

UNAUDITED CONDENSED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Unaudited 6 months 30 June 2020 KShs	Unaudited 6 months 30 June 2019 KShs	Audited 12 months 31 December 2019 KShs
Revenue	166,924,249	180,971,759	353,886,007
Rental and related income	174,711,214	170,650,728	344,346,639
Straight-lining of lease income	(7,786,965)	10,321,031	9,539,368
Other income	13,202,863	13,163,561	25,323,607
Interest income	13,082,463	13,163,561	24,996,287
Sundry income	120,400	-	327,320
Operating expenses	(101,880,986)	(107,382,425)	(225,636,051)
Property expenses	(48,459,134)	(48,815,137)	(114,334,308)
Fund operating expenses	(53,421,852)	(58,567,288)	(111,301,743)
Increase in fair value of investment property	7,786,965	(10,321,031)	21,654,685
Fair value adjustment to investment property	-	-	31,194,053
Straight-lining of lease income	7,786,965	(10,321,031)	(9,539,368)
Profit for the period	86,033,091	76,431,864	175,228,248
Other comprehensive income	-	-	-
Total comprehensive income attributable to unitholders for the period	86,033,091	76,431,864	175,228,248
Basic earnings per unit (KShs)	0.48	0.42	0.97
Headline earnings per unit (KShs)	0.43	0.48	0.85
Supplementary information			
Distributable earnings per unit (KShs)	0.48	0.42	0.80

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Unaudited 6 months 30 June 2020 KShs	Unaudited 6 months 30 June 2019 KShs	Audited 12 months 31 December 2019 KShs
ASSETS			
Non-current assets			
Investment property	3,467,884,174	3,424,471,550	3,456,600,000
Fair value of investment property for accounting purposes	3,363,385,418	3,311,404,166	3,344,314,279
Straight-line lease accrual	104,498,756	113,067,384	112,285,721
Property and equipment	15,195,896	15,727,953	15,615,047
	3,483,080,070	3,440,199,503	3,472,215,047
Current assets			
Investment securities	102,665,264	192,576,641	238,925,753
Trade and other receivables	91,994,412	103,096,974	71,245,082
Cash and cash equivalents	138,916,023	42,528,728	96,063,143
	333,575,699	338,202,343	406,233,978
Asset held for sale	-	-	-
Total assets	3,816,655,769	3,778,401,846	3,878,449,025
EQUITY AND LIABILITIES			
Capital and reserves			
Trust capital	3,479,540,745	3,479,540,745	3,479,540,745
Revaluation reserve	126,813,287	95,619,234	126,813,287
Retained earnings	107,392,682	89,486,486	157,088,817
	3,713,746,714	3,664,646,465	3,763,442,849
Current liabilities			
Trade and other payables	102,909,055	113,755,381	115,006,176
TOTAL EQUITY AND LIABILITIES	3,816,655,769	3,778,401,846	3,878,449,025
Net asset value per unit	20.52	20.25	20.80

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
Audited balance at 31 December 2018	3,479,540,745	95,619,234	148,783,847	3,723,943,826
Net profit for the period	-	-	76,431,864	76,431,864
Transactions with owners of equity				
Distribution to unitholders	-	-	(135,729,225)	(135,729,225)
Unaudited balance at 30 June 2019	3,479,540,745	95,619,234	89,486,486	3,664,646,465
Net profit for the period	-	-	98,796,384	98,796,384
Transfer to non-distributable reserve	-	31,194,053	(31,194,053)	-
Audited balance at 31 December 2019	3,479,540,745	126,813,287	157,088,817	3,763,442,849
Net profit for the period	-	-	86,033,091	86,033,091
Transactions with owners of equity				
Distribution to unitholders	-	-	(135,729,225)	(135,729,225)
Unaudited balance at 30 June 2020	3,479,540,745	126,813,287	107,392,683	3,713,746,714

CONSOLIDATED STATEMENT OF CASH FLOWS

	Unaudited 6 months 30 June 2020 KShs	Unaudited 6 months 30 June 2019 KShs	Audited 12 months 31 December 2019 KShs
Cash flows from operating activities			
Cash generated from operations	53,815,939	14,059,414	115,335,771
Distribution paid	(135,729,225)	(135,729,225)	(135,729,225)
Net cash outflow from operating activities	(81,913,286)	(121,669,811)	(20,393,454)
Cash flows from investing activities			
Additions to investment property	(11,284,174)	(18,771,549)	(19,705,947)
Additions to property and equipment	(210,150)	(11,085,506)	(11,543,938)
Decrease/(increase) in investment securities	136,260,490	(108,767,126)	(155,116,238)
Net cash outflow from investing activities	124,766,166	(138,624,181)	(186,366,123)
Net movement in cash and cash equivalents	42,852,880	(260,293,992)	(206,759,577)
Cash and cash equivalents at beginning of period	96,063,143	302,822,720	302,822,720
Cash and cash equivalents at end of period	138,916,023	42,528,728	96,063,143

COMMENTARY

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

2 Basis for preparation
The unaudited condensed consolidated financial statements of ILAM Fahari I-REIT for the six months ended 30 June 2020 have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS), the Accounting Standard IAS 34: Interim Financial Reporting, the Nairobi Securities Exchange and the requirements of the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013. IFRS and the Financial Pronouncements as issued by the Financial Reporting Standards Council require interim reports to be prepared in accordance with the framework concepts and the measurement and recognition requirements required by IAS 34: Interim Financial Reporting.

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

3 Business review

Financial results

Net profit for the six months ended 30 June 2020 grew by 13% to KShs 86.0 million against a net profit of KShs 76.4 million in the comparative period. This translates to a distributable earnings of 48 cents per unit (June 2019: 42 cents). Key performance highlights are as follows:

- Rental and related income increased marginally by 2% against the backdrop of Covid-19 pandemic ("the pandemic") where most businesses, especially in the retail sector, are experiencing financial difficulties. As a result, some tenants adversely affected by the pandemic were given rebates, which suppressed the growth in the rental and related income.
- Interest income declined slightly by 1% compared to the comparative period. This is due to the downward pressure on interest rates being experienced in the market as a result of the pandemic.
- Property expenses reduced slightly by 1% compared to a similar period in the prior year. The slight reduction is due to measures taken by the REIT manager to control expenses and cushion the fund from the effects of the pandemic.
- Fund operating expenses decreased by 13% mainly due to a saving in the expenses towards Annual General Meeting ("AGM") as well as Investor Briefing activities, which have been deferred to August due to the pandemic. The REIT manager is endeavouring to reduce the expenses further to ensure value addition to the unitholders in spite of the pandemic.
- As at 30 June 2020, total assets under management stood at KShs 3.7 billion comprising investment property valued at KShs 3.5 billion and cash reserves of KShs 241 million.

4 Change of REIT manager

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

5 Borrowings

ILAM Fahari I-REIT is currently ungeared.

6 Distribution

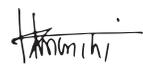
A first and final distribution of 75 cents per unit was paid in May 2020 in respect of the 2019 financial year. The REIT Manager has not recommended an interim distribution for the period ended 30 June 2020. A full distribution will be declared in line with the requirements of the REITs Regulations to distribute a minimum of 80% of distributable earnings within four months after the end of the financial year.

7 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.stanlibfahariireit.com from 31 July 2020.

Approval of the financial statements

The financial statements were approved for issue by the Trustee and the REIT Manager on 28 July 2020 and signed on their behalf by:


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


Andrew S.M. Ndegwa
Chairman
ICEA LION Asset Management Limited


Einstein Kihanda
Chief Executive Officer
ICEA LION Asset Management Limited