

AUDITED CONDENSED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	2018 KShs	2017 KShs
Revenue	332,249,472	270,689,177
Rental and related income	309,763,210	279,433,136
Straight-lining of lease income	22,486,262	(8,743,959)
Other income	57,193,985	101,606,067
Interest income	56,433,877	99,852,345
Sundry income	760,108	1,753,722
Operating expenses	(239,071,901)	(231,925,563)
Property expenses	(108,850,390)	(96,292,615)
Fund operating expenses	(130,221,511)	(135,632,948)
Increase in fair value of investment property	43,120,203	30,756,728
Fair value adjustment to investment property	65,606,465	22,012,769
Straight-lining of lease income	(22,486,262)	8,743,959
Net profit for the year	193,491,759	171,126,409
Other comprehensive income	-	-
Total comprehensive income attributable to unitholders for the year	193,491,759	171,126,409

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	2018 KShs	2017 KShs
ASSETS		
Non-current assets		
Investment properties	3,365,700,000	2,460,000,000
Fair value of investment property for accounting purposes	3,262,953,647	2,379,739,909
Straight-line lease adjustment	102,746,353	80,260,091
Property and equipment	5,140,466	4,138,729
	3,370,840,466	2,464,138,729
Current assets		
Investment securities	83,809,515	529,000,000
Trade and other receivables	55,148,773	80,298,716
Cash and cash equivalents	302,822,720	688,190,218
	441,781,008	1,297,488,934
Asset held for sale	40,000,000	-
	481,781,008	1,297,488,934
TOTAL ASSETS	3,852,621,474	3,761,627,663
EQUITY & LIABILITIES		
Capital and reserves		
Trust capital	3,479,540,745	3,479,540,745
Revaluation reserve	95,619,234	30,012,769
Retained earnings	148,783,847	156,627,778
	3,723,943,826	3,666,181,292
Current liabilities		
Trade and other payables	128,677,648	95,446,371
TOTAL EQUITY & LIABILITIES	3,852,621,474	3,761,627,663
Net asset value per unit	20.58	20.26

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY				
	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
2018				
Balance at 1 January 2018	3,479,540,745	30,012,769	156,627,778	3,666,181,292
Total comprehensive income				
Net profit for the year	-	-	193,491,759	193,491,759
Transfer to non-distributable reserve	-	65,606,465	(65,606,465)	-
Transactions with owners of the REIT				
Distribution	-	-	(135,729,225)	(135,729,225)
Balance at 31 December 2018	3,479,540,745	95,619,234	148,783,847	3,723,943,826
2017				
Balance at 1 January 2017	3,479,540,745	8,000,000	98,000,288	3,585,541,033
Total comprehensive income				
Net profit for the period	-	-	171,126,409	171,126,409
Transfer to non-distributable reserve	-	22,012,769	(22,012,769)	-
Transactions with owners of the REIT				
Distribution	-	-	(90,486,150)	(90,486,150)
Balance at 31 December 2017	3,479,540,745	30,012,769	156,627,778	3,666,181,292

CONSOLIDATED STATEMENT OF CASH FLOWS		
	2018 KShs	2017 KShs
Cash flows from operating activities		
Cash generated from operations	129,843,795	142,476,116
Subsidiary taxation paid	-	(5,034,901)
Distribution paid	(135,729,225)	(90,486,150)
Net cash (outflow)/inflow from operating activities	(5,885,430)	46,955,065
Cash flows from investing activities		
Acquisition of Limited Liability Partnership net of cash acquired	(792,989,940)	-
Additions to investment property	(30,093,535)	(2,987,231)
Additions to property and equipment	(1,589,078)	-
Decrease in investment securities	445,190,485	204,035,734
Net cash (outflow)/inflow from investing activities	(379,482,068)	201,048,503
Net movement in cash and cash equivalents	(385,367,498)	248,003,568
Cash and cash equivalents at beginning of year	688,190,218	440,186,650
Cash and cash equivalents at end of year	302,822,720	688,190,218

NOTES		
	2018 KShs	2017 KShs
1 Basic and headline earnings		
Basic earnings - comprehensive income attributable to unitholders for the period	193,491,759	171,126,409
Adjusted for:		
Fair value adjustment to investment property (including straight-line lease accrual movement)	(43,120,203)	(30,756,728)
Headline earnings	150,371,556	140,369,681
Adjusted for:		
Straight-line lease accrual movement	(22,486,262)	8,743,959
Distributable earnings	127,885,294	149,113,640
Distributable earnings per unit (KShs)	0.71	0.82
Basic earnings per unit (KShs)	1.07	0.95
Headline earnings per unit (KShs)	0.83	0.78
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 STANLIB Fahari I-REIT ("the REIT") for the year ended 31 December 2018 have been prepared in accordance with the requirements of International Financial Reporting Standard (IFRSs), the Nairobi Securities Exchange and the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013.

The consolidated financial statements for the year ended 31 December 2018 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 Accounting policies

The REIT has adopted IFRS 9: Financial Instruments effective 1 January 2018. The adoption of IFRS 9 has not had a material impact on the financial statements of the REIT.

3 Business review
Financial highlights

Net earnings grew by 13% to KShs 193.5 mln in 2018 (2017: KShs 171.1 mln). This favourable result was mainly due to an increase in fair value gain on revaluation of investment property. The portfolio's market valuation was bolstered by the contribution of a modern 3-screen cinema at Greenspan Mall which is due to come on stream in Q2 2019 underpinned by a 10 year lease. Recent successful renewal of key tenant leases has also boosted the mall's future cash flows and expiry profile and will counter the challenge of vacancies in the portfolio.

Despite the increase in net profit, distributable earnings declined by 14% to KShs 127.9 mln (2017: KShs 149.1 mln) as a result of a temporary increase in vacancies as well as tax leakages in the form of irrecoverable withholding tax at property subsidiary company level. The long anticipated legislation to exempt REIT owned subsidiaries is expected to curb the tax leakages going forward. Interest income declined substantially in line with the utilisation of excess cash to purchase an A grade three storey office building situated in Lavington. The transaction was completed on 29 May 2018 with rental income accruing from that date.

Robust debt collection and tenant engagement processes are yielding the desired outcome - tenant arrears declined significantly and remained within target at end of 2018.

Property development in progress

Construction work to install a three screen cinema (with about 100 seats each) at Greenspan Mall is nearing completion and the tenant is expected to begin operating from Q2 2019. This development will strengthen the mall's entertainment offering and is expected to increase foot traffic, benefit existing and future tenants and increase rental income.

4 Distribution

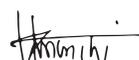
Despite the slight decline in distributable earnings, the distribution remains flat year-on-year. Having considered the cash flow requirements and availability of funds, the REIT Manager has recommended and the Trustee has approved a first and final distribution of KShs. 135,729,225 in relation to the year ended 31 December 2018 (2017: KShs. 135,729,225). The distribution amounts to 75 cents per unit (2017: 75 cents per unit) and is payable by no later than 30 April 2019.

5 Website information

The REIT Manager's annual report and audited financial statements will be available on the STANLIB Fahari I-REIT website at www.stanlibfahariireit.com from 31 March 2019.

Approval of the financial statements

The financial statements were approved for issue by the Trustee and the Board of the REIT Manager on 28 March 2019 and signed on their behalf by:



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



Surinder Kapila
Chairman
STANLIB Kenya Limited



Nkoregamba Mwebesa
Managing Director
STANLIB Kenya Limited

**REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY
FINANCIAL STATEMENTS TO THE UNITHOLDERS OF
STANLIB FAHARI I-REIT**

Opinion

The summary financial statements which comprise the summary consolidated statement of financial position at 31 December 2018, the summary consolidated statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cashflows for the year then ended, are derived from the audited consolidated financial statements of STANLIB Fahari I-REIT for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with International Financial Reporting Standards and the Capital Markets (Real Estate Investment Trusts) (Collective Investments Schemes) Regulations, 2013 ("the Regulations").

Summary financial statements

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and in the manner required by the Regulations. Reading the summary financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 28 March 2019. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

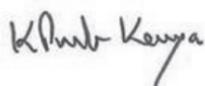
REIT Manager' responsibility for the summary financial statements

The REIT Manager is responsible for the preparation of the summary financial statements in accordance with the Regulations.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

*The signing partner responsible for the audit resulting in the independent auditors' report is
CPA Jacob Gathecha - P/1610*



Date: 28 March 2019
KPMG Kenya
8th Floor, ABC Towers
ABC Place, Waiyaki Way
P.O. Box 40612
00100 Nairobi GPO

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Third Annual General Meeting of the unitholders of the STANLIB Fahari I-REIT ("REIT") will be held at The Auditorium, All Saints Cathedral, Kenyatta Avenue, Nairobi, Kenya on Tuesday, 16 April 2019, commencing at 10:00am for the purpose of transacting the following business:

1. To table the proxies and note the presence of a quorum.
2. To read the notice convening the meeting.
3. To receive the Annual Report and the Audited Annual Financial Statements for the year ended 31 December 2018.
4. To note the first and final distribution for the year ended 31 December 2018, of KShs. 135,729,225 (75 cents per unit in issue) as recommended by the REIT Manager and approved by the Trustee.
5. To note that KPMG continue as Auditors for the REIT.
6. To ratify the remuneration of the REIT Manager for the financial year ended 31 December 2018 as disclosed in the annual report.
7. To ratify the reappointment of the REIT Manager for another period of three years effective from 1 October 2018, in accordance with the REITs Regulations.

BY ORDER OF THE TRUSTEE

Debra Ajwang'-Ogada
Trustee Company Secretary
The Co-operative Bank of Kenya Limited
P.O. Box 48231 - 00100
Nairobi, Kenya
Date: 28 March 2019

NOTE:

1. The Form of Proxy will be available on the STANLIB Fahari I-REIT website at www.stanlibfahariireit.com from 31 March 2019.
2. The duly completed Form of Proxy should reach the Registrar not later than 48 hours before the time set for the meeting:

Hand deliveries to:
CDSC Registrars Limited
1st Floor, Occidental Plaza
Muthithi Road, Westlands
Nairobi, Kenya

Postal deliveries to:
CDSC Registrars Limited
P.O. Box 6341 - 00100
Nairobi, Kenya

3. Alternatively, duly signed proxies can be scanned and emailed to helpdesk@cdsckenya.com in PDF format.