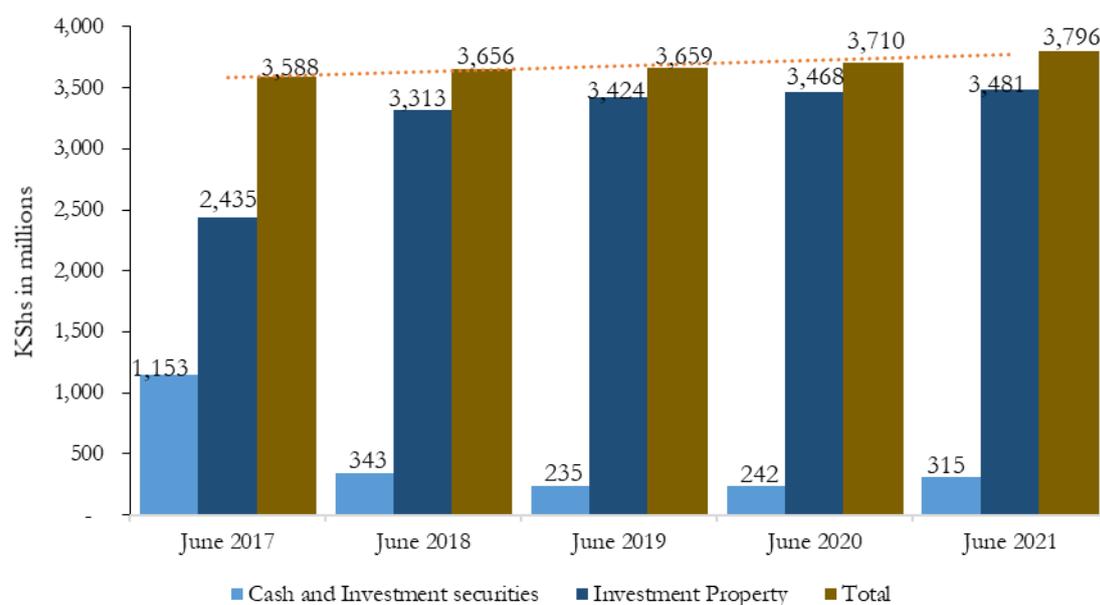
The portfolio has a strong and well diversified tenant base to cushion it at times of sectoral weaknesses. The reduction in the supermarket from 31% as reported in December 2020 to 24% during the period under review is due to the REIT Manager's effort to reduce concentration risk. The REIT Manager continues to strategize on further diversification including having a co-anchor to avert the challenges that may arise should the main anchor fail to perform as was experienced in 2020.

18.4 Vacancies

Property	GLA	Vacancy GLA	Vacancy %
Greenspan Mall	155,477	40,153	25.8
67 Gitanga Place	41,312	-	-
Bay Holdings	33,265	-	-
Highway House	7,638	7,638	100.0
Total / weighted average	237,692	47,791	20.1

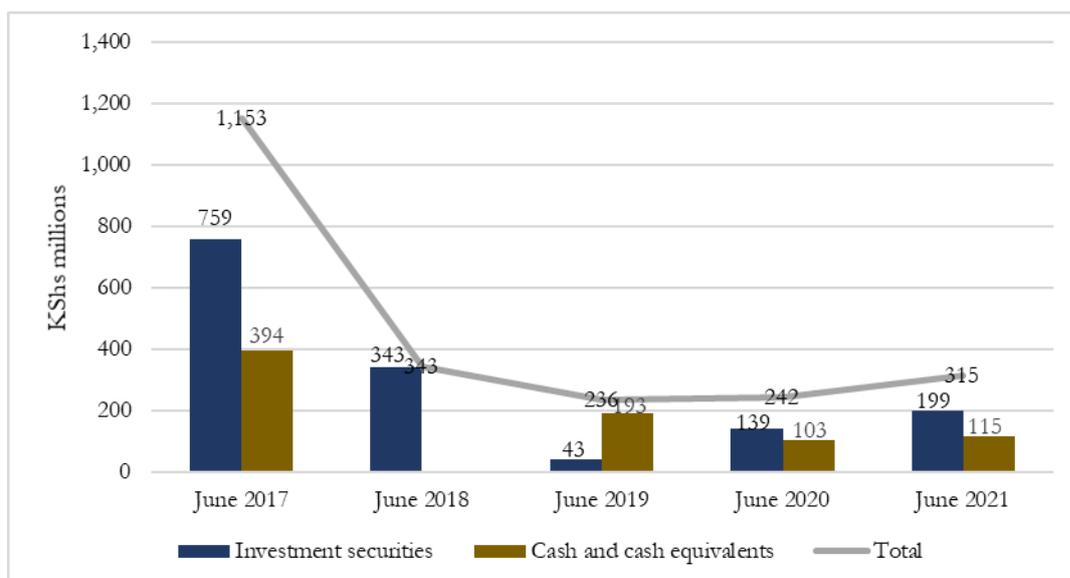
The significant increase in Greenspan Mall vacancy is attributable to the REIT Manager's strategy of reducing concentration risk. The replacement anchor tenant occupies about 37% compared to 48% of the GLA that was occupied by the previous anchor tenant. Highway House remained vacant during the period under review. The REIT Manager is undertaking a strategic review on the best use of the property for the benefit of the investors.

19. ASSETS UNDER MANAGEMENT



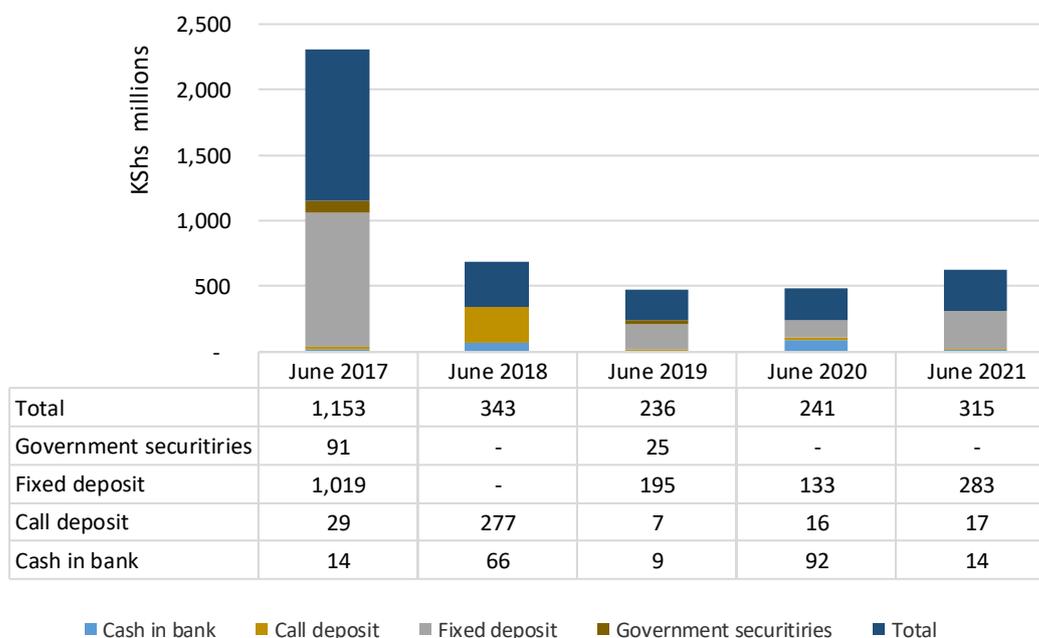
Total assets under management have continued to hold steady since inception, with marginal revaluation gain on investment property. The investment property remains at 92% of assets under management as there has been no acquisition during the period under review.

20. CASH AND NEAR CASH ASSETS (KShs)



To ensure optimisation of interest income returns, cash from property subsidiaries is swept into the REIT's investment account on a daily basis and is then invested in competitively priced cash investment instruments. In the above table, fixed deposit and all Treasury bill instruments that have a maturity greater than 90 days at inception are classified as investment securities; otherwise, they are included in cash and cash equivalents.

Breakdown of cash and near cash assets



Investment in longer dated instruments increased significantly during the first half of 2021 in order to take advantage of better rates, having concluded dividend payment in April 2021.

21. NET ASSET VALUE

21.1 Movement in Net Asset Value (KShs)

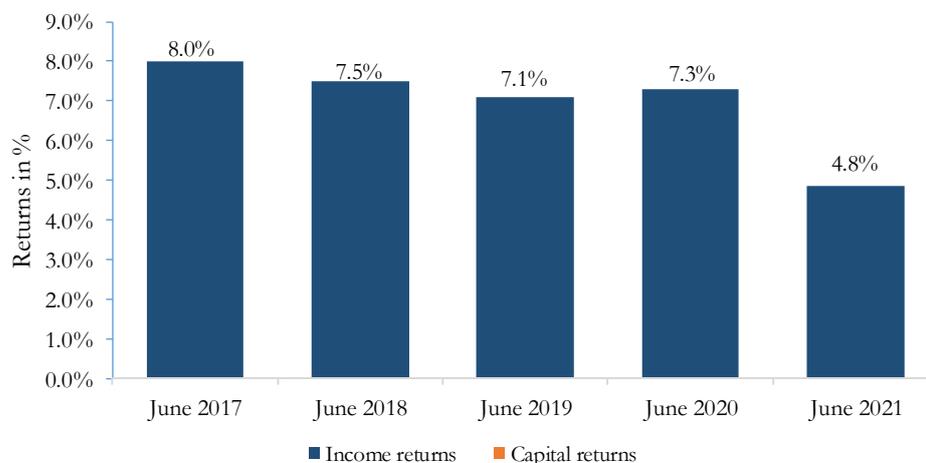
	June 2021	June 2020	June 2019	June 2018	June 2017
Total asset value	3,896,064,240	3,816,655,769	3,778,401,846	3,723,493,870	3,694,459,035
Net asset value	3,709,367,148	3,713,746,714	3,664,646,465	3,596,234,244	3,573,328,950
Number of units in issue	180,972,300	180,972,300	180,972,300	180,972,300	180,972,300
Net asset value per unit	20.50	20.52	20.25	19.87	19.75

21.2 Net Asset Value Prior and Post Distribution of Earnings

(KShs)	At 31.12.2020	At 31.12.2019	At 31.12.2018	At 31.12.2017	At 31.12.2016
Net asset value prior to distribution	3,775,738,737	3,763,442,849	3,723,943,826	3,666,181,292	3,585,541,033
Net asset value post distribution	3,667,155,357	3,627,713,624	3,588,214,601	3,530,452,067	3,495,054,883
Net asset value per unit prior to distribution	20.86	20.80	20.58	20.26	19.81
Net asset value per unit post distribution	20.26	20.05	19.83	19.51	19.31
Yield based on the value of the unit as at 31 December	10.6%	8.0%	6.8%	7.0%	4.3%

22. FUND RETURNS

22.1 Property Returns (annualised)

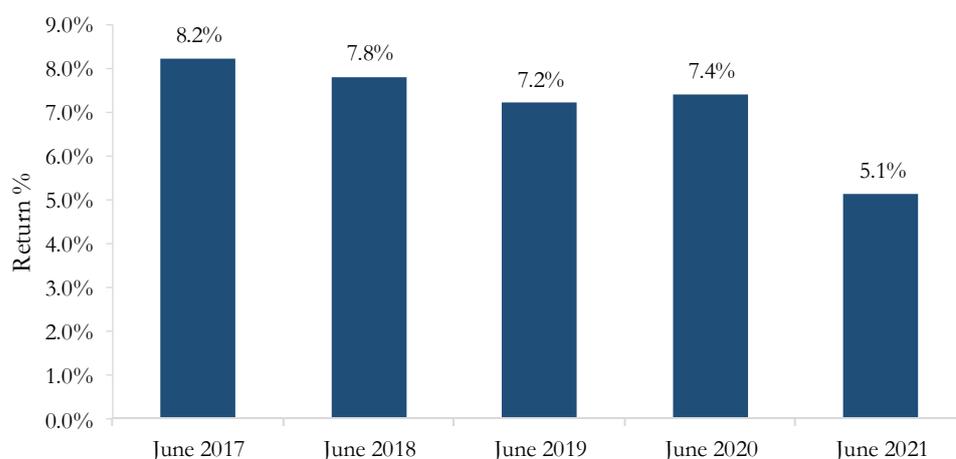


Property is valued once at the end of the financial year by an independent valuer. Therefore, no capital return is realised mid-year. Income return for the period under review decreased significantly due to loss of revenue from the anchor tenant at Greenspan Mall.

22.2 Interest Income Return (annualised) (%)

	June 2021	June 2020	June 2019	June 2018	June 2017
Fixed and call deposit interest return	8.2	8.2	8.6	8.4	8.4
Treasury bills income return	-	-	9.3	-	10.0
Weighted average interest return	8.2	8.2	8.7	8.4	8.7

22.3 Total Portfolio Return



The total portfolio return comprises the weighted property and interest income return over the various reporting periods. The average split for the current period under review is 91%/9% leading to cash instruments contributing much less to the total returns.

22.4 Management Expense Ratio

The management expense ratio (“MER”) is the total fees and expenses incurred at a fund level expressed as a percentage of the average NAV for the period under review. The MER numbers displayed below **have not been annualised**.

	June 2021	June 2020	June 2019	June 2018	June 2017
MER (%)	1.4	1.4	1.6	2.1	2.0

The MER remains in line with comparative period. The REIT Manager is committed to driving costs down at a fund level through the ongoing strategic review.

23. DETAILED ANALYSIS OF UNITHOLDINGS

ILAM Fahari I-REIT is trading as FAHR on the NSE under the Unrestricted Main Investment Market Segment of the NSE and may be listed on such other securities exchanges as the unitholders may resolve from time to time.

The units are registered for trading with ISIN code KE5000003656, are freely transferable on the NSE, and bear no restriction on transfer.

23.1 Closed-ended Fund, Details of any Restrictions on Applications for Redemption

ILAM Fahari I-REIT is a closed-ended fund. Its units can only be traded through the NSE. The market price of the units is market driven and may not necessarily be equal to the NAV of the REIT. The REIT Scheme may undertake secondary offers as and when the need arises.

23.2 Free Float as Required by Regulation 27 and 29

The free float as at 30th June 2021 amounted to 100% (30th June 2020: 100%). None of the ILAM Fahari I-REIT issued units were subjected to any lock-in conditions as at that date.

23.3 Statement of number and type of units outstanding as at the date of the report and last financial statements

The REIT has 180,972,300 units in issue as at 30th June 2021. The total number of authorised units is 625,000,000. These have not changed since the last audited financial statements.

23.4 Statement of Restriction on Transferability of Units

The units are freely transferable on the NSE, and the Trustee has not imposed any restriction on the transfer of units.

23.5 Details of number and price at which units were issued or redeemed and total value of units issued or redeemed during the period covered by the report

Units in issue	Number
Units in issue at beginning of period	180,972,300
Units issued during period	-
Units cancelled or redeemed	-
Units in issue at period end	180,972,300

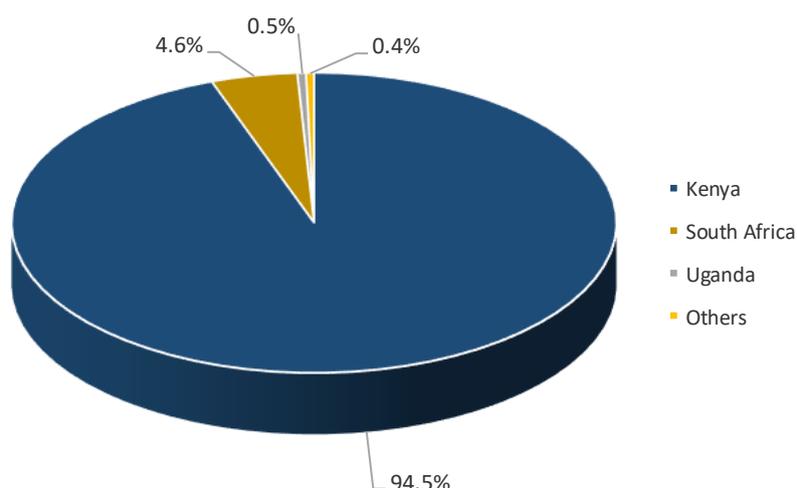
The REIT has only one class of authorised and issued units. No units were redeemed or issued within the reporting period.

23.6 Breakdown of REIT Securities Holdings by Class

The distribution of the REIT’s unitholders as at 30th June 2021 was as follows:

RANGE	Units	Units %	Unit holders	Unit holders %
Less than 100	387	-	32	0.6
100-1000	1,945,805	1.1	2,415	42.1
1001-10000	10,390,488	5.7	2,718	47.3
10001-100000	13,817,300	7.7	490	8.5
100001-less than 5% of no. of units in issue	77,534,020	42.8	80	1.4
Holdings above 5% of no. of units in issue	77,284,300	42.7	3	0.1
TOTAL	180,972,300	100.0	5,738	100.0

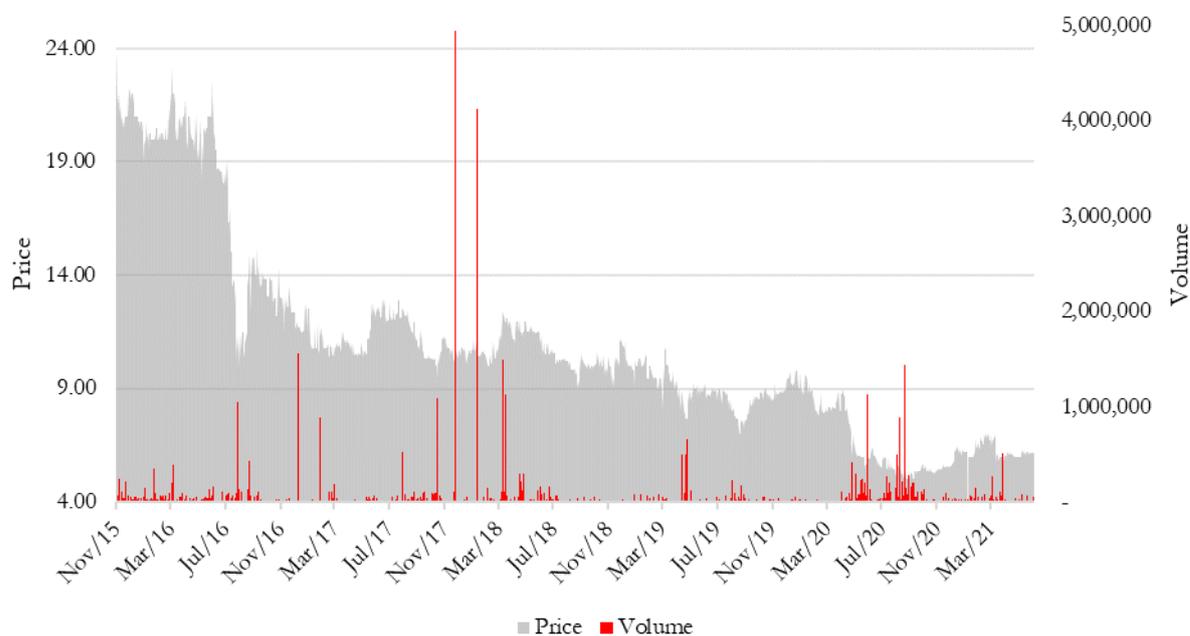
23.7 REIT Unit Holdings by Country



23.8 Top Ten Investor Holdings

Top ILAM Fahari I-REIT Unitholders as at 30 th June 2021	Units	% Holding
STANDARD CHARTERED NOMINEES NON RESD A/C KE11752	33,900,000	18.73
STANDARD CHARTERED NOMINEES RESD A/C KE11401	25,000,000	13.81
STANLIB KENYA LIMITED	18,384,300	10.16
LIBERTY GROUP LTD	7,700,700	4.26
STANDARD CHARTERED NOMINEES RESD A/C KE11443	7,333,900	4.05
STANBIC NOMINEES LTD A/C R1018467-C	6,805,158	3.76
ONE GLOBE HOLDINGS LIMITED	5,768,600	3.24
STANDARD CHARTERED KENYA NOMINEES LTD A/C KE13894	3,677,400	2.03
BID MANAGEMENT CONSULTANCY LIMITED	3,500,000	1.93
KENYA COMMERCIAL BANK NOMINEES LIMITED A/C 1018A	3,241,900	1.79
TOTAL	115,311,958	63.76

24. CLOSING PRICE HISTORY



The REIT's closing price at the various reporting periods is outlined below:

	30 Jun 2021	30 Jun 2020	30 Jun 2019	30 Jun 2018	30 Jun 2017
Closing price per unit (KShs)	6.14	5.90	9.20	11.30	12.55

25. CONNECTED PARTY TRANSACTIONS

The following are connected parties to the REIT, who had dealings with the REIT and the relevant transactions:

(a) Identification of connected parties who had dealings with the REIT

Connected party	Relationship	Transaction
ICEA LION Asset Management Limited	REIT Manager	Asset management fees
The Co-operative Bank of Kenya Limited	Trustee	Trustee and custodial fees
Knight Frank Kenya Limited	Property Manager	Property management fees
Viva Africa Consulting	Tax advisor	Tax consultancy services

(b) Connected party transactions – fees paid

Transaction	June 2021	June 2020
Asset management fee paid to ICEA LION Asset Management Limited	35,215,718	11,661,589
Asset management fee paid to STANLIB Kenya Limited*	-	23,499,607
Trustee and custodial fees paid to Co-op Bank	12,268,104	12,256,231
Other admin fees paid to Co-operative Bank	-	794,143
Property management fees paid to Knight Frank Kenya	3,978,824	-
Leasing fee paid to Knight Frank Kenya	3,634,170	-
Tax consultancy services fee paid to Viva Consulting	175,000	125,000
Total	55,271,816	48,336,570

*STANLIB Kenya resigned on 18th May 2020 as the REIT Manager.

(c) **Connected party balances**

The REIT had the following cash balances held with Co-operative Bank:

Bank account name	June 2021	June 2020
Investment account – fixed deposits	130,000,000	32,000,000
Investment account – call deposits	10,000,000	-
Investment account	809,864	70,496,289
Rent collection account – Greenspan Mall	2,098,000	2,377,500
Service charge account – Greenspan Mall	2,746,734.81	15,073,766
Rent collection account – Bay Holdings	1,753,688	1,082,379
Rent collection account – Signature	27,300	40,040
Service charge account – Starling Park	7,053,452	3,275,537
Total	154,489,039	124,345,511

26. INVESTMENTS IN ANY WHOLLY OWNED AND CONTROLLED COMPANY CARRYING OUT REAL ESTATE RELATED ACTIVITIES

- The asset known as Greenspan Mall is held within the wholly-owned subsidiary Greenspan Mall Limited.
- The asset known as Highway House is held within the wholly-owned subsidiary Signature International Limited.
- The asset known as Bay Holdings is held within the wholly-owned subsidiary Bay Holdings Limited.
- The asset known as 67 Gitanga Place is held through the partnership – Starling Park Properties LLP. Starling Park Properties is 99% owned by the REIT and 1% by Greenspan Mall Limited which holds the 1% partnership in trust on behalf of the REIT.

Save as disclosed in the case of Starling Park Properties LLP, the above entities are all held in trust by The Co-operative Bank of Kenya Limited in its capacity as REIT Trustee.

27. FEES PAID BY THE REIT AS PER REGULATIONS

	June 2021	June 2020
ICEA LION Asset Management Limited - asset management fees	35,215,718	11,661,589
Co-operative Bank – trustee and custodial fees	12,268,104	12,256,231
Co-operative Bank – other administrative fees paid	-	794,143
CBRE Excellerate – property management	3,124,570	6,358,460
Knight Frank Kenya Limited – property management	3,978,824	-
STANLIB Kenya Limited – asset management fees*	-	23,499,607
Total	54,587,216	54,570,030

28. PROPERTIES DETAILED REPORT

28.1 GREENSPAN MALL LIMITED

Greenspan Mall is a modern decentralized mixed-use development, situated on 3.8 hectares (9.5 acres), within the middle-income area of Donholm approximately 12 km to the east of the Nairobi CBD. The development comprises a retail centre with a GLA of approximately 16,105 m² (155,477 sq. Ft.) with 1,000 parking spaces.

The acquisition price (on 11 December 2015) was KShs 2,093,576,710.

The property is registered as L.R. No. Nairobi/Block 82/8759 (F1, F2, F3, F4 & F5). It is held as leasehold interest for a term of 99 years less 7 days, with lease commencement date 1 September 2007 at peppercorn rent, if demanded. As at 30th June 2021, the property has an unexpired leasehold term of 86 years.

The mall has a parking ratio in excess of 4 bays per 100 m² of GLA, has a captive middle market within the larger Greenspan estate and offers opportunity to develop an additional 2 acres of vacant land forming part of the acquisition.

The property presents an ideal location with potential to improve the returns through development of excess land and reconfiguration of the mall/ tenant mix. Anchored by Tusky's who occupy 48% of the GLA, the mall offers fast food restaurants and bars, as well as various service-related tenants such as banks, a cinema which was opened in October 2019, wellness centres, salons and small non-branded fashion and apparel component.



28.2 BAY HOLDINGS LIMITED



The property known as Bay Holdings is located at the junction of Enterprise Road and Bamburi Road within the main Industrial Area of Nairobi.

The property is registered as L.R. No. 209/4125 measuring 0.665 of an acre for a term of 99 years from 1st January 1949 and registered as Title Number I.R 93022. The property has an unexpired leasehold term of 27.5 years as at 30th June 2021.

The acquisition of Bay Holdings Limited was concluded on 30th June 2016 for an amount of KShs 216,122,547.

The GLA is 2,566 m² (33,265 sq.ft.) with a covered area for parking.

The building is currently fully let to three tenants - Imperial Bank, Packard Limited and Man-hat Equipment Limited.

28.3 SIGNATURE INTERNATIONAL LIMITED

The property known as Highway House is a three-storey commercial building located in a growing office node on Pokomo Road, off Mombasa Road.

Highway House is located on L.R. No. 37/157 (Original Number L.R. No. 37/54/18) measuring 0.1089 of an acre with a land-lease term of 99 years commencing 1st July 1956, and registered as Title Number I.R 22130. As at 30th June 2021, the property has an unexpired leasehold term of 35 years.

The property was transferred into the portfolio at a net acquisition price of KShs 108,717,670 on 30th June 2016.



The GLA is approximately 710 m² (7,638 sq.ft.), with ample covered parking bays.

The property is currently vacant. Extensive space marketing is being conducted to find a suitable replacement tenant.

28.4 STARLING PARK PROPERTIES LLP



The underlying property is a three-storey office building known as 67 Gitanga Place and is located on Gitanga Road off James Gichuru Road in Lavington, Nairobi.

The property is registered as L.R. No. 3734/1426 (original L.R. No. 3734/917) measuring 0.2830 hectares for a term of 99 years from 1st April 2016 and registered as Title Number LR 191014. The property has an unexpired leasehold term of 94 years as at 30th June 2021.

The acquisition of Starling Park Properties LLP was concluded on 29th May 2018 for an amount of KShs 850,037,500 including the value of equipment and deposits valued at KShs 37,500.

The property has a GLA of 3,838 m² (41,312 sq.ft.) and has basement parking. It is fully let to a single tenant.

29. SUMMARY OF RECENT VALUATIONS

The REIT did not revalue the real estate portfolio during the interim reporting period ended 30th June 2021.

Copies of the valuation reports as at 31st December 2020 are available for inspection free of charge at the offices of the REIT Manager, and may be inspected between the hours of 09h30 - 15h00, Monday to Friday (excluding public holidays).

30. PROPERTY MARKET UPDATE ¹

30.1 National Economy

According to the World Bank, Kenya's economic recovery is underway though it will be uneven across sectors coupled with uncertainty regarding the outlook. The downside risks include a weaker tourism sector and lower remittance inflows, renewed disruption to domestic economic activity from the pandemic, fiscal slippages, and weather-related shocks. Similarly, the African Development Bank, projects the economy to grow by 5.0% in 2021 and 5.9% in 2022; however, downside risks to the outlook could emanate from failure to secure external financing to execute the budget, delays in the full reopening of the economy, a slowdown in global growth, and disruptive social conditions during the run-up to the 2022 elections.

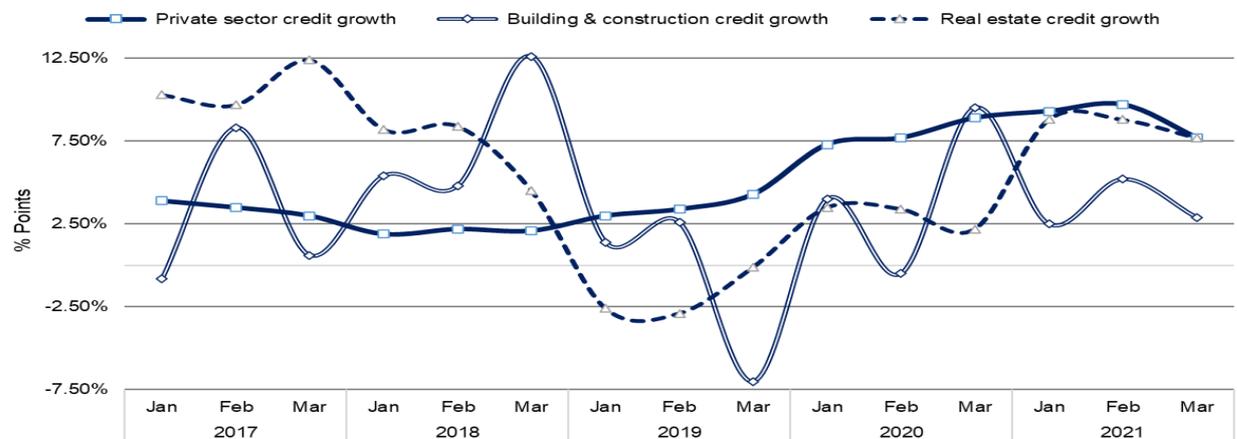
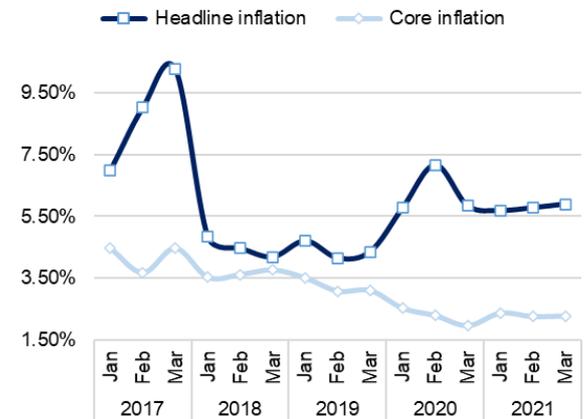
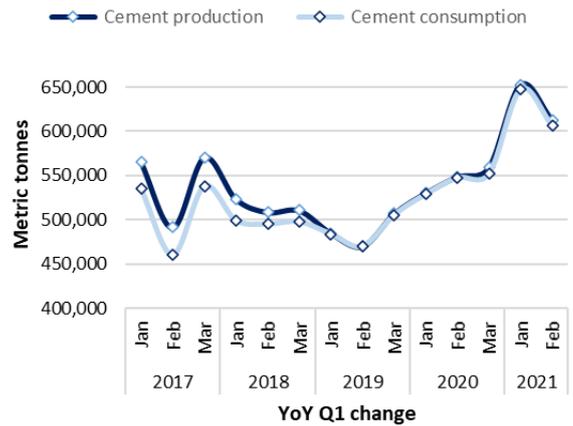
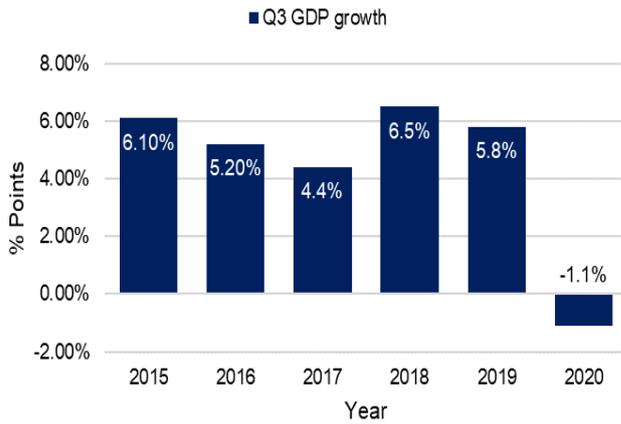
30.2 Real estate market indicators

According to the Kenya National Bureau of Statistics², in 2021, cement consumption and production has seen an upward trend compared to 2020. Credit to the building and construction sector, however, increased by 2.9% in March 2021 unlike the 9.5% growth rate witnessed in 2020. Despite the positive outlook of cement consumption and credit sector growth, the value of approved building plans in the first quarter of 2021 fell to its lowest level since 2017. It is still early in the year to make conclusive judgements that the indicator points to a low appetite for construction activities. In the first three months of the year, headline inflation has remained stable at around 5.8%. Inflation is projected to remain within the Central Bank of Kenya's target range of 2.5% to 7.5%³.

¹ <https://www.worldbank.org/en/country/kenya/overview>

² Ibid 1, pp.1

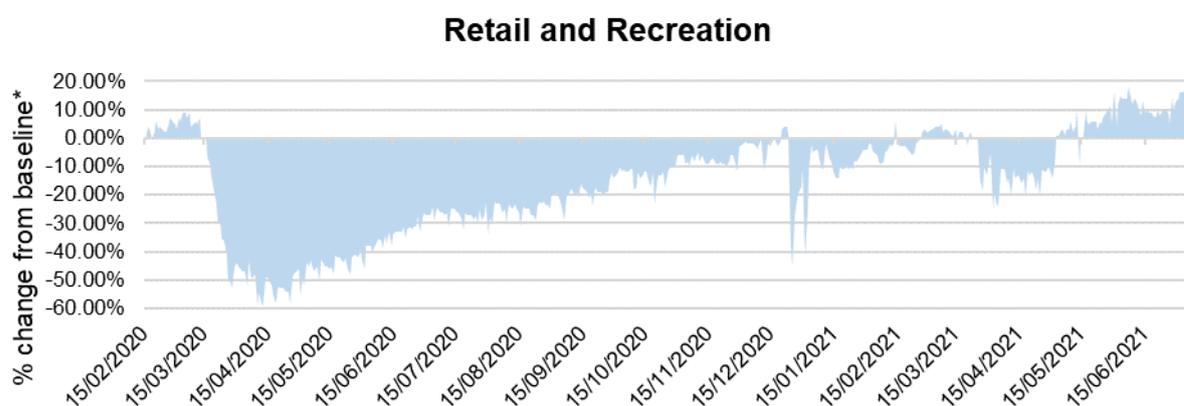
³ African Development Bank. (2021). Africa economic outlook 2021



30.3 Retail

The historic supply of retail space in 2017 continued to culminate into longer letting lead times resulting in a predominantly tenant-favored market and decline in head rents. In addition to retail space oversupply, the tenant-favored market is also attributable to the unfavourable business climate due to general economic slowdown, reversal of various tax reprieves in January 2021 resulting in less disposable income and re-introduction of containment measures in March 2021 including restrictions on mobility owing to the

nationwide curfew. According to Google mobility reports, 2021 saw footfall to retail centers decline; however, there has been an uptick in footfall after the March lockdown was eased⁴.



* Baseline data was calculated from the period between Jan 3, 2020, and Feb 6, 2020

The following trends have been accelerated during the Covid-19 pandemic and retailers are paying close attention⁵:

Omni-channel presence

With the anticipated evolution of retail, major changes in retail strategies and delivery of product to consumers have occurred. Online retail sales surged during the pandemic, but digital retail penetration in Africa remains insignificant with less than 1% of retail sales being generated online. The future ecosystem is, therefore, likely to see omni-channel platforms forming the foundation for retailers with bricks-and-mortar stores.

Landlord tenant relationships – the new normal

Landlord and tenant relationships have been transactional in nature; however, the pandemic presented a new dynamic for both parties to compromise and collaborate to attract and retain consumers. The willingness to make trade-offs, such as greater flexibility on lease terms and the adoption of turnover-based rent models by some, are anticipated to underscore the new normal in tenancy agreements.

Closer to you – the suburban retail boom

Traditionally, retail in African markets has been centralized in and around large shopping malls. However, consumers are engaging more with suburban retail, leading to significant growth in turnover in these areas. As a result, there has been increased interest and relocation by retailers to suburban areas, creating a broader tenant mix and offering more variety closer to home for consumers.

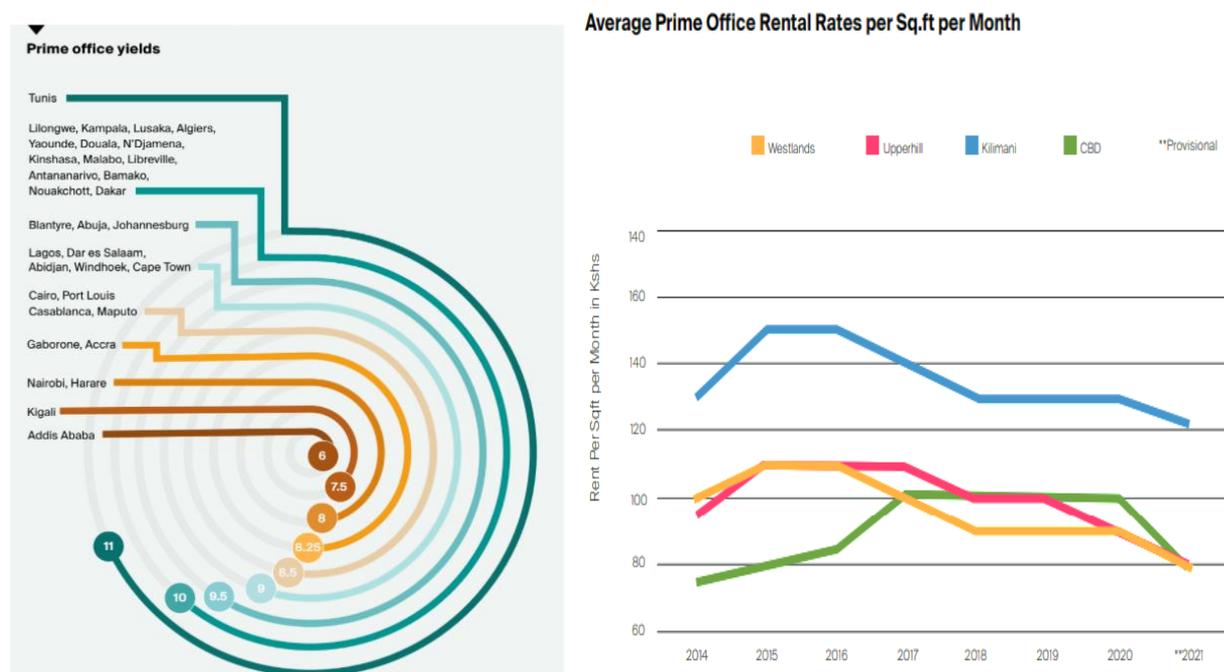
⁴ <https://www.google.com/covid19/mobility/>

⁵ Knight Frank. (2021). Africa horizons

The second half of 2021 projects a positive outlook for this sector mainly due to the anticipated economic recovery, roll out of vaccinations nationwide, reopening of the economy and easing of containment measures.

30.4 Office

The future face of the office has begun to be reimagined to include aspects that support employee health and wellbeing. Across Africa, office buildings are being constructed to include features such as improved indoor air quality, indoor gardens and green spaces natural lighting, food and beverage offers and gyms and fitness classes⁶. To achieve the future of the office space, innovations will be sought by landlords to ensure the health and wellbeing of their employees. Luckily, Nairobi sits at the top among African cities in terms of innovation⁷. Nairobi, therefore, has great potential to remain economically resilient in the long-term despite undergoing short-term shocks.



The office sector remains under the weather. This performance is attributed to the continuing pandemic, the ongoing economic climate, and continued oversupply of commercial space in some locations. We anticipate that landlords will continue to negotiate and offer concessions to retain and attract new tenants. In the future, it is anticipated that best-in-class office buildings will be more focused on physical and mental wellbeing by offering direct access to green spaces, sanctuary spaces where workers can disconnect from the grid, focus or reconnect with themselves and educational events that seek to promote a better work/life balance.

Knight Frank estimates that similar to 2020, the average occupancy rates across commercial buildings over the review period were at circa 73%. Despite the pandemic having more employees working remotely and

⁶ Knight Frank. (2021). Africa horizons

⁷ Ibid 14, pp. 6

forming a new normal working environment, physical offices will still remain a strategic device for most organization's business operations.

30.5 Industrial

The increasing emergence of modern logistic parks is mainly attributed to the favorable tax laws, increased e-commerce, intra-regional trade and growth across various sectors including manufacturing, retail and health sectors.

During the period under review, several broke ground as follows:

1. Tatu Industrial Park – Ruiru: beverage manufacturer and distributor Kenya Wine Agencies Limited (KWAL) broke ground on its Ksh 4 billion manufacturing plant while packaging products manufacturer, Super Plastics, in June announced plans to open a manufacturing facility at the same park.
2. Africa Logistics Properties (ALP) broke ground in June on phases two, three and four of its 1,076,390 sq. ft modern warehousing complex located in Tilisi Logistics Park in Limuru at an expected cost of Ksh 1 billion.
3. Nairobi Gate Industrial Park located off the Eastern bypass commenced construction on their smaller sized warehousing units ranging between 4306 sq.ft and 16,146.sq. ft.
4. Infinity Industrial Park also located along the Eastern bypass completed phase 1 of its 46 mini modern warehousing complex targeting Small to Medium sized Enterprises (SME's). These were in the market for sale at Ksh 4,000 per sq. ft and each have a footprint of circa 7,616 sq. ft.
5. Cold Solutions Kenya Limited announced plans to construct a KShs 7.5 billion cold storage facility in Tatu City⁸. The 161,459 sq. ft facility is expected to be completed by 2022. The facility, set for commissioning in 12 months, will provide storage for fresh fruits, vegetables, pharmaceuticals and vaccines, meat, poultry, and frozen foods.

Despite accounting for around 17% of the world's population, Africa attracted less than 3% of global foreign direct investment (FDI) in 2019, according to UNCTAD⁹. Kenya's annual infrastructure funding gap currently stands at more than Kshs 200 billion presenting private investors with numerous opportunities in various sectors including power, transport, and urban development. Over the review period, the Kenyan government made significant progress on various infrastructural projects such as the Express Way.

⁸ <https://www.businessdailyafrica.com/bd/markets/market-news/afdb-backed-investors-plan-sh7-5bn-cold-storage-facility-at-tatu-city-2295640>

⁹ Knight Frank. (2021). Africa horizons

31. REGULATORY LIMITS

REGULATION	REGULATORY LIMIT	ACTUAL AS AT 30 JUNE 2021	COMPLIED (✓) / NOT COMPLIED (X) / N/A
Minimum number of REIT securities holders	7	5,738	✓
Minimum Free Float	25%	100%	✓
Minimum Promoter investment and retention*	25% of NAV	0%	N/A
Eligible Investments	75% real estate	93.9% real estate**	✓
Minimum income generation	70% of rental income	92.0%	✓
Maximum gearing	35% of total asset value	0%	✓
Minimum distributions	80%	81%	✓

***Regulation 74**, being the minimum retained investments by the promoter and lock-in period, does not apply. The current Promoter is yet to acquire units in the scheme.

**measured as a % of NAV.

32. PROSPECT STATEMENT AND PIPELINE

The REIT Manager continues to endeavour to build a strong pipeline of suitable properties in order to grow the portfolio. Its focus is also on improving the yield of the existing portfolio in order to enhance future earnings.

33. ASSET HOLDINGS VERSUS PRESCRIBED LIMITS

The table below highlights the asset holdings versus the subscribed limits in the investment mandate.

I-REIT Eligible Investments (Assets) Regulation 65	Regulation and maximum limit %	Regulation and minimum limit %	Limit in scheme document %	% as at the reporting date	Highest % level during reporting period	Date of most recent valuation/s and ref. to report detailing valuation
If the REIT is an Islamic REIT percentage of Shariah compliant total. If not 100% then for each category set out below specify % that is Shariah compliant	N/A	N/A	N/A	N/A	N/A	N/A
All direct eligible real estate:						
a) Freehold	None	None	None	None	None	None
b) Leasehold	None	None	None	None	None	None
All indirect eligible real estate:						
a) Freehold held through investee companies or investee trusts	N/A	N/A	N/A	N/A	N/A	N/A
b) Leasehold held through investee companies or investee trusts	None	At least 25 years at inception	At least 25 years at inception	Refer to Section 28	Refer to Section 28	31.12.2020
Income producing real estate Regulation 65 (6) Minimum of 75% of NAV within 2	N/A	75%	None	93.9%	93.9%	31.12.2020

I-REIT Eligible Investments (Assets) Regulation 65	Regulation and maximum limit %	Regulation and minimum limit %	Limit in scheme document %	% as at the reporting date	Highest % level during reporting period	Date of most recent valuation/s and ref. to report detailing valuation
years of authorisation						
Land and cost of construction Regulation 70 Maximum 15% TAV	None	None	None	None	None	None
Cash, Deposits, bonds and money market instruments Regulation 65 (11) Maximum 5% to single issuer, institution, or members of group	5%	0%	5%	0%	0%	30.06.2021
Wholly owned and controlled company which conducts real estate activities Regulation 65 (14) Maximum 10% TAV with REIT securities holder consent	N/A	N/A	N/A	N/A	N/A	N/A
Income producing assets including listed shares in Kenyan property companies and units in Kenyan IREITs. Regulation 68 (2) Maximum 10% of value of investment and TAV at time of acquisition	10%	0%	10%	0%	0%	None
For an IREIT that has converted from a DREIT Mortgages or other secured loans etc.; authorised under Regulation 12 provided to purchasers of real estate	N/A	N/A	N/A	N/A	N/A	N/A

I-REIT Eligible Investments (Assets) Regulation 65	Regulation and maximum limit %	Regulation and minimum limit %	Limit in scheme document %	% as at the reporting date	Highest % level during reporting period	Date of most recent valuation/s and ref. to report detailing valuation
developed or constructed Regulation 12						
Other assets (eligible) include description	None	None	None	None	None	None
Other assets (not eligible) include description	None	None	None	None	None	None

34. MEETINGS OF REIT SECURITIES HOLDERS

The Trustee, pursuant to the Capital Market Authority's approval, convened and held the 5th REIT Annual General Meeting (AGM) of the securities holders on 16th April 2021 via electronic means where unit holders duly attended and considered the below agenda items as follows;

- ✓ Considered and approved the Consolidated Annual Report and the Audited Annual Financial Statements for the financial year ended 31st December 2020.
- ✓ Unit Holders noted and ratified the first and final distribution for the year ended 31st December 2020, of KShs. 108,583,380 (60 cents per unit in issue) as recommended by the REIT Manager, approved by the Trustee and paid to unit holders in April 2021.
- ✓ Unit holders noted the continuation of KPMG as the REIT auditors having expressed their interest to continue as auditors. The REIT Manager and REIT Trustee had no objection of them continuing as the REIT auditors.
- ✓ Unit Holders ratified the remuneration of the REIT Manager for the financial year ended 31st December 2020 as disclosed in the annual report.

35. UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

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
Revenue	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)
Other income	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
Operating expenses	(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)
Increase in fair value of investment property	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
Net profit for the period	42,211,791	86,033,091	148,025,113
Other comprehensive income	-	-	-
Total comprehensive income attributable to unitholders for the period	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

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

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
ASSETS			
Non-current assets			
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
	3,495,276,160	3,483,080,070	3,495,925,608
Current assets			
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
	400,788,080	333,575,699	387,820,592
Total assets	3,896,064,240	3,816,655,769	3,883,746,200
EQUITY AND LIABILITIES			
Capital and reserves			
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
	3,709,367,148	3,713,746,714	3,775,738,737
Current liabilities			
Trade and other payables	186,697,092	102,909,055	108,007,463
Total equity and liabilities	3,896,064,240	3,816,655,769	3,883,746,200
Net asset value per unit	20.50	20.52	20.86

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
Audited balance at 31 December 2019	3,479,540,745	126,813,287	157,088,818	3,763,442,849
Net profit for the period	-	-	86,033,091	86,033,091
Transactions with owners of equity				
Distribution to unitholders	-	-	(135,729,225)	(135,729,225)
Unaudited balance at 30 June 2020	<u>3,479,540,745</u>	<u>126,813,287</u>	<u>107,392,684</u>	<u>3,713,746,715</u>
Net profit for the period	-	-	61,992,022	61,992,022
Transfer to non-distributable reserve	-	13,604,197	(13,604,197)	-
Audited balance at 31 December 2020	<u>3,479,540,745</u>	<u>140,417,484</u>	<u>155,780,508</u>	<u>3,775,738,737</u>
Net profit for the period	-	-	42,211,791	42,211,791
Transactions with owners of equity				
Distribution to unitholders	-	-	(108,583,380)	(108,583,380)
Unaudited balance at 30 June 2021	<u>3,479,540,745</u>	<u>126,813,287</u>	<u>89,408,919</u>	<u>3,709,367,148</u>

UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS (continued)

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
Cash flows from operating activities			
Cash generated from operations	<u>75,280,757</u>	<u>53,815,939</u>	<u>160,356,537</u>
Net cash inflow from operating activities	<u>75,280,757</u>	<u>53,815,939</u>	<u>160,356,537</u>
Cash flows from investing activities			
Additions to investment property	-	(11,284,174)	(11,195,803)
Additions to property and equipment	-	(210,150)	(210,150)
Decrease/(increase) in investment securities	<u>(49,019,438)</u>	<u>136,260,490</u>	<u>88,488,054</u>
Net cash (outflow)/inflow from investing activities	<u>(49,019,438)</u>	<u>124,766,166</u>	<u>77,082,101</u>
Cash flows from financing activities			
Distribution paid	<u>(108,583,380)</u>	<u>(135,729,225)</u>	<u>(135,729,225)</u>
Net cash outflow from financing activities	<u>(108,583,380)</u>	<u>(135,729,225)</u>	<u>(135,729,225)</u>
Net movement in cash and cash equivalents	26,261,319	42,852,880	101,709,413
Cash and cash equivalents at beginning of period	<u>197,772,556</u>	<u>96,063,143</u>	<u>96,063,143</u>
Cash and cash equivalents at end of period	<u>115,450,495</u>	<u>138,916,023</u>	<u>197,772,556</u>

36. COMMENTARY ON THE INTERIM FINANCIAL STATEMENTS

36.1 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.

36.2 Basis of preparation

The unaudited condensed consolidated financial statements of ILAM Fahari I-REIT for the six months ended 30th June 2021 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs), the Accounting Standard IAS 34: Interim 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.

36.3 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 Tuskys 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). The rental income from the new anchor tenant will be recognised 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.

36.4 Borrowings

ILAM Fahari I-REIT is currently ungeared.

36.5 Interim 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 30th June 2021. A full distribution will be declared in line with the requirements of the REIT's Regulations to distribute a minimum of 80% of distributable earnings within four months after the end of the financial year.

36.6 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 from 31st July 2021.

ANNEXURE A: REPORT OF THE TRUSTEE

The Trustee's report is prepared in accordance with Regulation 101 and the Fifth Schedule of the REIT's Regulations.

1. Confirmation of all matters relating to the title particulars of real estate properties and other assets of the fund

We confirm the below titles particulars for the real estate properties:

- Nairobi Block 82/8759 (No. s F1,F2,F3,F4 & F5) – Property known as Greenspan Mall under the SPV Greenspan Mall Limited;
- L.R. No 37/157 registered as Title No.I.R. 22130 – Property known as Highway House under the SPV Signature International Limited;
- L.R. No. 209/4125 registered as Title No.I.R. 93022 – Property under the SPV Bay Holdings Limited; and
- L.R No. 3734/1426 (Original Number 3734/917) – Property known as 67 Gitanga Place under the SPV Starling Park Properties LLP.

We confirm that the other assets of the fund are as detailed in the accounts.

Details of other matters:

Requirement under the Fifth Schedule	Trustee's report
a) Any appointment of a secondary disposition Trustee together with details of purpose of the appointment and of any documents executed by the secondary disposition trustee	There was no appointment to this effect.
b) Any matter arising during the period which has been, or should have been, notified to the Authority pursuant to the Regulations	No matter arising that needed the Authority to be notified.
c) Any failures by the trustee to comply with the provisions of the scheme documents, the Act or the Regulations and action taken to remedy the failure	There were no failures to this effect.
d) Any action taken by the trustee during the period to protect assets of the trust or the interests of REIT securities holders	There were no matters that necessitated such action to be taken by the Trustee
e) Meetings of REIT securities holders convened by the trustee, resolutions put and the outcome of voting.	The Trustee, pursuant to the Capital Market Authority's approval, convened and held the 5th REIT AGM of the securities holders on 16th April 2021 via electronic means where unit holders duly

	<p>attended and considered the below agenda items as follows;</p> <ul style="list-style-type: none"> • Considered and approved the Consolidated Annual Report and the Audited Annual Financial Statements for the financial year ended 31st December 2020. • Unit Holders noted and ratified the first and final distribution for the year ended 31st December 2020, of KShs. 108,583,380 (60 cents per unit in issue) as recommended by the REIT Manager, approved by the Trustee and paid to unit holders in April 2021. • Unit holders noted the continuation of KPMG as the REIT auditors having expressed their interest to continue as auditors. The REIT Manager and REIT Trustee had no objection of them continuing as the REIT auditors. • Unit Holders ratified the remuneration of the REIT Manager for the financial year ended 31st December 2020 as disclosed in the annual report.
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2. A summary of the meetings of REIT securities holders called or held during the period, a summary of the purpose of the meeting, resolutions put to the REIT securities holders and of attendees and votes cast.

The Trustee convened the 5th AGM of the unit holders on 16th April 2021 via electronic means. Attendees to the meeting (as noted at the commencement of the meeting) were 103 unitholders both in person and in proxy representing 52,506,454 units representing 27.84% of units in issue. Resolutions put to the unitholders were as above and were voted for unanimously.

3. Trustee’s opinion on whether the REIT Manager has managed the scheme in accordance with the provisions of the scheme documents, the Act and REITs Regulations.

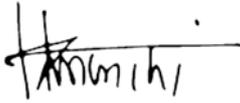
In the Trustee’s opinion the REIT Manager-ICEA LION Asset Management Limited - has managed the scheme in accordance with the provisions of the scheme documents, the Act and the REITs Regulations.

4. **Comments by the Trustee on the REIT Manager's report, performance of the REIT Manager or of any other person or other material matter.**

Due to the business disruptions caused by the containment measures of COVID-19 pandemic, businesses continue to suffer operating challenges. As a result, the REIT's overall performance continues to feel the impact as highlighted in the unaudited financial report.

Signed by

The Compliance officer

A handwritten signature in black ink, appearing to be 'H. M. (h)', written over a horizontal line.

The REIT Trustee

The Co-operative Bank of Kenya Limited

Date: 27th July 2021

ANNEXURE B: REIT MANAGER'S COMPLIANCE REPORT

In accordance with Regulation 101 and the Fifth Schedule of the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013, (the Regulations) the Compliance Officer notes the following for the period ended 30th June 2021:

1. In line with the regulatory requirements, the audited annual financial statements for the REIT for the year ended 31st December 2020, were submitted to the relevant authorities and published within the prescribed timeline.
2. The REIT is compliant with Regulation 65(6) of the regulations which requires that investment property should form at least 75% of the total net asset value of the Fund.
3. The REIT Manager is proactively reviewing and monitoring its compliance framework, systems, policies and procedures as well as monitor its risks, implement measures to mitigate their effects and cushion the REIT from adverse effects.
4. All statutory reports to the Capital Markets Authority and Nairobi Securities Exchange were filed within the prescribed timelines.
5. The Annual General Meeting for the year ended 31.12.2020 was held on 16th April 2021.
6. In addition to the foregoing and in line with the requirements under the Fifth Schedule (J) of the REIT's Regulations, the REIT Manager states as follows for the period under review:
 - a. **Matters arising during the period which have been, or should have been, notified to the Authority pursuant to the REIT's Regulations:**

None
 - b. **Any failures by the REIT Manager, Trustee or any other party to comply with the provisions of the of the scheme documents, the Act or the Regulations and action taken to remedy the failure:**

None
 - c. **Any action taken by the REIT Manager or which the Trustee was requested to take during the period to protect assets of the trust or the interests of REIT securities holders:**

None
 - d. **An update of any matters reported in prior periods and action taken to rectify:**

On the matter of distress for rent, against Tusker Mattresses Limited (Tuskys) reported in 2020 whereby the Trustee appointed an auctioneer in September 2020 to auction the goods that were within the leased premises in Greenspan Mall with a view to recover the outstanding rent arrears; the parties recorded a consent to withdraw the case (ELC No 0135/2020) and the matter was marked as settled on 17th February 2021.

The Trustee is pursuing unpaid rent from Tuskys via Insolvency Cause No. E018 of 2020. This matter is yet to be heard and determined.

Signed by:

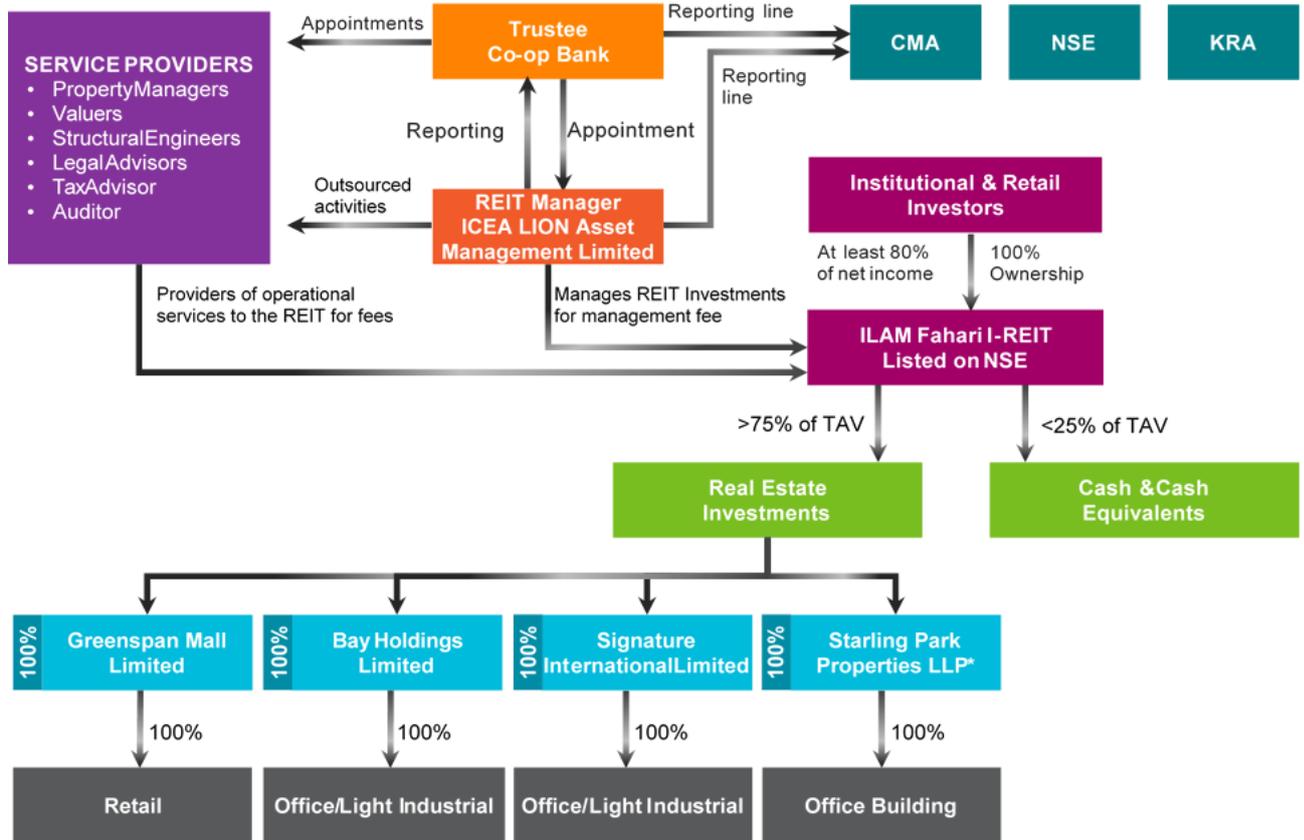


Olga Omalla

Compliance Officer: ICEA LION Asset Management Limited

Date: 27th July 2021

ANNEXURE C: DETAILS OF THE PARTIES – ORGANOGRAM



* Greenspan Mall Limited holds 1% of the partnership interest in Starling Park Properties LLP in trust on behalf of ILAM Fahari I-REIT. No economic benefit flows to Greenspan Mall Limited as a result of this arrangement.

ANNEXURE D: PROFILES OF THE DIRECTORS OF THE REIT MANAGER

1. Andrew Ndegwa | Chairman

Andrew is the Executive Director of First Chartered Securities, a private investment holding company with interests in financial services, logistics, real estate, manufacturing and agriculture. He holds a Bachelor of Arts (Hons) degree in Philosophy, Politics and Economics from Oxford University.

Andrew began his career in the banking industry, and between 1990 and 1994 worked at Mercantile Finance Company, its affiliate The African Mercantile Banking Company and at Citibank Nairobi. He joined First Chartered Securities in 1994 as the Group Planning Manager and in 2000 was appointed to the Board as Executive Director. He is also a Non-Executive Director of several other companies, including NCBA Group Plc and Unga Group Plc, both of which are quoted on the Nairobi Securities Exchange.

Andrew is a trustee of Faraja Cancer Support Trust.

2. Einstein Kihanda | Director & CEO - ICEA LION Asset Management Limited

Einstein holds a Bachelor of Science Degree in Business Administration (Accounting & Finance Major) from the United States International University (USIU) and a Master of Science degree in Management and Organisational Development from the same university. Einstein also holds a Master of Science degree in Finance from the University of Strathclyde in Scotland, U.K.

Einstein's experience in investment analysis, research and fund management spans over 21 years, having joined Equity Stockbrokers as a Research Analyst in February 1999 followed by a brief stint as Research Manager at Barclaytrust Investment Services shortly before its acquisition by Old Mutual. Einstein started his career in fund management in January 2002 when he joined ICEA Investment Services as Head of Portfolio Management Services and thereafter Old Mutual Asset Managers, CFC Stanbic Financial Services, Sanlam Investment Management Kenya and back to ICEA LION Asset Management Limited as Chief Investment Officer prior to being promoted to CEO in December 2015. Einstein also serves as a Director of ICEA Asset Management (Uganda).

Einstein is the Chairman of the Institute of Certified Investment and Financial Analysts (ICIFA) and is the immediate past Chairman of the Fund Managers Association (FMA) where he chairs the Stakeholders Committee.

3. Patrick Mugambi | Alternate Director

Patrick is the Planning & Projects Director of First Chartered Securities Ltd, a private investment holding company with interests in financial services, logistics, real estate, manufacturing and agriculture.

Patrick holds a BSC in Business Administration from USIU and is a Certified Public Accountant and alumnae of IESE Business School. He is also a Member of the Institute of Certified Public Accountants of Kenya (ICPAK) and a Member of the Overseas Technical Scholarship (AOTS) Japan.

He previously worked for PricewaterhouseCoopers and Shell Exploration and Production Kenya BV between 1988 and 1992. Prior to his present position, he was the Executive Director and Chief Operating Officer of Mitchell Cotts Kenya Group until January 2006.

Patrick is also a Non-Executive Director of Mitchell Cotts Group Limited and a director of several other companies.

4. Stephen Mallowah | Non-executive Director

Stephen Mallowah is a Commercial and Corporate Law partner with the prominent regional law firm TripleOKLaw LLP, based in Nairobi and undertaking projects across the region. He is also an Advocate of the High Court of Kenya.

He holds a Bachelor of Laws (Hons) degree from the University of Zambia and a Master of Laws Degree in Corporate and Commercial Law as a Chevening Scholar from the University of London. He holds a further Master of Science Degree in Oriental & African Studies from the same university and an Advanced Management Program from the IESE Business School. Stephen holds a Postgraduate Diploma from the Kenya School of Law.

Stephen has demonstrated his true mettle in several specialized areas of law. Examples include: Capital Markets and Financial Services – advising a large commercial bank on setting up a Unit Trust; Structured and Project Finance and Energy – advising a developer on delivering a 140MW geothermal power generation project; Mining, Oil and Gas – advising large multinationals in the extractives sector on legislative engagement on the Mining Act and Petroleum Act; Public Policy and Regulatory Compliance – advising a large telco on regulatory and compliance issues around the rollout of a suite of advanced digital service offerings .

He has taught law at the Kenyatta University, Catholic University of East Africa, the Kenya School of Law and the Kenya School of Monetary Studies among others. He is also a certified Corporate Governance Trainer with the Centre for Corporate Governance.

5. **KAIRO THUO | Non-Executive Director**

Kairo is a consultant and a founder partner of Viva Africa Consulting LLP and Viva Africa Consulting Limited. He is both a lawyer and accountant by profession. He attended Strathmore and the University of Nairobi where he graduated with LLB (Hons) and is a CPA-K and CPA-T holder.

He was previously responsible for establishing and running the Tax Transaction Advisory Group at Deloitte and Touche as the Director of the unit, was responsible for mergers, acquisitions, transaction arrangements, wealth structuring and funds management as well as corporate and legal structuring. Kairo has extensive experience in all areas of taxation in Kenya, Uganda, Rwanda and Tanzania and other countries in Africa. His experience involved all areas of legal, finance and taxation and was also involved in establishment of specialised tax service lines in direct and indirect taxation including customs, international tax and transfer pricing.

Amongst many of his key achievements, Kairo remains the only individual to-date to be recognised by KRA in the annual taxpayers' awards for contribution towards tax education in Kenya having also been recognised by the IFC for outstanding tax advice contribution in the Kenya and Uganda Railways concession process. He also contributed to capacity enhancement for the East Africa Law Society and the Institute of Certified Public Secretaries of Kenya.

He also serves on the Boards of Kenya Power, Special Economic Zones Authority and, NCBA Bank Plc

ANNEXURE E: REIT MANAGER STAFF AND SUPPORT PERSONNEL

1. Einstein Kihanda

Chief Executive Officer: ICEA LION Asset Management Limited and ILAM Fahari I-REIT

Einstein holds a Bachelor of Science Degree in Business Administration (Accounting & Finance Major) from the United States International University (USIU) and a Master of Science degree in Management and Organisational Development from the same university. Einstein also holds a Master of Science degree in Finance from the University of Strathclyde in Scotland, U.K.

Einstein's experience in investment analysis, research and fund management spans over 21 years, having joined Equity Stockbrokers as a Research Analyst in February 1999 followed by a brief stint as Research Manager at Barclaytrust Investment Services shortly before its acquisition by Old Mutual. Einstein started his career in fund management in January 2002 when he joined ICEA Investment Services as Head of Portfolio Management Services and thereafter Old Mutual Asset Managers, CFC Stanbic Financial Services, Sanlam Investment Management Kenya and back to ICEA LION Asset Management Limited as Chief Investment Officer prior to being promoted to CEO in December 2015. Einstein also serves as a Director of ICEA Asset Management (Uganda).

Einstein is the Chairman of the Institute of Certified Investment and Financial Analysts (ICIFA) and is the immediate past Chairman of the Fund Managers Association (FMA) where he chairs the Stakeholders Committee.

2. Barack Obatsa

Chief Investment Officer: ICEA LION Asset Management Limited

Barack holds a Bachelor of Science Degree in Financial Services from the University of Manchester Institute of Science & Technology, Master of Science in Finance (Economic Policy) from the University of London and Master of Science Real Estate (Investment and Finance) from the University Reading. Barack is a Chartered Banker, a Certified Internal Auditor and a Chartered Financial Analyst (CFA) from the CFA Institute. He is also a member of the Institute of Certified Investments & Financial Analysts- Kenya and the CFA Institute.

Barack completed his Leadership Development program from Gordon Institute of Business Science, University of Pretoria in South Africa. Besides this, he has had opportunities to attend trainings across the world in the areas of financial modelling, equity valuation, investment strategy, portfolio management, infrastructure financing and public private partnerships among others. Barack has in the past lectured at Strathmore University and is a "Certified Engagement and Productivity Coach -

(CEPC)” having successfully completed an ICF –Accredited Program of 60 ACSTH at CDI-Africa Coaching.

Barack has over 15 years’ experience in the investment industry, as an analyst, portfolio manager and Chief Investment Officer. Barack was the Regional Chief Investment officer for African Alliance before moving to ICEA Lion Asset management in the same position in 2016.

Barack has diverse and extensive experience in various asset classes from traditional financial investments- equities, fixed income to alternatives like private equity, infrastructure assets and real estate. In real estate, Barack’s experience includes investment management of the extensive real estate portfolio of ICEA LION and third-party real estate assets for ILAM client’s value at over KES 20 Billion. These include both commercial and residential properties.

His specific experience includes conducting investment appraisal, refurbishment, development appraisal, providing investment opinions on exit and acquisition of properties and development of property optimization strategies, including assisting in development of property business plan/strategies and interacting with property level managers to add value to real estate assets. He has also been involved in providing advice in of structuring of property investment vehicles within ILAM for third party clients. Barack also serves on the ICEA LION Property Committee and has also received extensive training in real estate from some of the leading authorities and academics in real estate investing.

Barack’s current and previous experience includes oversight of the investment process across the region in the various asset classes, exposure to management of offshore funds and due diligence of offshore managers including funds of funds. Barack is widely travelled across the world including the key financial capital capitals of the world – London, New York, and in Africa, Johannesburg, where he closely interacted with the top minds in the world running various investment strategies. Barack has received considerable investment mentorship from one of the most highly rated investment professionals in Africa that has strengthened his understanding of risk and ethics in investing.

3. Elizabeth Irungu

General Manager, Business Development and Client Relations: ICEA LION Asset Management Limited

Elizabeth is a Chartered Financial Analyst CFA, and is an active member of CFA East Africa Society and the CFA Institute USA. She is also a member of the Institute of Certified Investment and Financial Analysts- Kenya (ICIFA).

She started her career as an Economist in the Office of the President between 2005- 2007, before joining ICEA LION Asset Management Limited as an Investment Dealer. She later moved to African Alliance to become a Fixed Income Analyst until 2009. She then joined STANLIB Kenya as a Portfolio Manager and rose to the role of a Senior Investment Manager handling clients' portfolios. After that, she joined Britam Asset Managers as a Senior Portfolio Manager for a short stint before being promoted to the Chief Investments Officer position, a role she held until 2017 when she joined ICEA LION Asset Management Limited.

Elizabeth's experience spans across both Private and Public Sectors with diverse experience in the financial industry spanning research, portfolio management, credit analysis, economic analysis and stock broking.

4. Ruth Okal

Property Asset Manager: ILAM Fahari I-REIT

Ruth has 17 years' industry experience and is responsible for optimizing ILAM Fahari I-REIT's real estate portfolio through market research, data analysis, revenue forecasting and industry reporting to inform business decisions.

She holds an MA in Property Management and Valuation and a BA in Land Economics both from University of Nairobi, and has been instrumental in the originating, negotiating and closing many property transactions. Ruth is both a registered Valuer and Registered Estate Agent. She has completed CFA Level 1. Ruth joined STANLIB Kenya Limited in 2013 from Knight Frank Kenya Limited, where she gained experience within Commercial Agency, Property Management, Valuation, Market Research, Feasibility Studies and Development Advisory. She is a member of the Valuers Registration Board.

5. Irene Maloba

Finance Manager: ILAM Fahari I-REIT

Irene has over 9 years of experience in the financial sector. She is adept at budget forecasting, financial planning, financial reporting and analysis, treasury operations as well as banking. She is responsible for evaluating the REIT's performance, risk management and financial reporting. Prior to joining ILAM Fahari I-REIT, Irene worked as a Management Accountant at Centum Investment Company Plc, the largest investment firm in East Africa where she was responsible for financial reporting and analysis for the Holding Company as well as Two Rivers Development and its subsidiaries. Before joining Centum, Irene spent over three years at Equity Group Holdings Limited where she developed her career in Finance. She was in charge of the finance department of Equity Investment Bank at the time of exit.

Irene holds a Master of Science in Finance from the University of Nairobi and a Bachelor's degree in Business Management (Finance and Banking) from Moi University. She is a Certified Public Accountant of Kenya and a member of Institute of Certified Public Accountants of Kenya (ICPAK).

6. Muhwa Chakaya

Property Analyst: ILAM Fahari I-REIT

Muhwa has over three years' experience in the investment world and is responsible for property market research and financial analysis. He holds a Bachelor of Commerce degree in Finance from Strathmore University and has passed the third level of the Chartered Financial Analyst examination. He is a member of ICIFA and a Master's of Commerce student at Strathmore University.

7. Maureen Mugambi

Financial Accountant: ILAM Fahari I-REIT

Maureen has over five years of experience in the finance sector. She is well-versed in financial reporting, cash flow management, budgeting and treasury management. At ILAM Fahari I-REIT, she is charged with preparation, compiling and presentation of financial data for the REIT and the four subsidiaries.

Before joining ILAM Fahari I-REIT, Maureen worked as a Financial Accountant at Centum Investment Company Plc where she was responsible for financial reporting, budgeting and analysis of the subsidiary companies. Maureen holds a Bachelor of Commerce degree in Finance from Jomo Kenyatta University of Agriculture and Technology (JKUAT). She is also a student with the Association of Chartered Certified Accountants (ACCA).

8. Olga Omalla

Risk and Compliance Officer: ICEA LION Asset Management

Olga has over eleven years' experience in legal and compliance matters. As the Legal and Compliance Officer for ILAM, she is in charge of regulatory compliance, drafting and reviewing legal documents, ensuring compliance and adherence to client mandates as well as facilitating all legal correspondence for the company. She joined ILAM in 2009 and previously worked at a law firm in Kenya under the Commercial and Corporate Division.

Olga is qualified as an advocate of the High Court of Kenya and holds a Bachelor of Law degree from the University of Nairobi, a Post Graduate Diploma from the Kenya School of Law, a Post Graduate Certificate in Commercial and Corporate Law from the University of London, a Post Graduate Diploma in Financial Services Law from the University of London and a Masters in Law from the University of London in Financial Services Law. She is also a Certified Professional Mediator and a Certified Retirement Benefits Scheme Trustee under Kenyan Law.

ANNEXURE F: DETAILS OF SERVICE PROVIDERS

<p>REGISTERED OFFICE OF THE FUND</p> <p>4th Floor, ICEA LION Centre Chiromo Road P.O. Box 46143 – 00100 GPO Nairobi, Kenya Tel: +254 20 275 0000 Email: ilamreit@icealion.com</p>	<p>COMMERCIAL BANKER</p> <p>The Co-operative Bank of Kenya Limited Co-operative House Haile Selassie Avenue P.O. Box 48231 – 00100 Nairobi, Kenya Tel: +254 703 027 000 Email: customerservice@co-opbank.co.ke ; custodial@co-opbank.co.ke</p>
<p>TRUSTEE</p> <p>The Co-operative Bank of Kenya Limited Co-operative House Haile Selassie Avenue P.O. Box 48231 – 00100 Nairobi, Kenya Tel: +254 703 027 000 Email: customerservice@co-opbank.co.ke ; custodial@co-opbank.co.ke</p>	<p>CUSTODIAN</p> <p>The Co-operative Bank of Kenya Limited Co-operative House Haile Selassie Avenue P.O. Box 48231 – 00100 Nairobi, Kenya Tel: +254 703 027 000 Email: customerservice@co-opbank.co.ke ; custodial@co-opbank.co.ke</p>
<p>REIT MANAGER</p> <p>ICEA LION Asset Management Limited 4th Floor, ICEA LION Centre Chiromo Road P.O. Box 46143 – 00100 GPO Nairobi, Kenya Tel: +254 20 275 0000 Email: einstein.kihanda@icealion.com</p>	<p>AUDITORS</p> <p>KPMG Kenya 8th Floor, ABC Towers ABC Place, Waiyaki Way P. O. Box 40612 – 00100 Nairobi, Kenya Tel: +254 20 280 6000 Email: info@kpmg.co.ke</p>
<p>COMPLIANCE OFFICER – TRUSTEE</p> <p>Henry Karanja Co-operative House Haile Selassie Avenue P.O. Box 48231 – 00100 Nairobi, Kenya Tel: +254 20 327 6965 Email: hmkaranja@co-opbank.co.ke</p>	<p>COMPLIANCE OFFICER – REIT MANAGER</p> <p>Olga Omalla 4th Floor, ICEA LION Centre Chiromo Road P.O. Box 46143 – 00100 GPO Nairobi, Kenya Tel: +254 20 275 0000 Email: olga.omalla@icealion.com</p>

<p>COMPANY SECRETARY</p> <p>Elissa Otemba Co-operative House Haile Selassie Avenue P.O. Box 48231 – 00100 Nairobi, Kenya Tel: +254 20 327 6474 Email: eotemba@co-opbank.co.ke</p>	<p>REGISTRAR</p> <p>CDSC Registrars Limited 10th Floor, Nation Centre Kimathi Street P.O. Box 3464 – 00100 Nairobi, Kenya Tel: +254 20 291 2000 Email: helpdesk@cdsckenya.com</p>
<p>LEGAL ADVISORS</p> <p>Mboya Wangong’u & Waiyaki Advocates Lex Chambers, Maji Mazuri Road Off James Gichuru Road P.O. Box 74041 – 00200 Lavington, Nairobi Tel: +254 20 216 0312 Email: gmboya@lexgroupafrica.com</p>	<p>LEGAL ADVISORS</p> <p>Hamilton Harrison & Mathews Advocates 1st Floor, Delta Office Suites, Waiyaki Way, P.O. Box 30333 Nairobi, Kenya Email: kenneth.fraser@dentons.com</p>
<p>TAX ADVISORS</p> <p>Viva Africa Consulting LLP 3rd Floor, Kiganjo House Rose Avenue, Off Denis Pritt Road P.O. Box 75079 – 00200 Nairobi, Kenya Tel: +254 20 246 5567 Email: K'Thuo@vivaafricallp.com</p>	<p>INDEPENDENT VALUERS</p> <p>Jones Lang LaSalle Kenya Ltd 4th Floor, Sanlam Tower, Waiyaki Way, Nairobi Tel: +254 709 324 324 Email: jll.co.za; africa.jll.com</p>
<p>PROPERTY MANAGER</p> <p>CBRE Excellerate 3rd Floor, Grenadier Tower 1 Woodvale Close, Westlands P.O. Box 1620 – 00606 Nairobi, Kenya Tel: +254 20 444 2061 Email: Lillian.Mbaabu-Muriuki@cbreexcellerate.com Resigned 15th April 2021</p>	<p>PROPERTY MANAGER</p> <p>Knight Frank Kenya Limited Lions Place, Waiyaki Way Westlands P.O. Box 39773 – 00623 Nairobi, Kenya Tel: +254 20 423 9000 Email: info@ke.knightfrank.com Appointed 15th April 2021</p>

MEP ENGINEER

LDK Africa Limited
9th Floor, Purshottam Place
Westlands Road
P.O. Box 60293 – 00200
Nairobi, Kenya
Tel: +254 374 3838
Email: ldkafrica@ldk.gr

STRUCTURAL ENGINEER

Civil Engineering Design (K) Ltd
1st Floor Sri Sathya Sai Centre
Musa Gitau Road
P.O. Box 54531 – 00200, City Square
Nairobi, Kenya
Tel: +254 20 806 8141
Email: info@ced.co.ke

No expert referenced above is or has been, engaged or interested or connected with the Trustee or the REIT Manager save as disclosed in this report.

ANNEXURE G: INVESTMENT GUIDELINES

1. Investment Targets

The REIT Scheme will act in best endeavour to achieve the following investment performance metrics after being fully invested subject to changing market conditions at any time:

- The targeted Internal Rate of Return at property level and before REIT expenses is 14 per cent per annum.
- Distributions to unitholders will be after deduction of REIT expenses and thus the IRR earned by investors may be lower than the target IRR at a property level.

2. Investment Limits and Guidelines

The Eligible Assets comprise eligible real estate or eligible cash investments. At least 75% of the REIT Scheme's Total Net Asset Value ("NAV") may be invested in eligible real estate, while a maximum of 25% of the REIT Scheme's NAV may be invested in eligible cash investments.

Eligible real estate includes, but is not limited to, strategic real estate in Kenya, via the following investment instruments:

- Land Title (direct ownership of the property asset), including leases with minimum 25 years remaining;
- 100% ownership of any Company that owns the property asset; with the property asset being transferred directly into the REIT Scheme if deemed necessary by the REIT Manager and REIT Trustee in order to access fiscal benefit; and
- 100% beneficial interest in an Investee Trust.

Further,

- The REIT Scheme will not co-own eligible real estate with any other person;
- The REIT Scheme may hold units in listed property companies or real estate investment trusts with similar objectives listed on a securities exchange in Kenya, in which event the REIT Scheme need not own 100% of such company or real estate investment trust, subject to the REIT Scheme not investing more than 10 per cent of its assets by TAV in such listed securities.

The sector allocation for the 75% to 100% of eligible real estate is as follows:

Sector	Lower Limit	Upper Limit
Retail	30% of TAV	75% of TAV
Office	30% of TAV	75% of TAV
Industrial	0% of TAV	15% of TAV
Hospitality	0% of TAV	15% of TAV

Eligible cash investments include cash, deposits, bonds, securities and money market instruments.

A material change to the Eligible Assets of the REIT Scheme may only be made if authorised by the Act and the REIT's Regulations and approved by the REIT Scheme unitholders.

The investments of ILAM Fahari I-REIT will be in accordance with the asset class allocation, in the property sectors and subject to the sector allocations as set out earlier in this section.

3. Operating Policies

The operations and affairs of the Trust shall be conducted in accordance with the following operating policies:

- To the extent the Trustee determines to be practicable and consistent with its fiduciary duty to act in the best interests of the Trust and the unitholders, any written instrument which in the sole judgment of the Trustee creates a material obligation of the Trust must contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of the Trustee, unitholders or beneficiaries under a plan of which a unitholder acts as a Trustee or officer, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof will be bound;
- The Trust shall only guarantee the obligations of its wholly-owned subsidiaries (other than any wholly-owned subsidiaries that are general partners in partnerships that are not wholly-owned by the Trust), provided that the Trust may guarantee the obligations of wholly-owned subsidiaries of the Trust that are general partners in partnerships that are not wholly-owned by the Trust if the Trust has received an unqualified legal opinion that the guarantee by the Trust of the obligations of wholly-owned subsidiaries of the Trust that are general partners in partnerships that are not wholly-owned by the Trust will not cause the Trust to cease to qualify as an approved I-REIT Scheme;

- Subsidiaries of the Trust shall not enter into any transaction involving the purchase of lands or land with improvements thereon and the leasing thereof back to the vendor for less than the fair market value of the property;
- Title to real estate shall be held by and registered in the name of the Trustee, its subsidiary or nominee, an investee company or the Trustee of an Investee Trust and, if required, in the name of a secondary disposition Trustee;
- The Trustee and each Investee Trust or investee company or other subsidiaries of the Trust will have conducted such diligence as is commercially reasonable in the circumstance on real estate the Trust intends to acquire;
- The Trust will obtain and maintain at all times insurance coverage in respect of potential liabilities of the Trust and the accidental loss of value of the assets of subsidiaries of the Trust from risks, in amounts, with such insurers, and on such terms as the Trustee considers appropriate, taking into account all relevant factors including the practices of owners of comparable properties, provided that it shall remain the obligation of the REIT Manager to obtain quotations and make recommendations to the Trustee;
- Amendments to Investment Guidelines and Operating Policies shall be subject to the terms set out in the Trust Deed;
- Regulatory Matters: If at any time a government or regulatory authority having jurisdiction over the REIT Scheme or any REIT assets shall enact any law, regulation or requirement which is in conflict with any investment guideline of the Trust then in force, such restriction in conflict shall, if the Trustee on the advice of legal counsel to the Trust so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary herein contained, any such resolution of the Trustee shall not require the prior approval of the unitholders; and
- Operating Plan: The REIT Manager shall, at least on an annual basis, prepare an investment and operating plan for the ensuing period for approval by the Trustee.

ANNEXURE H: KEY RISKS

Industry Specific Risks

While analyses of the Kenyan property market show positive growth trends in terms of rental incomes and property values over the past few years, there can be no guarantee that the current trends will continue unabated into the future. Any changes in property industry dynamics may impact growth trends. However, experience in other markets suggests that I-REITs that invest in portfolios of high-quality investment properties provide sustained returns and operating performance even in a less favourable market environment of slower growth in rental incomes and property values for the industry as a whole. Weaknesses in land title and rental lease registration can adversely impact the operations of REIT Schemes.

All I-REIT Schemes are dependent on the certainty of the title to the properties and enforceability of rental lease agreements. Uncertainty of title presents the risk of (i) delays in completion of the purchase of properties until titles and leases are regularized, and (ii) delays in enforcement of lease contractual arrangements both of which could have adverse impacts on the business, financial condition and results of operations of I-REITs.

As a mitigating factor, the ILAM Fahari I-REIT's policy is to conduct a thorough due diligence on properties to be purchased and to require the current owners to regularize titles and leases before the purchases are completed.

The underlying asset portfolio of REIT Schemes comprise primarily of real estate. REITs Regulations require that an I-REIT must invest at least 75 percent of its total NAV in income producing real estate, within two-years of being licenced by the regulator. The nature of real estate investments means that it is difficult to find buyers for or sellers of property assets quickly, particularly for the larger, iconic, REIT-quality properties. As a result, it may be difficult for REITs to re-balance their investment portfolio or sell their assets on short notice should there be adverse economic conditions or exceptional circumstances.

Risks common to traded REIT securities

REIT units traded on the NSE and the prices are subject to securities market volatility, reflecting demand and supply conditions, just like other listed securities. The price obtainable on sale of a REIT unit on a public exchange can go up or down and may differ from the reported NAV per REIT unit. The price of the REIT Scheme units will generally reflect prospective investors' confidence in Kenya's economy, the property market and its returns, the REIT Scheme management and interest rates.

Risks associated with the ILAM Fahari I-REIT structure

Market Risk

The underlying asset value of ILAM Fahari I-REIT's properties may be impacted by fluctuations in supply and demand for the type of rental properties that the REIT has invested in. ILAM Fahari I-REIT's reported financial results may be affected by losses recognised on the revaluation of investment properties being charged to the profit or loss statement. The REIT prepares its financial statements in accordance with IFRS. As currently permitted by IFRS, investment properties held to earn rentals and for capital appreciation are stated at annual valuation performed by independent professional valuers on an open market value for existing use basis. Any revaluation surpluses or deficits arising from the revaluation of investment properties are reflected in the profit or loss statement.

The REIT Manager mitigates the impact of these risks on ILAM Fahari I-REIT's underlying asset values and operating performance by applying a careful investment evaluation process to help ensure that the seed properties selected and new Eligible Assets that the ILAM Fahari I-REIT may invest in the future are in line with the REIT's stated investment philosophy and objectives and meet the minimum investment return criteria.

Income Risk

Rental income earned from, and the value of, ILAM Fahari I-REIT's investment properties may be adversely affected by a number of factors and distributions may not be made if the REIT reports an operating loss. Reduction in reported rental income and operating profits may arise, for example, if tenancy agreements of the underlying properties are renewed at a lower rental rate than the previous agreement or if the occupancy rate falls. This in turn, reduces property income and ILAM Fahari I-REIT's ability to recover certain operating costs such as service charges. Other factors could include changes in the REIT's ability to collect rent from tenants on a timely basis or at all; changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in the management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the building standards laws or the city planning laws, or the enactment of new laws related to construction and redevelopment.

The REIT Manager intends to mitigate the impact of such factors by implementing portfolio specific strategies and operational initiatives. These include activities such as: income flow management; lease audit and data integrity review; vacancy management and leasing strategy; review of lease structures; and cost optimization management. In particular, the leasing strategy includes procuring of payment upfront and contractual lock-ins of rental rates and other clauses in tenancy agreements.

Securities Liquidity Risk

The ILAM Fahari I-REIT is the first I-REIT to have its units listed on the NSE. As with other listed securities listing and quotation does not guarantee that a highly-liquid trading market for the units will remain strong.

Regulatory Risk

Changes to the regulatory framework applicable to a REIT could impact the REIT's financial performance and after-tax returns to unitholders. The ILAM Fahari I-REIT is subject to the REIT's Regulations and the regime governing I-REITs in Kenya remains relatively new.

Future changes may occur in laws and regulations that impact the REIT Scheme. Alternatively, there may be changes to enforcement or regulatory interpretation of laws leading to changes in the legal requirements affecting the REIT Scheme.

The REIT Manager intends to mitigate this regulatory risk by participating actively in industry forums to discuss and debate potential regulatory changes and their potential impact.

Tax Risks

At the establishment of the ILAM Fahari I-REIT, the REIT was and still is exempt from income tax in line with section 20(1)(c) of the Kenyan Income Tax Act. However, the REIT wholly owned subsidiaries were not explicitly exempt. In November 2019, the Finance Act No.23 of 2019 introduced section 20(1)(d) to the Kenyan Income Tax Act to exempt investee companies of REITs from income tax. This development in the tax regulations removed the long-standing uncertainty as to the exemption status of the ILAM Fahari I-REIT subsidiaries.

The Kenya Revenue Authority ("KRA") is expected to publish subsidiary regulations or rules within the Kenyan Income Tax Act to provide detailed provisions and guidelines on the new section 20(1)(d). In addition, these rules are expected to result in the REIT's wholly owned subsidiaries not incurring any tax liability as a result of the delay in the introduction of tax legislation that aligns with the CMA REIT's Regulations.

The REIT is required to distribute at least 80 percent of its distributable income to its unitholders annually. Failure to distribute at least 80 percent of its distributable income to unitholders, changes to the interpretation of current tax laws and any new laws and regulations that may be introduced in the future could adversely impact the tax liability of the REIT Scheme. Such changes may reduce income, distributions and unitholder returns.

The Kenyan Parliament re-introduced Capital Gains Tax at a rate of 5% effective 1 January 2015. The KRA has confirmed that organizations that are exempted from income tax, such as registered REIT Schemes, will not be subjected to Capital Gains Tax. Consequently, the reintroduction of Capital Gains

Tax is not expected to negatively impact the return and distribution of any capital gains achieved on the underlying properties acquired by the REIT Scheme, should it divest its interest in these properties and realize a capital gain.

The REIT Manager and Trustee mitigates these tax risks by, firstly, monitoring and taking proactive action to help ensure that the REIT remains compliant with tax registration requirements, secondly, ensuring that at least 80 percent of the distributable income of the REIT is distributed to unitholders and, thirdly, by participating actively in industry forums to discuss and debate proposed changes to the tax legislation. The REIT Manager is also extensively involved, alongside industry bodies such as the REIT's Association of Kenya, in lobbying for the required tax reforms affecting REITs in Kenya to be duly implemented.

Risks Associated with the Scheme's Proposed Investment Portfolio

Risks Arising from Acquisition of Special Purpose Vehicles

The ILAM Fahari I-REIT has acquired investment properties through the purchase of shares in limited liability companies (special purpose vehicles) that own underlying investment properties rather than purchasing the underlying properties directly. As is common with acquisitions of this type, the REIT's policy is to complete due diligence on any such company it wishes to purchase. Further, the REIT's policy is to enter into contractual arrangements that include obligations for the vendor to identify and settle liabilities of the target company prior to the sale and to provide certain, limited, ability for the REIT and the target company to make claims against the vendors in the event that they suffer losses relating to pre-acquisition liabilities and claims that may only come to light and crystallize after the acquisition.

However, there remains a residual risk that the REIT may not be able to claim full reimbursement for the losses that it might suffer in respect of such pre-acquisition liabilities and claims that are identified and crystallize after the acquisition because of contractual limitations and because the REIT may be unable to collect claim reimbursements on a timely basis or at all.

The REIT Manager intends to mitigate this risk by ensuring that it monitors liabilities and claims against the companies that the Scheme purchases carefully and puts in place appropriate processes to identify potential claims, to submit claims and to follow up and collect such claims.

ANNEXURE I: GLOSSARY

Term or abbreviation	Meaning
“the Act”	means The Capital Markets Act, Chapter 485A of the Laws of Kenya, (Amended by Act No. 48 of 2013);
“AGM”	means Annual General Meeting;
“CBD”	means central business district;
“CDSC”	means Central Depository and Settlement Corporation Limited;
“CED”	means Civil Engineering Design (K) Ltd;
“CMA” or “Capital Markets Authority” or “Authority”	means the Capital Markets Authority in Kenya established by statute (and includes any successor thereto (whether immediate or derivative));
“Co-op Bank”	means The Co-operative Bank of Kenya Limited;
“Distribution Date”	means date by which distributions to Unitholders are required to be made, being 30 April annually;
“Eligible Assets”	means the eligible real estate and/or eligible cash investments that the ILAM Fahari Property Income Fund is permitted to invest in;
“GDP”	means Gross Domestic Product;
“GLA”	means gross lettable area, being the total area of a building that can be let to a tenant. GLA comprises primary GLA plus supplementary areas which include for example, storerooms, balconies, terraces, patios and signage/advertising areas dedicated for the use by the tenant and exclude basements and parking. Unless otherwise noted, any reference within the report to m ² is based on GLA;
“IFRS”	means the International Financial Reporting Standards;
“I-REIT”	means Income REIT;
“KRA”	means Kenya Revenue Authority;

“LDK”	means LDK Africa Limited;
“LLP”	means Limited Liability Partnership;
“m²” or “sqm”	means square metres;
“MEP”	means mechanical, electrical and plumbing;
“MER”	means the management expense ratio as defined in the REIT's Regulations;
“NAV”	means net asset value, being the value of all the ILAM Fahari I-REIT's assets after subtracting the value of all of its liabilities as determined in accordance with the consolidated financial statements of ILAM Fahari I-REIT;
“NSE”	means Nairobi Securities Exchange Limited, approved as a securities exchange under the Act;
“REIT”	means Real Estate Investment Trust, an unincorporated common law trust that has been authorised as such by the CMA;
“REIT Manager”	means ICEA LION Asset Management Limited
“REITs Regulations”	means the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013 as may be amended or modified from time to time;
“REIT Trustee” or “Trustee”	means The Co-operative Bank of Kenya Limited;
“SPV”	means special purpose vehicle;
“sq.ft.”	means square foot or square feet;
“sqm”	means square meter or square metres;
“STANLIB Kenya”	means STANLIB Kenya Limited, Certificate of Incorporation number C.9522;
“Subsidiary” or “Subsidiaries”	means a subsidiary or the subsidiaries of the ILAM Fahari I-REIT property fund, being an entity or entities owned more than 50% by the REIT Trustee on behalf of the REIT;

“TAV”	means total asset value, being the value of all the ILAM Fahari I-REIT assets prior to any adjustments or deduction of liabilities;
“Trust Deed”	means the trust deed between ICEA LION Asset Management Limited and Co-op Bank establishing the ILAM Fahari I-REIT property fund as an Income Real Estate Investment Trust Scheme, 30 September 2015;
“Unitholder(s)” or “REIT Unitholder(s)” or “Securities holder”	means any person including the Promoter, who has purchased or otherwise acquired (including through the exchange, or in consideration of any transfer, of Property) and holds any Units and is registered in the Register as evidence that he holds the Units;
“VAT”	means value-added tax as defined in the Value-Added Tax Act, 2013, as amended.