

AUDITED CONDENSED RESULTS

For The Year Ended 31 December 2017

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	12 months to 31.12.2017 KShs	13 months to 31.12.2016 KShs
Revenue	270,689,177	337,576,486
Rental and related income	279,433,136	248,572,436
Straight-lining of lease income	(8,743,959)	89,004,050
Other income	101,606,067	137,856,149
Interest income	99,852,345	111,209,231
Bargain purchase gain on acquiring property subsidiaries	-	25,156,147
Sundry income	1,753,722	1,490,771
Operating expenses	(231,925,563)	(265,053,969)
Property expenses	(96,292,615)	(84,631,625)
Fund operating expenses	(135,632,948)	(180,422,344)
Increase/(decrease) in fair value of investment property	30,756,728	(81,004,050)
Fair value adjustment to investment property	22,012,769	8,000,000
Straight-lining of lease income	8,743,959	(89,004,050)
Operating profit	171,126,409	129,374,616
Finance costs	-	(23,374,328)
Net profit for the year	171,126,409	106,000,288
Other comprehensive income	-	-
Total comprehensive income attributable to unitholders for the year	171,126,409	106,000,288
Basic earnings per unit (KShs)	0.95	0.59
Headline earnings per unit (KShs)	0.78	0.89
Supplementary information		
Distributable earnings per unit (KShs)	0.82	0.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31.12.2017 KShs	At 31.12.2016 KShs
ASSETS		
Non-current assets		
Investment property	2,460,000,000	2,435,000,000
Fair value of investment property for accounting purposes	2,379,739,909	2,345,995,950
Straight-line lease adjustment	80,260,091	89,004,050
Property and equipment	4,138,729	4,729,976
	2,464,138,729	2,439,729,976
Current assets		
Investment securities	529,000,000	733,035,734
Trade and other receivables	80,298,716	102,059,051
Cash and cash equivalents	688,190,218	440,186,650
	1,297,488,934	1,275,281,435
TOTAL ASSETS	3,761,627,663	3,715,011,411
EQUITY & LIABILITIES		
Capital and reserves		
Trust capital	3,479,540,745	3,479,540,745
Revaluation reserve	30,012,769	8,000,000
Retained earnings	156,627,778	98,000,288
	3,666,181,292	3,585,541,033
Current liabilities		
Trade and other payables	95,446,371	124,435,477
Tax payable	-	5,034,901
	95,446,371	129,470,378
TOTAL EQUITY & LIABILITIES	3,761,627,663	3,715,011,411
Net asset value per unit	20.26	19.81

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
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 year	-	-	171,126,409	171,126,409
Transfer to non-distributable reserve	-	22,012,769	(22,012,769)	-
Transactions with owners of the REIT				
Distribution to unitholders	-	-	(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
2016				
Balance at 26 November 2015	-	-	-	-
Total comprehensive income				
Net profit for the period	-	-	106,000,288	106,000,288
Transfer to non-distributable reserve	-	8,000,000	(8,000,000)	-
Transactions with owners of the REIT				
Issue of units	3,619,446,000	-	-	3,619,446,000
Transaction costs for issue of units	(139,905,255)	-	-	(139,905,255)
Total transactions with owners of the REIT	3,479,540,745	-	-	3,479,540,745
Balance at 31 December 2016	3,479,540,745	8,000,000	98,000,288	3,585,541,033

CONSOLIDATED STATEMENT OF CASH FLOWS

	12 months to 31.12.2017 KShs	13 months to 31.12.2016 KShs
Cash flows from operating activities		
Cash generated from operations	142,476,116	106,812,692
Tax paid by subsidiaries	(5,034,901)	-
Interest paid	-	(23,374,328)
Distribution paid	(90,486,150)	-
Net cash inflow from operating activities	46,955,065	83,438,364
Cash flows from investing activities		
Acquisition of subsidiaries	-	(2,418,416,927)
Additions to investment property	(2,987,231)	-
Decrease/(increase) in investment securities	204,035,734	(733,035,734)
Net cash inflow/(outflow) from investing activities	201,048,503	(3,151,452,661)
Cash flows from financing activities		
Proceeds from issue of new units	-	3,619,446,000
Transaction costs for issue of new units	-	(139,905,255)
Net cash inflow from financing activities	-	3,479,540,745
Net movement in cash and cash equivalents	248,003,568	411,526,448
Cash and cash equivalents at beginning of period	440,186,650	-
Cash and cash equivalents at acquisition of subsidiaries	-	28,660,202
Cash and cash equivalents at end of year	688,190,218	440,186,650

NOTES

1 Basic and headline earnings

	12 months to 31.12.2017 KShs	13 months to 31.12.2016 KShs
Basic earnings - comprehensive income attributable to unitholders for the year/period	171,126,409	106,000,288
Adjusted for:		
Fair value adjustment to investment property (including straight-line lease accrual movement)	(30,756,728)	81,004,050
Bargain purchase gain on acquiring property subsidiaries	-	(25,156,147)
Headline earnings	140,369,681	161,848,191
Adjusted for:		
Straight-line lease accrual movement	8,743,959	(89,004,050)
Distributable non-cash items	-	25,156,147
Distributable earnings	149,113,640	98,000,288
Distributable earnings per unit (KShs)	0.82	0.54
Basic earnings per unit (KShs)	0.95	0.59
Headline earnings per unit (KShs)	0.78	0.89
Weighted average units in issue (units)	180,972,300	180,972,300
Units in issue at the end of the year (units)	180,972,300	180,972,300

COMMENTARY

1. Introduction

STANLIB Fahari I-REIT ("the REIT") is a real estate investment trust, listed on the Nairobi Securities Exchange. It currently owns three properties (a shopping centre and two semi office/light industrial buildings) valued at KShs 2.46 billion, through special purpose vehicles.

2. Basis for preparation

The condensed consolidated financial statements of STANLIB Fahari I-REIT for the year ended 31 December 2017 have been prepared in accordance with the requirements of International Financial Reporting Standard (IFRS), 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 2017 were audited by KPMG Kenya and received an unqualified audit opinion. These will be available on the REIT's website as detailed in Note 7 below.

3. Financial results

The REIT has delivered growth of 61% in earnings for year ended 31 December 2017 compared to the comparative period. The following are key highlights of the overall performance:-

- Rental and related income increased by 12% due to full year contribution of the two office buildings acquired mid-2016 as well as increase in rental income in line with lease escalations. This was partly offset by the rent for the retail property coming slightly under pressure, thus only growing marginally as tenants bargained for discounts at lease renewals during the year in light of the unfavourable economic climate.
- The property expense ratio remained flat at 34% of total property income year-on-year though these expenses increased by 14% from prior period.
- Significant reduction in fund management costs; the comparative period was marked by one-off set-up and listing costs some of which could not be capitalised to equity, such as promotional and marketing expenses, legal and tax advisory, etc.
- Finance cost savings of KShs 23 million was experienced compared to the comparative period.
- Distribution grew by 50% from prior period.

4. Distribution

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 2017 (2016: KShs. 90,486,150) subject to unitholder approval at the annual general meeting scheduled for 20 April 2018. The distribution amounts to 75 cents per unit (2016: 50 cents per unit) and is payable by no later than 30 April 2018.

5. Subsequent event

On 26 March 2018, the REIT, represented by the REIT Trustee, entered into an agreement to acquire an entity that owns an office building, subject to regulatory and unitholder approval as well as other conditions precedent. The transaction will be completed in Q2 2018. The total consideration will be financed through the existing cash reserves. Other than the above acquisition and the distribution recommended post the end of the financial period ended 31 December 2017, there are no other subsequent events that require disclosure or adjustment of the financial statements.

6. Borrowings

STANLIB Fahari I-REIT is currently ungeared.

7. Website information

The REIT Manager's annual report and audited consolidated financial statements will be available on the STANLIB Fahari I-REIT website at www.stanlibfahariireit.com from 31 March 2018.

8. Change of directors of the REIT Manager, STANLIB Kenya Limited

The following directors of the REIT Manager resigned or were appointed during the year under review:

DIRECTOR'S NAME	ROLE	DATE
Wanjiru Mwangi	Non-executive chairman	Resigned 17.03.2017
John Mackie	Non-executive director	Resigned 17.02.2017
Seelan Gobalsamy	Non-executive director	Resigned 31.10.2017
Simphiwe Mdluli	Executive director	Resigned 31.10.2017
Jeff Hubbard	Non-executive director	Appointed 29.11.2017

Approval of the financial statements

The financial statements were approved and authorised for issue by the Trustee and the Board of the REIT Manager on 28 March 2018 and signed on their behalf by:



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



Peter Waiyaki
Acting Chairman
STANLIB Kenya Limited



Nkoregamba Mwebesa
Managing Director
STANLIB Kenya Limited

REPORT OF THE INDEPENDENT AUDITORS ON THE SUMMARY FINANCIAL STATEMENTS

Opinion

The summary financial statements which comprise the summary consolidated statement of financial position at 31 December 2017, the summary consolidated statement of profit or loss and other comprehensive income, summary consolidated statement of changes in equity and summary consolidated statement of cash flows for the year then ended and related notes are derived from the audited consolidated financial statements of STANLIB Fahari I-REIT for the year ended 31 December 2017.

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 consolidated 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 consolidated audited financial statements in our report dated 28 March 2018. 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's 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 consolidated financial statements are consistent, in all material respects, with the audited consolidated 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 Engagement Partner responsible for the audit resulting in the independent auditors' report is CPA Jacob Gathecha - P/1610.



Date: 28 March 2018

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 Second 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 Friday, 20 April 2018, commencing at 10:30am 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 2017.
4. To note the first and final distribution for the year ended 31 December 2017, 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 approve the acquisition by the REIT of 100% interest in STARLING PARK PROPERTIES LLP, which owns Land Reference Number 3734/1426 (Original Number 3734/917), Nairobi, on which is developed an office block measuring 41,312 square feet, subject to all statutory approvals.

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 2018

NOTE:

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