

UNAUDITED CONDENSED RESULTS
for the six months ended 30 June 2017

Consolidated statement of profit or loss and other comprehensive income	Note	Unaudited 6 months 30 June 2017	Unaudited restated 7 months 30 June 2016	Audited 13 months 31 December 2016
		KShs	KShs	KShs
Revenue		135,294,546	209,480,628	337,576,486
Rental and related income		137,969,452	120,855,334	248,572,436
Straight-lining of lease income		(2,674,906)	88,625,294	89,004,050
Other income		52,850,748	87,346,054	137,856,149
Interest income		51,097,027	61,204,831	111,209,231
Bargain purchase gain on acquiring property subsidiaries		-	25,156,147	25,156,147
Sundry income		1,753,721	985,076	1,490,771
Operating expenses		(112,546,133)	(160,844,428)	(265,053,969)
Property expenses		(42,066,715)	(42,582,155)	(84,631,625)
Fund operating expenses		(70,479,418)	(118,262,273)	(180,422,344)
Increase/(decrease) in fair value of investment property		2,674,906	(88,625,294)	(81,004,050)
Fair value adjustment to investment property		-	-	8,000,000
Straight-lining of lease income		2,674,906	(88,625,294)	(89,004,050)
Operating profit		78,274,067	47,356,960	129,374,616
Finance costs		-	(22,955,567)	(23,374,328)
Net profit for the period		78,274,067	24,401,393	106,000,288
Other comprehensive income		-	-	-
Total comprehensive income attributable to unitholders for the period		78,274,067	24,401,393	106,000,288
Basic earnings per unit (KShs)	1	0.43	0.13	0.59
Headline earnings per unit (KShs)	1	0.42	0.49	0.89
Supplementary information				
Distributable earnings per unit (KShs)	1	0.43	0.13	0.54

Consolidated statement of financial position	Unaudited 6 months 30 June 2017	Unaudited restated 7 months 30 June 2016	Audited 13 months 31 December 2016
	KShs	KShs	KShs
ASSETS			
Non-current assets			
Investment property	2,435,000,000	2,427,000,000	2,435,000,000
Fair value of investment property for accounting purposes	2,348,670,856	2,338,374,706	2,345,995,950
Straight-line lease adjustment	86,329,144	88,625,294	89,004,050
Property and equipment	4,434,352	5,070,531	4,729,976
2,439,434,352	2,432,070,531	2,439,729,976	
Current assets			
Investment securities	758,598,400	738,960,449	733,035,734
Trade and other receivables	102,426,940	143,797,988	102,059,051
Cash and cash equivalents	393,999,343	363,138,822	440,186,650
1,255,024,683	1,245,897,259	1,275,281,435	
Total assets	3,694,459,035	3,677,967,790	3,715,011,411
EQUITY & LIABILITIES			
Capital and reserves			
Trust capital	3,479,540,745	3,491,328,426	3,479,540,745
Revaluation reserve	8,000,000	-	8,000,000
Retained earnings	85,788,205	24,401,393	98,000,288
3,573,328,950	3,515,729,819	3,585,541,033	
Current liabilities			
Trade and other payables	116,095,184	157,203,070	124,435,477
Tax payable	5,034,901	5,034,901	5,034,901
121,130,085	162,237,971	129,470,378	
Total equity & liabilities	3,694,459,035	3,677,967,790	3,715,011,411
Net asset value per unit	19.75	19.43	19.81

Consolidated statement of changes in equity	Trust capital	Revaluation reserve	Retained earnings	Total
	KShs	KShs	KShs	KShs
Balance at 26 November 2015	-	-	-	-
Net profit for the period as restated	-	-	24,401,393	24,401,393
Transactions with owners of the REIT				
Issue of units	3,619,446,000	-	-	3,619,446,000
Transaction costs for issue of units	(128,117,574)	-	-	(128,117,574)
Total transactions with owners of the REIT	3,491,328,426	-	-	3,491,328,426
Unaudited restated balance at 30 June 2016	3,491,328,426	-	24,401,393	3,515,729,819
Net profit for the period	-	-	81,598,895	81,598,895
Transaction costs for issue of units	(11,787,681)	-	-	(11,787,681)
Transfer to non-distributable reserve	-	8,000,000	(8,000,000)	-
Audited balance at 31 December 2016	3,479,540,745	8,000,000	98,000,288	3,585,541,033
Dividends paid	-	-	(90,486,150)	(90,486,150)
Net profit for the period	-	-	78,274,067	78,274,067
Unaudited balance at 30 June 2017	3,479,540,745	8,000,000	85,788,205	3,573,328,950

Consolidated statement of cash flows	Unaudited 6 months 30 June 2017	Unaudited restated 7 months 30 June 2016	Audited 13 months 31 December 2016
	KShs	KShs	KShs
Cash flows from operating activities			
Cash generated from operations	69,861,509	23,483,137	106,812,692
Interest paid	-	(22,955,567)	(23,374,328)
Distribution paid	(90,486,150)	-	-
Net cash (outflow)/inflow from operating activities	(20,624,641)	527,570	83,438,364
Cash flows from investing activities			
Acquisition of subsidiaries	-	(2,418,416,927)	(2,418,416,927)
Increase in investment securities	(25,562,666)	(738,960,449)	(733,035,734)
Net cash used in investing activities	(25,562,666)	(3,157,377,376)	(3,151,452,661)
Cash flows from financing activities			
Proceeds from issue of new units	-	3,619,446,000	3,619,446,000
Transaction costs for issue of new units	-	(128,117,574)	(139,905,255)
Net cash inflow from financing activities	-	3,491,328,426	3,479,540,745
Net movement in cash and cash equivalents	(46,187,307)	334,478,620	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	28,660,202
Cash and cash equivalents at end of period	393,999,343	363,138,822	440,186,650

NOTES	Unaudited 6 months 30 June 2017	Unaudited restated 7 months 30 June 2016	Audited 13 months 31 December 2016
	KShs	KShs	KShs
1 Basic and headline earnings			
Basic earnings - comprehensive income attributable to unitholders for the period	78,274,067	24,401,393	106,000,288
Adjusted for:			
Fair value adjustment to investment property (including straight-line lease accrual movement)	(2,674,906)	88,625,294	81,004,050
Bargain purchase gain on acquiring property subsidiaries	-	(25,156,147)	(25,156,147)
Headline earnings	75,599,161	87,870,540	161,848,191
Adjusted for:			
Straight-line lease accrual movement	2,674,906	(88,625,294)	(89,004,050)
Distributable non-cash items	-	25,156,147	25,156,147
Distributable earnings	78,274,067	24,401,393	98,000,288
Distributable earnings per unit (KShs)	0.43	0.13	0.54
Basic earnings per unit (KShs)	0.43	0.13	0.59
Headline earnings per unit (KShs)	0.42	0.49	0.89
Weighted average units in issue (units)	180,972,300	180,972,300	180,972,300
Units in issue at the end of the period (units)	180,972,300	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 2.4 billion, through special purpose vehicles.

Being the first REIT to be established in Kenya, STANLIB Fahari I-REIT has strong ambitions to grow its portfolio by assembling high quality assets that will enhance earnings, reduce the portfolio cost ratio and ensure sectoral diversification. As REIT Manager, STANLIB Kenya Limited is committed to providing unitholders with consistent, long term real returns.

2 Basis for preparation
The unaudited condensed consolidated financial statements of STANLIB Fahari I-REIT for the six months ended 30 June 2017 have been prepared in accordance with the requirements of International Financial Reporting Standard (IFRS), IAS 34: Interim Reporting, the Nairobi Securities Exchange and 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 2017 that require any additional disclosure or adjustment of the financial statements.

3 Financial results
The REIT has delivered growth of 221% in earnings for the 6 month period ended 30 June 2017 compared to the restated comparative period ended 30 June 2016. This performance is attributable to, among other things:
- Income contribution from the two office and light industrial properties acquired at the end of June 2016. These properties contributed a combined KShs 15.9 million to net income during the first half of 2017.
- 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 compared to the comparative period.
- Healthy vacancy factor; vacancies continued to be under control at a total portfolio vacancy rate of 5%.

4 Restatement of the comparative period ended 30 June 2016
The REIT's accounting policies as set out in the audited annual financial statements for the 13 months ended 31 December 2016 have been consistently applied. The financial statements for the 7 month comparative period ended 30 June 2016 have been restated as outlined in the above financial statements. The restatement does not in any way affect the audited financial statements as at 31 December 2016, but instead provides alignment with the audited financial statements. The restatement was necessitated by additional information coming to light subsequent to the publishing of the prior period's interim financial statements but before the finalisation of the audited financial statements as at 31 December 2016. The significant restatements include:
- The consolidation of the two property companies acquired on 30 June 2016 in the restated accounts; previously, these were not consolidated at interim but were accounted for at cost. This had the impact of increasing the bargain purchase gain on acquiring property subsidiaries as recognised in profit or loss as well as increasing current assets and current liabilities that were previously not consolidated;
- The recognition of straight-line lease income in the restated comparative period;
- Derecognition of the post-acquisition current and deferred taxation liability of a subsidiary company in the restated interim accounts;
- Expensing of set-up and listing costs that could not be capitalised to equity;
- Expensing of fund level non-recoverable taxes (i.e. VAT);
- Capturing of property expenses for the first seed property only finalised post the interim reporting period; and
- Reclassification of items considered an integral part of investment property (i.e. lifts, escalators, lighting and generators) from property and equipment to investment property.

5 Prospects
The REIT Manager is in negotiation with several vendors to acquire additional property in the near future. The acquisitions are expected to boost the quality of the property portfolio, diversify sectoral exposure, enhance future earnings and improve economies of scale.

6 Borrowings
STANLIB Fahari I-REIT is currently ungeared. The planned acquisition of additional property may lead to gearing until such time that additional equity is raised.

7 Interim distribution
The REIT Manager has not recommended the distribution of an interim dividend. A full distribution will be declared at the end of 2017 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 financial statements will be available on the STANLIB Fahari I-REIT website at www.stanlibfahariireit.com from 31 July 2017.

9 Regulatory changes affecting REITs in Kenya
Recently, the REIT investment vehicle in Kenya has benefited significantly through the introduction of enabling and attractive tax arrangements. These include the exemption from VAT asset transfers and other transactions related to the transfer of assets into the REIT. Also, REIT related asset transfers are now exempt from stamp duty. These tax benefits present a significant milestone and will unlock growth opportunities for REITs in Kenya.

10 Change of directors of the REIT Manager
The following directors of the REIT Manager resigned during the period under review:

Director's name	Role	Resignation date
Wanjiru Mwangi	Non-executive chairman	14 June 2017
John Mackie	Non-executive director	17 February 2017

Approval of the financial statements
The financial statements were approved for issue by the REIT Trustee and the Board of the REIT Manager on 26 July 2017 and signed on their behalf by:


Amos Mwita
Trustee Compliance Officer
The Co-operative Bank of Kenya Limited


Nkoregamba Mwebesa
Managing Director
STANLIB Kenya Limited


Peter Waiyaki
Director
STANLIB Kenya Limited