

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2021 (KShs)	2020 (KShs)
Revenue	265,670,495	324,669,579
Rental and related income	297,549,052	341,156,587
Straight-lining of lease income	(31,878,557)	(16,487,008)
Other income	33,972,521	22,875,975
Interest income	25,664,245	22,412,016
Sundry income	8,308,276	463,959
Operating expenses	(229,548,302)	(229,611,646)
Property expenses	(116,345,232)	(97,242,731)
Impairment loss	(5,703,396)	(33,118,967)
Fund operating expenses	(107,499,674)	(99,249,948)
Increase in fair value of investment property	(194,045,724)	30,091,205
Fair value adjustment to investment property	(225,924,281)	13,604,197
Straight-lining of lease income	31,878,557	16,487,008
(Loss)/profit for the year	(123,951,010)	148,025,113
Other comprehensive income	-	-
Total comprehensive income attributable to unit holders for the year	(123,951,010)	148,025,113

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2021 (KShs)	2020 (KShs)
ASSETS		
Non-current assets		
Investment property	3,258,000,000	3,481,400,000
Fair value of investment property for accounting purposes	3,194,079,844	3,385,601,287
Straight-line lease adjustment	63,920,156	95,798,713
Property and equipment	13,272,024	14,525,608
	3,271,272,024	3,495,925,608
Current assets		
Investment securities	246,686,432	150,437,699
Trade and other receivables	74,273,158	39,610,337
Cash and cash equivalents	120,294,160	197,772,556
	441,253,750	387,820,592
Total assets	3,712,525,774	3,883,746,200
EQUITY & LIABILITIES		
Capital and reserves		
Trust capital	3,479,540,745	3,479,540,745
Fair value reserve	(85,506,797)	140,417,484
Retained earnings	149,170,399	155,780,508
	3,543,204,347	3,775,738,737
Current liabilities		
Trade and other payables	169,321,427	108,007,463
Total equity & liabilities	3,712,525,774	3,883,746,200
Net asset value per unit	19.58	20.86

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Trust capital (KShs)	Fair value reserve (KShs)	Retained earnings (KShs)	Total (KShs)
2021				
Balance at 1 January 2021	3,479,540,745	140,417,484	155,780,508	3,775,738,737
Total comprehensive income				
Loss for the year	-	-	(123,951,010)	(123,951,010)
Transfer to non-distributable reserve	-	(225,924,281)	225,924,281	-
Transactions with owners of the REIT				
Distribution	-	-	(108,583,380)	(108,583,380)
Balance at 31 December 2021	3,479,540,745	(85,506,797)	149,170,399	3,543,204,347
2020				
Balance at 1 January 2020	3,479,540,745	126,813,287	157,088,817	3,763,442,849
Total comprehensive income				
Net profit for the year	-	-	148,025,113	148,025,113
Transfer to non-distributable reserve	-	13,604,197	(13,604,197)	-
Transactions with owners of the REIT				
Distribution	-	-	(135,729,225)	(135,729,225)
Balance at 31 December 2020	3,479,540,745	140,417,484	155,780,508	3,775,738,737

CONSOLIDATED STATEMENT OF CASH FLOWS

	2021 (KShs)	2020 (KShs)
Cash flows from operating activities		
Cash generated from operations	129,877,998	160,356,537
Net cash inflow from operating activities	129,877,998	160,356,537
Cash flows from investing activities		
Additions to investment property	(2,524,281)	(11,195,803)
Additions to property and equipment	-	(210,150)
(Increase)/decrease in investment securities	(96,248,733)	88,488,054
Net cash inflow/outflow from investing activities	(98,773,014)	77,082,101
Cash flows from financing activities		
Distribution paid	(108,583,380)	(135,729,225)
Net cash outflow from financing activities	(108,583,380)	(135,729,225)
Net movement in cash and cash equivalents	(77,478,396)	101,709,413
Cash and cash equivalents at beginning of year	197,772,556	96,063,143
Cash and cash equivalents at end of year	120,294,160	197,772,556

NOTES

1 Basic and headline earnings

	2021 (KShs)	2020 (KShs)
Basic earnings - comprehensive income attributable to unit holders for the period	(123,951,010)	148,025,113
Adjusted for:		
Fair value adjustment to investment property (including straight-line lease accrual movement)	194,045,724	(30,091,205)
Headline earnings	70,094,714	117,933,908
Adjusted for:		
Straight-line lease accrual movement	31,878,557	16,487,008
Distributable earnings	101,973,271	134,420,916
Distributable earnings per unit (KShs)	0.56	0.74
Basic earnings per unit (KShs)	(0.68)	0.82
Headline earnings per unit (KShs)	0.39	0.65
Weighted average units in issue (units)	180,972,300	180,972,300
Units in issue at the end of the period (units)	180,972,300	180,972,300

COMMENTARY

1. Basis for preparation

The audited condensed consolidated financial statements of ILAM Fahari I-REIT ("the REIT") for the year ended 31 December 2021 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) and the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013.

The consolidated financial statements for the year ended 31 December 2021 were audited by KPMG Kenya and received an unqualified audit opinion. These will be available on the REIT's website as detailed in Note 5 below.

2. Business review

Net earnings decreased significantly to a loss of KShs 124.0 mln in 2021 (2020: Profit of KShs 148.0 mln). The decrease was mainly due to a fair value loss on revaluation of investment property (compared to a gain in the prior year) against the backdrop of the COVID-19 pandemic whose impact is a material valuation uncertainty in the short to medium term. In addition, there was increased vacancy at Greenspan Mall resulting from the new anchor tenant Naivas taking up less space compared to that previously occupied by Tusksys, which contributed to a further devaluation. This was a strategic move by the REIT Manager to reduce concentration risk and will ultimately have a positive impact once the remaining space is leased out.

Distributable earnings decreased by 24% to KShs 102.0 million (2020: KShs 134.4 million). The decline was mainly attributable to the loss of revenue from the anchor tenant for the first seven months of the year under review. The previous anchor tenant occupied 48% of the Gross Lettable Area (GLA), which accounted for about 40% of rental income collected. In addition, property expenses increased significantly due to the tax leakage from the provision of irrecoverable withholding tax by the tenants. The provision grew by 61% to KShs 22.8 million (2020: KShs 13.9 million).

3. Distribution

The REIT Manager has recommended, and the Trustee has approved, a first and final distribution of KShs. 90,486,150 in relation to the year ended 31 December 2021 (2020: KShs. 108,583,380) subject to unitholder ratification at the annual general meeting. The distribution amounts to 50 cents per unit (2020: 60 cents per unit) and is payable no later than 30 April 2022.

4. Strategic review and impact on the Annual General Meeting (AGM)

The REIT Manager and the Trustee have undertaken a strategic review which, if approved and implemented, may involve an operational restructuring of the REIT. The completion of the process is subject to, inter alia, regulatory and unitholder approvals. A detailed announcement including all the relevant information on the proposed process will be available at the appropriate time on the REIT's website, www.ilamfahariireit.com. Due to the aforementioned, the AGM is expected to take place at a later date than usual. As the date is yet to be confirmed, no AGM notice and proxy form accompany this publication. The same will be published separately at a later stage through the REIT's website and in the newspapers. Unitholders will also be advised via sms and/or email.

5. Website information

The REIT Manager's annual report and audited financial statements will be available on the ILAM Fahari I-REIT website at www.ilamfahariireit.com from 31 March 2022.

Approval of the financial statements

The financial statements were approved for issue by the Trustee and the Board of the REIT Manager on 29 March 2022 and signed on their behalf by:

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

Andrew Ndegwa: Chairman, ICEA LION Asset Management Limited.

Einstein Kihanda: Chief Executive Officer, ICEA LION Asset Management Limited.