

UNAUDITED CONDENSED RESULTS for the six months ended 30 June 2018

Consolidated statement of profit or loss and other comprehensive income			
	Unaudited 6 months 30 June 2018 KShs	Unaudited 6 months 30 June 2017 KShs	Audited 12 months 31 December 2017 KShs
Revenue	132,421,963	135,294,546	270,689,177
Rental and related income	135,133,830	137,969,452	279,433,136
Straight-lining of lease income	(2,711,867)	(2,674,906)	(8,743,959)
Other income	42,210,875	52,850,748	101,606,067
Interest income	41,862,494	51,097,027	99,852,345
Sundry income	348,381	1,753,721	1,753,722
Operating expenses	(111,562,529)	(112,546,133)	(231,925,563)
Property expenses	(38,068,697)	(42,066,715)	(96,292,615)
Fund operating expenses	(73,493,832)	(70,479,418)	(135,632,948)
Increase in fair value of investment property	2,711,867	2,674,906	30,756,728
Fair value adjustment to investment property	-	-	22,012,769
Straight-lining of lease income	2,711,867	2,674,906	8,743,959
Net profit for the period	65,782,176	78,274,067	171,126,409
Other comprehensive income	-	-	-
Total comprehensive income attributable to unitholders for the period	65,782,176	78,274,067	171,126,409
Basic earnings per unit (KShs)	0.36	0.43	0.95
Headline earnings per unit (KShs)	0.35	0.42	0.78
Supplementary information			
Distributable earnings per unit (KShs)	0.36	0.43	0.82

Consolidated statement of financial position			
	Unaudited 6 months 30 June 2018 KShs	Unaudited 6 months 30 June 2017 KShs	Audited 12 months 31 December 2017 KShs
ASSETS			
Non-current assets			
Investment property	3,313,256,395	2,435,000,000	2,460,000,000
Fair value of investment property for accounting purposes	3,210,236,207	2,348,670,856	2,379,739,909
Straight-line lease adjustment	103,020,188	86,329,144	80,260,091
Property and equipment	3,910,058	4,434,352	4,138,729
	3,317,166,453	2,439,434,352	2,464,138,729
Current assets			
Investment securities	-	758,598,400	529,000,000
Trade and other receivables	63,759,641	102,426,940	80,298,716
Cash and cash equivalents	342,567,776	393,999,343	688,190,218
	406,327,417	1,255,024,683	1,297,488,934
Total assets	3,723,493,870	3,694,459,035	3,761,627,663
EQUITY AND LIABILITIES			
Capital and reserves			
Trust capital	3,479,540,745	3,479,540,745	3,479,540,745
Revaluation surplus	30,012,769	8,000,000	30,012,769
Retained earnings	86,680,730	85,788,205	156,627,778
	3,596,234,244	3,573,328,950	3,666,181,292
Current liabilities			
Trade and other payables	127,259,626	116,095,184	95,446,371
Tax payable	-	5,034,901	-
	127,259,626	121,130,085	95,446,371
Total equity and liabilities	3,723,493,870	3,694,459,035	3,761,627,663
Net asset value per unit	19.87	19.75	20.26

Consolidated statement of changes in equity				
	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
Audited balance at 31 December 2016	3,479,540,745	8,000,000	98,000,288	3,585,541,033
Net profit for the period	-	-	78,274,067	78,274,067
Transactions with owners of equity				
Distribution to unitholders	-	-	(90,486,150)	(90,486,150)
Unaudited balance at 30 June 2017	3,479,540,745	8,000,000	85,788,205	3,573,328,950
Net profit for the period	-	-	92,852,342	92,852,342
Transfer to non-distributable reserve	-	22,012,769	(22,012,769)	-
Audited balance at 31 December 2017	3,479,540,745	30,012,769	156,627,778	3,666,181,292
Net profit for the period	-	-	65,782,176	65,782,176
Transactions with owners of equity				
Distribution to unitholders	-	-	(135,729,225)	(135,729,225)
Unaudited balance at 30 June 2018	3,479,540,745	30,012,769	86,680,730	3,596,234,244

Consolidated statement of cash flows			
	Unaudited 6 months 30 June 2018 KShs	Unaudited 6 months 30 June 2017 KShs	Audited 12 months 31 December 2017 KShs
Cash flows from operating activities			
Cash generated from operations	57,353,118	69,861,509	142,476,116
Tax paid by subsidiaries	-	-	(5,034,901)
Distribution paid	(135,729,225)	(90,486,150)	(90,486,150)
Net cash (outflow)/inflow from operating activities	(78,376,107)	(20,624,641)	46,955,065
Cash flows from investing activities			
Acquisition of Starling Park Properties LLP	(850,037,500)	-	-
Decrease/(increase) in investment securities	529,000,000	(25,562,666)	204,035,734
Additions to investment property	(3,256,395)	-	(2,987,231)
Net cash (outflow)/inflow from investing activities	(324,293,895)	(25,562,666)	201,048,503
Net movement in cash and cash equivalents	(402,670,002)	(46,187,307)	248,003,568
Cash and cash equivalents at beginning of period	688,190,218	440,186,650	440,186,650
Cash and cash equivalents at acquisition of subsidiaries	57,047,560	-	-
Cash and cash equivalents at end of period	342,567,776	393,999,343	688,190,218

COMMENTARY

1 Introduction
STANLIB Fahari I-REIT ("the REIT") is a real estate investment trust, listed on the Nairobi Securities Exchange. It currently owns four properties (a shopping centre, an office building and two semi office/light industrial buildings) valued at KShs 3.3 billion, all held through special purpose vehicles.

2 Basis for preparation
The unaudited condensed consolidated financial statements of STANLIB Fahari I-REIT for the six months ended 30 June 2018 have been prepared in accordance with the requirements of International Financial Reporting Standard (IFRS), 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 STANLIB 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.

The REIT Manager is not aware of any matters or circumstances arising subsequent to 30 June 2018 that require any additional disclosure or adjustment of the financial statements.

3 Accounting policies
The REIT has adopted IFRS 9: Financial Instruments and IFRS 15: Revenue from Contracts with Customers, effective 1 January 2018. The adoption of IFRS 9 has had an impact in the classification of the REIT's financial instruments. The adoption of both standards has not had a material impact on the amounts and disclosures of the financial statements of the REIT.

4 Business review
Acquisition completed
On 29 May 2018, STANLIB Fahari I-REIT successfully completed the acquisition (through an SPV structure) of a Grade A, 3 storey office building situated in Lavington, Nairobi. The property has now been on-boarded to the existing portfolio. The acquisition has contributed positively to the sectoral diversification of the portfolio increasing exposure to the office and semi-industrial sector from 12% to 34%. Similarly, exposure to the Lavington node has enhanced the portfolio's geographical diversification. Total fund asset allocation has also improved; investment property now accounts for 91% of assets under management and 92% of net asset value which is above the Regulatory minimum threshold of 75%.

Property development in progress
Construction work to install a three screen cinema (with 100 seats each) at Greenspan Mall has commenced and is targeted for completion in December 2018. 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.

Financial results
STANLIB Fahari I-REIT delivered a net profit of KShs 65.8 million for the six months ended 30 June 2018 against net profit of KShs 78.3 million in the comparative period. This translates to distributable earnings of 36 cents per unit (June 2017: 43 cents). Key performance highlights are as follows:

- Rental income has come slightly under pressure due to a temporary increase in vacancies coupled with some tenants bargaining for reduced rentals upon renewal of leases. The reduction in rental income was partly offset by one month contribution to rental income by the newly acquired property. Implementation of the leasing strategy as well as completion of the cinema project at end of 2018 are expected to increase rental income going forward.
- Interest income for the period under review decreased compared to the comparative period due to the utilisation of surplus cash in acquiring the new property; this will lead to increased rental income going forward. In addition, for liquidity reasons, closer to the completion of the acquisition cash had to be invested in call deposits which yield lower interest rates than longer dated cash instruments.
- Property expenses have decreased compared to the comparative period with the property expense ratio under control at 28% compared to 30% in the prior period. Part of the cost savings are due to timing differences.
- Fund operating expenses are slightly higher than the prior period due to KShs. 8.3 million one-off business acquisition costs incurred in acquiring the new property.

5 Prospects
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.

6 Borrowings
STANLIB Fahari I-REIT is currently ungeared.

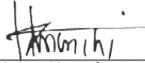
7 Distribution
A first and final distribution of 75 cents per unit was paid in April 2018 in respect of the 2017 financial year. The REIT Manager has not recommended an interim distribution. A full distribution will be declared in line with the requirements of the REITs Regulations to distribute a minimum of 80% of distributable earnings within four months after the end of the financial year.

8 Website information
The REIT Manager's semi-annual report and unaudited condensed consolidated financial statements will be available on the STANLIB Fahari I-REIT website at www.stanlibfahariireit.com from 27 July 2018.

9 Change in directors of the REIT Manager
The following directors of the REIT Manager were appointed or resigned during the period under review:

Director's name	Role	Date of change
Jeff Hubbard	Non-executive Director	Resigned 26 April 2018
John Sturgeon	Acting Chairman	Appointed 30 May 2018
Surinder Kapila	Non-executive Director	Appointed 30 May 2018

Approval of the financial statements
The financial statements were approved for issue by the Trustee and the REIT Manager on 26 July 2018 and signed on their behalf by:


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


John Sturgeon
Acting Chairman
STANLIB Kenya Limited


Nkoregamba Mwebesa
Managing Director
STANLIB Kenya Limited