

# AUDITED CONDENSED RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		
	2019 KShs	2018 KShs
<b>Revenue</b>	353,886,007	332,249,472
Rental and related income	344,346,639	309,763,210
Straight-lining of lease income	9,539,368	22,486,262
<b>Other income</b>	25,323,607	57,193,985
Interest income	24,996,287	56,433,877
Sundry income	327,320	760,108
<b>Operating expenses</b>	(225,636,051)	(239,071,901)
Property expenses	(114,334,308)	(108,850,390)
Fund operating expenses	(111,301,743)	(130,221,511)
<b>Increase in fair value of investment property</b>	21,654,685	43,120,203
Fair value adjustment to investment property	31,194,053	65,606,465
Straight-lining of lease income	(9,539,368)	(22,486,262)
<b>Net profit for the year</b>	<b>175,228,248</b>	<b>193,491,759</b>
Other comprehensive income	-	-
<b>Total comprehensive income attributable to unitholders for the year</b>	<b>175,228,248</b>	<b>193,491,759</b>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		
	2019 KShs	2018 KShs
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment properties	3,456,600,000	3,365,700,000
Fair value of investment property for accounting purposes	3,344,314,279	3,262,953,647
Straight-line lease accrual	112,285,721	102,746,353
Property and equipment	15,615,047	5,140,466
	<b>3,472,215,047</b>	<b>3,370,840,466</b>
<b>Current assets</b>		
Investment securities	238,925,753	83,809,515
Trade and other receivables	71,245,082	55,148,773
Cash and cash equivalents	96,063,143	302,822,720
	<b>406,233,978</b>	<b>441,781,008</b>
Asset held for sale	-	40,000,000
	<b>406,233,978</b>	<b>481,781,008</b>
<b>TOTAL ASSETS</b>	<b>3,878,449,025</b>	<b>3,852,621,474</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Trust capital	3,479,540,745	3,479,540,745
Revaluation reserve	126,813,287	95,619,234
Retained earnings	157,088,817	148,783,847
	<b>3,763,442,849</b>	<b>3,723,943,826</b>
<b>Current liabilities</b>		
Trade and other payables	115,006,176	128,677,648
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>3,878,449,025</b>	<b>3,852,621,474</b>
<b>Net asset value per unit</b>	<b>20.80</b>	<b>20.58</b>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY				
	Trust capital KShs	Revaluation reserve KShs	Retained earnings KShs	Total KShs
<b>2019</b>				
Balance at 1 January 2019	3,479,540,745	95,619,234	148,783,847	3,723,943,826
<b>Total comprehensive income</b>				
Net profit for the year	-	-	175,228,248	175,228,248
Transfer to non-distributable reserve	-	31,194,053	(31,194,053)	-
<b>Transactions with owners of the REIT</b>				
Distribution to unitholders	-	-	(135,729,225)	(135,729,225)
<b>Balance at 31 December 2019</b>	<b>3,479,540,745</b>	<b>126,813,287</b>	<b>157,088,817</b>	<b>3,763,442,849</b>
<b>2018</b>				
Balance at 1 January 2018	3,479,540,745	30,012,769	156,627,778	3,666,181,292
<b>Total comprehensive income</b>				
Net profit for the year	-	-	193,491,759	193,491,759
Transfer to non-distributable reserve	-	65,606,465	(65,606,465)	-
<b>Transactions with owners of the REIT</b>				
Distribution to unitholders	-	-	(135,729,225)	(135,729,225)
<b>Balance at 31 December 2018</b>	<b>3,479,540,745</b>	<b>95,619,234</b>	<b>148,783,847</b>	<b>3,723,943,826</b>

CONSOLIDATED STATEMENT OF CASH FLOWS		
	2019 KShs	2018 KShs
<b>Cash flows from operating activities</b>		
Cash generated from operations	115,335,771	129,843,795
<b>Net cash inflow from operating activities</b>	<b>115,335,771</b>	<b>129,843,795</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiary	-	(792,989,940)
Additions to investment property	(19,705,947)	(30,093,535)
Additions to property and equipment	(11,543,938)	(1,589,078)
(Increase)/decrease in investment securities	(155,116,238)	445,190,485
<b>Net cash outflow from investing activities</b>	<b>(186,366,123)</b>	<b>(379,482,068)</b>
<b>Cash flows from financing activities</b>		
Distribution paid	(135,729,225)	(135,729,225)
<b>Net cash outflow from financing activities</b>	<b>(135,729,225)</b>	<b>(135,729,225)</b>
<b>Net movement in cash and cash equivalents</b>	<b>(206,759,577)</b>	<b>(385,367,498)</b>
Cash and cash equivalents at beginning of year	302,822,720	688,190,218
<b>Cash and cash equivalents at end of year</b>	<b>96,063,143</b>	<b>302,822,720</b>

NOTES		
	2019 KShs	2018 KShs
<b>Basic and headline earnings</b>		
Basic earnings - comprehensive income attributable to unitholders for the period	175,228,248	193,491,759
Adjusted for:		
Fair value adjustment to investment property (including straight-line lease accrual movement)	(21,654,685)	(43,120,203)
<b>Headline earnings</b>	<b>153,573,563</b>	<b>150,371,556</b>
Adjusted for:		
Straight-line lease accrual movement	(9,539,368)	(22,486,262)
<b>Distributable earnings</b>	<b>144,034,195</b>	<b>127,885,294</b>
<b>Distributable earnings per unit (KShs)</b>	<b>0.80</b>	<b>0.71</b>
<b>Basic earnings per unit (KShs)</b>	<b>0.97</b>	<b>1.07</b>
<b>Headline earnings per unit (KShs)</b>	<b>0.85</b>	<b>0.83</b>
<b>Weighted average units in issue (units)</b>	<b>180,972,300</b>	<b>180,972,300</b>
<b>Units in issue at the end of the period (units)</b>	<b>180,972,300</b>	<b>180,972,300</b>

## COMMENTARY

### 1. Basis for preparation

The audited condensed consolidated financial statements of STANLIB Fahari I-REIT ("the REIT") for the year ended 31 December 2019 have been prepared in accordance with the requirements of International Financial Reporting Standards (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 2019 were audited by KPMG Kenya and received an unqualified audit opinion. These will be available on the REIT's website as detailed in Note 6 below.

### 2. Business review

#### Financial highlights

Distributable earnings grew by 13% to KShs. 144.0 million compared to KShs. 127.9 million in the comparative period as a result of the significant decrease in fund operating expenses caused by the recovery of VAT input which had previously been capitalised to fund expenses. Rental income grew by 11% in line with lease escalations and as a result of income from the new cinema at Greenspan Mall as well as full year income contribution from the 67 Gitanga Place office building acquired at the end of May 2018. Property expenses grew by 5% mainly due to recognition of expenses from 67 Gitanga Place for the full year whilst only seven months were included in the comparative period. In addition, the tax leakage from the provision for irrecoverable withholding tax by tenants grew by 22% to KShs. 16.5 million (2018: KShs. 13.5 million).

Net earnings decreased by 9% to KShs 175.2 million mainly due to the reduction in fair value gain on revaluation of investment property compared to prior year on the back of a depressed real estate sector with continued downward pressure on rentals especially in the retail sector.

#### Development and other capital projects at Greenspan Mall

Construction of a 3-screen cinema was completed in May 2019 and the cinema formally launched in October. The cinema is operated by Motion Cinema who have signed a 10-year lease agreement. Other capital projects completed at Greenspan Mall include sinking of a new borehole and installation of a steel tank in order to reduce water expenses and improve reliability of supply.

### 3. Distribution

In light of the significant capital projects recently undertaken at Greenspan Mall and the likely negative impact of the coronavirus pandemic on cash flows, the REIT Manager has recommended, and the REIT Trustee has approved maintaining the distribution at the same level as prior year. A first and final distribution of KShs 135,729,225 (i.e. KShs 0.75 per unit) will thus be paid by no later than 31 May 2020. This amounts to a 94% pay-out ratio.

### 4. Change of REIT Manager

In November 2019, STANLIB Kenya Limited ("SKL") together with The Co-operative Bank of Kenya Limited ("Co-op Bank") in their respective capacity of REIT Manager and REIT Trustee issued a joint media announcement to the effect that SKL had entered into a sale of business agreement ("Agreement") with ICEA LION Asset Management Limited ("ILAM"), dated 6 November 2019. In terms of this Agreement, SKL would sell to ILAM certain of its assets which form a substantial part of the assets of its business of managing funds, assets and investments of third parties in Kenya.

The assets being acquired by ILAM include SKL's investment management mandates and all rights, obligations and benefits of SKL in terms of or in connection with SKL's role as Promoter and REIT Manager in relation to the REIT. The transaction and the appointment of ILAM as the replacement REIT Manager have been approved by the Competition Authority of Kenya and the Capital Markets Authority ("CMA"). Accordingly, SKL has tendered its resignation as REIT Manager. Unitholders will be notified of the effective date in due course.

### 5. Coronavirus impact on publishing of the annual report and the AGM

In recognition of the business disruption caused by the coronavirus pandemic, the CMA has granted regulatory flexibility on the timelines for publishing and filing of annual reports as well as holding of AGMs to June 2020. As a result, the REIT's annual report for 2019 will be published at the end of April 2020 instead of the normal deadline of 31 March 2020. In addition, the distribution will be paid in May 2020 instead of by 30 April 2020 as in previous years.

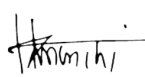
The AGM is expected to take place at a later date. As the date is not yet confirmed, no AGM notice and proxy form accompany this publication. The same will be published separately at a later stage through the REIT's website and in the newspapers. Unitholders will also be advised via sms and/or email.

### 6. 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](http://www.stanlibfahariireit.com) from 29 April 2020.

### Approval of the financial statements

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

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

  
Surinder Kapila  
Chairman  
STANLIB Kenya Limited

  
Patrick Mamathuba  
Director  
STANLIB Kenya Limited