STANLIB FAHARI I-REIT

INITIAL PUBLIC OFFER PROSPECTUS

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STANLIB

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PROSPECTUS IN CONNECTION WITH

Initial public offer and listing of Real Estate Investment Trust (REIT) units on the Nairobi Securities Exchange

STANLIB FAHARI Income Real Estate Investment Trust

This document comprises a prospectus (the "Prospectus") relating to the STANLIB Fahari Income Real Estate Investment Trust (the "STANLIB Fahari I-REIT") and has been prepared in accordance with the Capital Markets Act, Chapter 485A (the "Act"), the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013 (the "REIT Regulations") and the Nairobi Securities Exchange Listing Rules (the "Listing Rules").

The Prospectus is issued for the purposes of providing information to the public in respect of:

- a public offer to subscribe for new units in the STANLIB Fahari I-REIT of up to 625,000,000 at an Offer Price of KES 20 per unit, with a par value of KES 20 each (the "Units"), to raise a minimum of Kenya Shillings two billion and six hundred million (KES2,600,000,000) and up to a maximum of Kenya Shillings twelve billion five hundred million (KES 12,500,000,000)); and
- the subsequent listing of all of the Units of the STANLIB Fahari I-REIT as a primary listing on the Unrestricted Main Investment Market Segment of the NSE

Opening date	**Thursday 22 October 2015**
Closing date	**Thursday 12 November 2015**
Results announcement date	**Friday 20 November 2015**
Expected listing date	**Tuesday 24 November 2015**

* *Applicants should consult their broker or investment adviser or CDA, if applicable, to ascertain the timing for submission of Applications as this may vary depending on the broker or investment adviser or CDA, if applicable, in question.*

This Scheme has been authorised by the CMA but this authorization is not a recommendation or a statement by the CMA in relation to the suitability of the REIT for investment or as to the risks associated with such investment. The Authority assumes no liability. As a matter of policy, the CMA accepts no responsibility for the correctness of any statements or opinions made with respect to the STANLIB Fahari I-REIT.

This Prospectus has been approved by the Issuer, the Trustee, the CMA and the NSE. The approval by the CMA is not a recommendation or a statement by the Authority in relation to the suitability of the REIT for investment. The CMA has not verified and will not verify the accuracy of information contained in this Prospectus and therefore accepts no responsibility or liability for the correctness of statements made therein or a prospective investor's investment decision.

CAUTION

In making your investment decision to invest in REIT securities you should be aware that there is very limited, if any, recourse to the assets of the Issuer or the Trustee.

Your investment in REIT securities and as a REIT Unitholder in the REIT Scheme is as an equity investor. Distributions and return of capital is not guaranteed and are entirely dependent on the performance of the assets of the real estate investment trust.

Your rights in most cases will be limited solely to the assets of the real estate investment trust.
If the Trustee is authorised to borrow on behalf of the trust then your rights to distributions and to the assets will rank after the payments to lenders.

The Trustee, REIT Manager and other parties are also entitled to receive payment of fees and expenses ahead of payments to REIT Unitholders who invest in REIT securities.
The definitions commencing on page xiii of this prospectus have, where applicable, been used on this cover page.

19th October 2015

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Important Information

This Prospectus together with the documents specified herein, having been approved by the Issuer and the REIT Trustee, have been approved by the CMA and the NSE.

This Prospectus is issued under the provisions of the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013 and is in compliance with the NSE listing rules. The REIT Scheme has been authorised and registered as a Real Estate Investment Trust by the CMA.

The Promoter and Issuer assume full accountability for liability for any statements and representations included in this Prospectus including the statements of other parties and experts, except expert opinions issued by the respective experts.

The Transaction Adviser, the Authorised Selling Agents and other professional advisers have not separately verified the information contained herein except with regards to specific expert reports provided by the Legal Adviser, Reporting Accountant and Valuer. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility is accepted by the Transaction Adviser, the Authorised Selling Agents or other professional advisers as to the accuracy or completeness of the information contained in this Prospectus or any other information provided by the Issuer. The Transaction Adviser, the Authorised Selling Agents and the professional advisers do not accept any liability in relation to the information contained in this Prospectus or any other information provided by the Issuer in connection with the Offer.

The Board of Directors of the Issuer, hereby state that this Prospectus and the Scheme Documents comply with the Act and the REIT Regulations.

The directors of the Issuer have, collectively and individually, made all reasonable enquiries and confirm to the best of their knowledge and belief, that there are no false or misleading statements or omissions of other facts which would make any statement in this Prospectus false or misleading and have duly authorized the undersigned to sign this declaration on their behalf.

Signed......................................
Claire Wanjiru Mwangi
Chairman, STANLIB Kenya Limited

Signed......................................
James Muratha
Regional Director, STANLIB Kenya Limited

We, the Transaction Adviser and the Legal Adviser, hereby state that this Prospectus and the Scheme Documents comply with the Act and the REIT Regulations.

Signed………………………………
Naval Sood
CfC Stanbic Bank Limited

Signed………………………………
Nkoregamba Mwebesa
SBG Securities Limited

Signed………………………………
Gladys Mboya
Managing Partner – Mboya Wangong'u & Waiyaki Advocates

Prospectus

This Prospectus is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents available for inspection"). This Prospectus shall be read and construed on the basis that such documents are incorporated into and form part of this Prospectus.

No REIT securities can be issued based on this Prospectus more than six months after the stated date of the publication of the Prospectus.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Prospectus or any other information supplied in connection with the Scheme and, if given or made, such information or representation must not be relied upon as having been authorised by the Trustee, the Issuer or any Placing Agent.

Each prospective investor contemplating the purchase of any units should make its own independent investigation of the financial condition and affairs, and its own appraisal of the condition (financial or otherwise), of the Scheme. If you are in any doubt about the contents of this document or the nature of the transaction or investment or the risks attached to the investment then you should consult a person licensed under the Capital Markets Act who specialises in advising on investments in or acquisitions of securities, including REIT securities in schemes

All references in this document to "Shillings", "KES", "Kenya Shillings" and "KShs" refer to the currency of the Republic of Kenya.

Where any term is defined within the context of any particular clause or section in this Prospectus, the term so defined, unless it is clear from the clause or section in question that the term so defined has limited application to the relevant clause or section, shall bear the meaning ascribed to it for all purposes in this Prospectus, unless the context otherwise requires. Expressions defined in this Prospectus shall bear the same meanings in supplements to this Prospectus, which do not themselves contain their own definitions.

Supplementary Prospectus

If, prior to the listing, a significant new development occurs in relation to the information contained in this Prospectus or a material mistake or inaccuracy is found in the Prospectus that may affect the assessment of the REIT Scheme, a supplement to this Prospectus will be published.

Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Prospectus or in a document that is incorporated by reference in this Prospectus. Any statements so modified or superseded shall not, except as so modified or superseded, constitute a part of this Prospectus.

Forward Looking Statements

This Prospectus contains forward-looking statements relating to the REIT Scheme. These forward-looking statements can be identified by the use of forward-looking terminology such as believes, expects, may, is expected to, will, will continue, should, would be, seeks or anticipates or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.

These statements reflect the current views of the Issuer with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the REIT Scheme to be materially different from the future results, performance or achievements that may be expressed or implied by such forward-looking statements.

Some of these factors are discussed in more detail under Risk Factors in Section 6. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected. The Issuer undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the future events described in this prospectus may not occur.

Industry, Economic and Other Information

The Issuer and the Transaction Adviser obtained the industry and economic data, including industry forecasts, used throughout this Prospectus from internal surveys, market research, publicly available information and industry publications. We have also made statements on the basis of information from third-party sources that we believe are reliable, such as the BMI, EIU, IMF, and Central Bank of Kenya among others. Industry and government publications, including those referenced here, generally state that the information presented therein has been obtained from sources believed to be reliable, but that the accuracy and completeness of such information is not guaranteed. Although we have no reason to believe that any of this information or these reports is inaccurate in any material respect, we have not independently verified the industry or other data provided by third parties or by industry or other publications. The Issuer and the Transaction Adviser do not make any representation as to the accuracy of such information.

Salient Features of the Offer

The information set out in this salient features section of the Prospectus is not intended to be comprehensive. In order to gain a comprehensive understanding of the subject matter and information, this Prospectus should be read in its entirety. No REIT securities can be issued based on this Prospectus more than six months after the stated date of the publication of the Prospectus.

The interpretation and definitions of the terms and abbreviations used in this summary are set out in the Glossary of Defined Terms and Abbreviations

Section A – Introduction and Warnings

A.1	**Introduction and warnings**	The following information should be read as an introduction to the Prospectus (the "Prospectus") relating to the offering (the "Offer") of up to 625,000,000 units (the "Units"), with a nominal value of KES 20 each, of STANLIB Fahari I-REIT Any decision by a prospective investor to invest in the Units should be based on a consideration of the Prospectus as a whole. Prospective investors should therefore read the entire Prospectus and not rely solely on this summary

Section B –The STANLIB Fahari I-REIT

B.1	**Name**	STANLIB Fahari I-REIT
B.2	**Domicile and legal form**	The Trust was established and approved by the CMA as an I-REIT on 30 September 2015
B.3	**Principal activities of the REIT**	The REIT Scheme will own eligible real estate investments that are income generating through rental income. These real estate investments will be used to generate a return for the Unitholders of the REIT Scheme. At least 75 percent of the Total Asset Value will be invested in eligible real estate within 24 months of authorisation of the STANLIB Fahari I-REIT by the CMA In addition to real estate, a portion of its Total Asset Value, (of no more than 25 percent after the first 24 months), may be invested in cash and cash equivalent investments from time to time
B.4	**Significant recent trends**	▪ Land Policies: Land is a critical issue to the economic, social and cultural development of Kenya and Kenya's land policies are in a developmental phase ▪ Legal Aspects: Pursuant to the implementation of the new Constitution in Kenya, a major overhaul was made to land registration systems in 2012. Land is now classified as either public land, community land or private land ▪ Investment incentives: The investment incentives that are available to investors in the real estate sector include investment allowances for any building and plant and machinery affixed to the building. This is given at 100 percent of the value of the Property, Plant and Equipment

B.5 **Selected historical key pro forma financial information**

The table below sets out extracts from the proforma financial statements set out in section 8 that have been prepared to illustrate the potential financial position and results assuming that the Fahari I-REIT Scheme had been in existence three years ago and had raised enough cash to purchase the three Seed Properties on 1 January 2012

STANLIB Fahari I-REIT
Selected key historical proforma financial information
For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended	31-Dec-12 KES m	31-Dec-13 KES m	31-Dec-14 KES m	30-Jun-15 KES m
Total income (rental, parking and other)	142	171	178	121
Net gain from fair value adjustments	106	291	45	166
Direct property and REIT expenses	(266)	(99)	(105)	(77)
REIT operating profit	(17)	363	117	210
Total Comprehensive Income attributable to Unitholders	(16)	369	125	219
Proposed Distribution to Unitholders	-	(62)	(64)	(42)
Total Assets	1,866	2,224	2,262	2,426
Total Liabilities	(57)	(77)	(53)	(52)
Net assets	1,809	2,147	2,209	2,374
Investment property value at start of period	1,451	1,679	1,989	2,056
Capital expenditure	122	19	22	2
Fair value gain	106	291	45	166
Investment property value at end of period	1,679	1,989	2,056	2,224

B.6 **Profit forecasts / estimates**

The table below sets out extracts from the forecast financial statements prepared for the period from October 2015 to December 2019 to illustrate the potential financial results and financial position of the STANLIB Fahari I-REIT based on specific assumptions set out in Section 9

STANLIB Fahari I-REIT
Selected key forecast financial information
For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended Base case - Aggregated mgt. assumptions	1-Oct-15 31-Dec-15 KES m	1-Jan-16 31-Dec-16 KES m	1-Jan-17 31-Dec-17 KES m	1-Jan-18 31-Dec-18 KES m	1-Jan-19 31-Dec-19 KES m
Total income (rental, parking and other)	49	511	891	959	1,006
Net gain from fair value adjustments	17	295	654	656	656
Property operating and REIT expenses	(258)	(362)	(321)	(338)	(355)
REIT operating profit	(193)	443	1,224	1,277	1,307
Total Comprehensive Income attributable to Unitholders	33	935	1,218	1,289	1,337
Proposed Distribution to Unit holders	(13)	(512)	(451)	(506)	(544)
Total Assets	9,991	10,753	11,577	12,405	13,229
Total Liabilities	(63)	(159)	(247)	(265)	(278)
Net assets	9,928	10,594	11,330	12,140	12,952
Investment property value at start of period	2,382	2,422	10,633	11,484	12,140
Property purchases and capital expenditure	24	7,916	196	-	-
Fair value gain	17	295	654	656	656
Investment property value - period end	2,422	10,633	11,484	12,140	12,796
Lettable area at start of period (sq ft)	-	52,293	381,826	629,128	629,128
Added in the period	52,293	329,533	247,302	-	-
Lettable area at end of period (sq ft)	52,293	381,826	629,128	629,128	629,128
Occupancy percentage	92.9%	97.1%	96.9%	95.6%	96.9%
Annual rent for occupied area (KES per sq ft p.a.)	999	1,377	1,461	1,595	1,649

Section C – Securities

C.1 **Type, class and security identification number**

The Units of the STANLIB Fahari I-REIT. In the Offer the Issuer will offer up to 625,000,000 Units and will seek admission to the Official List of the NSE for the Units to trade on the Unrestricted Main Investment Market Segment (UMIMS) of the NSE

When admitted to trading, the Units will be registered with ISIN code KE5000003656

C.2	**Currency of the securities issue**	The Units will be denominated and trade in Kenya Shillings
C.3	**Nominal value of the Units**	As at the date of the Prospectus the Units have a nominal value of KES 20 each
C.4	**Rights attached to the Units**	The Units shall rank *pari passu* in all respects Each Unit shall confer the right to one vote at all meetings of Unitholders and to participate pro rata in any distributions by the Trust
C.5	**Transferability of the Units**	The Units are freely transferable, and the Trustee shall not impose any restriction on the transfer of Units
C.6	**Admission to trading**	Application has been made for the Units to be admitted to trading on the Nairobi Securities UMIMS listed securities under the symbol Fahari I-REIT
C.7	**Distribution policy**	The Trustee, on the recommendation of the REIT Manager shall, subject the Trust Deed and the REIT Regulations, distribute in each financial year, with the distribution being made by the Distribution Date, a minimum of 80 percent of the net after tax income, if any, of the fund from sources other than from realised capital gains on the disposal of real estate assets
C.8	**Offer size**	Between a minimum of Kenya Shillings two billion, six hundred million (KES2,600,000,000) and a maximum of Kenya Shillings twelve billion five hundred million (KES12,500,000,000)
C.9	**Offer price**	KES 20 per Unit
C.10	**Eligible Investors**	The REIT securities will be available for purchase by the general public as well as QIIs
C.11	**Objectives of the REIT Scheme**	The primary objective of the REIT Scheme is to provide Unitholders with stable cash distributions from investment in a diversified portfolio of income generating real estate properties. A further objective is to improve and maximise unit value through the on-going management of the REIT Scheme's assets, future acquisitions and the development of additional income producing real estate properties
C.12	**Securities to be Listed**	CMA has approved the establishment of the STANLIB Fahari I-REIT, issue for purchase in Kenya and 'admission of the REIT Units to the Unrestricted Main Investment Market Segment of the NSE
C.13	**Summary of the transaction**	*The following summary does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of, this Prospectus.* The STANLIB Fahari I-REIT aims to provide investors with a steady stream of income and capital growth by investing at least 75 percent of its Total Asset Value ("TAV") in real estate in strategic locations within Kenya with a maximum of 25 percent invested in cash investments or cash-like instruments. Units of the STANLIB Fahari I-REIT will be listed on the relevant segment of the NSE. Prospective investors should carefully consider the matters set forth under the caption "Risk Factors" in Section 6 of this Prospectus.

C.14 Listing Status

The STANLIB Fahari I-REIT is closed-ended and its Units will be listed on the relevant segment of the NSE. Once this Offer is concluded, Units of the STANLIB Fahari I-REIT can only be traded through the NSE. Consequently, the market price of the Units will be market driven and may not necessarily be equal the Net Asset Value of the STANLIB Fahari I-REIT. The REIT Scheme may undertake secondary offers as and when the need arises.

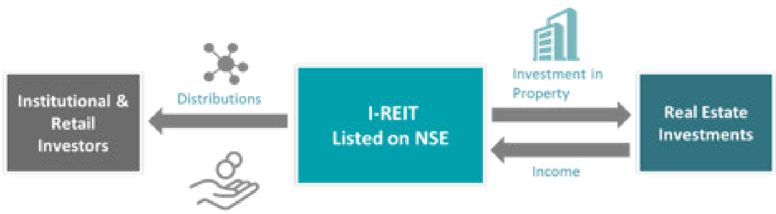
Prospective investors should note that there is currently no active secondary market for a REIT in Kenya.

C.15 Promoter and its role

The Promoter is STANLIB Kenya Limited.

The Promoter is engaged as REIT Manager of the REIT Scheme. Of the non-executive directors on the Board of STANLIB Kenya Limited, two are not employees of other members of STANLIB Kenya's group. One of these is an independent non-executive director and chairs the Board.

C.16 Structure of the REIT Scheme



C.17 Financial structuring mechanisms

At this time, there is no financial structuring contemplated for the REIT Scheme.

If such structuring mechanisms are contemplated subsequent to the issue of this Prospectus, the measures will be clearly identified and their impact reported as part of the continuing disclosure reporting under Regulation 42 and in subsequent half yearly and annual reports under Regulation 101

C.18 Obligations of Trustee and REIT Manager

The Trustee will be responsible for all governance of the REIT Scheme, including the appointment of necessary advisers and providing approval of REIT Manager's recommendations. The Trustee must always act in the best interests of the Unitholders

The REIT Manager is responsible for the management of the REIT Scheme's investments. The REIT Scheme's investments must be as per the investment policy, but ultimately the REIT Manager is required to find suitable eligible real estate properties for investment of the funds raised as part of the Offer. At least 75 percent of the funds raised must be invested in eligible real estate within 24 months of the authorisation of the REIT. In addition, the REIT Manager must ensure that the remaining funds raised, are placed in suitable cash and cash equivalent investments.

The REIT Manager will also be responsible for managing the other REIT advisers that are appointed by the Trustee and to provide certain recommendations to the Trustee, particularly the recommendation of distributions.

C.19 Eligible Assets

Type of asset	Per cent investment
Real estate	At least 75 percent of the TAV within 24 months of authorization
Cash investments or cash like instruments	Up to 25 percent of the TAV

C.20 Source of income and minimum distributions and the impact on the taxation of the REIT Scheme or on distributions if these requirements are not complied with.

The main source of income is net rental earnings from rentals from eligible real estate investments owned directly by the STANLIB Fahari I-REIT and dividend income from wholly-owned subsidiary companies that own eligible real estate investments. The minimum distributions shall be 80 percent of the profit after tax excluding unrealised fair value gains.

The income of the STANLIB Fahari I-REIT will be tax exempt as long as it continues to comply with the REIT Regulations; remains authorised by the CMA, and is registered by the Commissioner of Taxes.

Should the STANLIB Fahari I-REIT not comply with the REIT Regulations and cease to be a real estate investment trust scheme authorised by the CMA – then the net profits earned by the STANLIB Fahari I-REIT (including its subsidiaries), other than capital gains, will be subject to income tax at the rate prevailing at that time (currently 30 percent) while capital gains on sale of the underlying real estate assets will be subject to Capital Gains Tax at the rate prevailing at that time (currently 5 percent)

Section D – Risk Factors

D.1 Key risk specific to the Issuer or its industry

Country Risks

- Emerging/frontier market risk

Industry risks

- Current positive industry trends may not continue along their recent trajectories
- Challenges in land and lease registration
- Illiquidity of the underlying investments in real estate could impact efficient portfolio rebalancing

Factors which are material for the purpose of assessing the market risks associated with Units

- REITs may be subject to market volatility from time to time

D.2 Key risks specific to the securities

Risks related to the structure of the Fahari I-REIT

- Market risk
- Income risk
- Illiquidity of REIT Units
- Leverage risk
- Regulatory risk
- Tax risk
- Redemption risk

Risks associated with the Scheme's proposed investment portfolio

- Risks arising from acquisition of special purpose vehicles
- Foreign exchange risks

Section E – Offer

E.1	**Total maximum Gross Proceeds**	Between a minimum of Kenya Shillings two billion, six hundred million (KES2,600,000,000) and a maximum of Kenya Shillings twelve billion five hundred million (KES12,500,000,000)
E.2	**Initial Estimated Expenses**	KES 365,500,000
E.3	**Total Estimated maximum Net Proceeds**	KES 12,134,500,000
E.4	**Use of Net Proceeds**	The Net Proceeds are to be invested by the REIT Scheme as per the REIT Scheme's investment policy detailed in Section 3.4 of this Prospectus. Immediately after completion of the Offer, the entire Net Proceeds will be invested in cash, deposits, bonds, securities or money market instruments with the target of reducing the percentage of TAV invested in such assets to below 25 percent (and the percent of TAV invested in eligible real estate assets to equal to or more than 75 percent of TAV) within 24 months of authorisation of the REIT Scheme through purchase of Eligible Assets specified in Section 3.4 of this Prospectus. These purchases will include the Seed Properties specified in Section 3.10. that are proposed to be acquired and vested in the Trust and for which all legal registration requirements will have been completed within one hundred and eighty days of the closing of the Offer. After expiry of two years from authorisation of the REIT Scheme, no more than 25 percent of TAV will be invested in cash investments.
E.5	**Reserved Units**	As at the date of this Prospectus, there were no unissued Units reserved for issuance for a specific purpose;
E.6	**Material Interests**	None
E.7	**Initial Estimated Expenses charged to investors**	No expenses will be charged by the REIT Scheme to purchasers of Units

Important Dates and Times

The definitions commencing on page xiii of this Prospectus apply to these important dates and times.

Offer Timetable

Opening Date	8.00 a.m Thursday 22nd October 2015
Closing Date	5.00 p.m Thursday 12th November 2015
Allotment	Monday 16th November 2015
Results announcement date	Friday 20th November 2015
Date of processing refunds	Monday 23rd November 2015
	Being 3 to 5 days of the Results announcement date
Expected settlement date (QIIs)	Thursday 19th November 2015
CDS Crediting Date	Monday 23rd November 2015
Listing Date	Tuesday 24th November 2015

Note: The above dates and times are subject to amendment and notification to the general public, where appropriate, with the approval of the CMA.

Glossary of Defined Terms and Abbreviations

In this Prospectus (including its annexures), unless the context indicates otherwise, references to the singular include the plural and *vice versa*, words denoting one gender include the others, expressions denoting natural persons include juristic persons and associations of persons and *vice versa*, and the words in the first column have the meanings stated opposite them in the second column, as follows:

Term or abbreviation	Meaning
"the Act"	means the Capital Markets Act, Chapter 485A of the Laws of Kenya, (Amended by Act No. 48 of 2013);
"Additional Information"	means information provided to supplement the information contained in the Prospectus;
"Agents Agreements"	means the agreement entered into between the Issuer and the Authorised Selling Agents;
"Applicant(s)"	means one or more prospective investor that submits a completed application during the Offer Period, for purposes of subscribing for the offer of Units in terms of the Offer;
"Application(s)"	means one or more completed application forms submitted by or on behalf of a prospective investor during the Offer period, for purposes of subscribing for the offer of Units in terms of the Offer;
"Application Form"	means the application form to be used by prospective investors for purposes of subscribing for the offer of Units in terms of the Offer, a specimen of which is attached to this Prospectus and which will be made available to prospective investors;
"AUM"	means assets under management;
"Authorised Selling Agents"	means the authorised selling agents to this Offer, as appointed by the Issuer. The names of the members of the Authorised Selling Agents are set out in Appendix H of this Prospectus;
"BMI"	means Business Monitor International;
"Applicable Law"	means any applicable laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Offer, the Units and the Scheme Documents;
"Business Day"	means any day other than a Saturday, Sunday or official public holiday in Kenya;
"CAGR"	means compound annual growth rate;
"CBD"	means central business district;
"CBK"	means the Central Bank of Kenya;
"CDA"	means a Central Depository Agent approved by the CDSC;
"CDSC"	means Central Depository and Settlement Corporation Limited;
"CED"	means Civil Engineering Design (K) Ltd;
"Closing Date"	means the date at which the Offer closes;
"CDS"	means Central Depository and Settlement;

Term or abbreviation	Meaning
"CMA" or "Capital Markets Authority" or "Authority"	means the Capital Markets Authority in Kenya established by statute (and includes any successor thereto (whether immediate or derivative));
"Co-op Bank"	means the Co-operative Bank of Kenya Limited;
"Distribution Date"	means date by which distributions to Unitholders is required to be made, being 30 April annually;
"Distribution Yield"	means the distribution available to a holder of a Unit in any consecutive 12-month period divided by the relevant market price of that security at the beginning of that 12-month period;
"D-REIT"	means a Development and Construction REIT;
"EAC"	means the East African Community;
"EBITDA"	means Earnings Before Interest, Tax, Depreciation, and Amortization;
"EFT"	means electronic funds transfer;
"EIU"	means Economist Intelligence Unit;
"Eligible Assets"	means the eligible real estate and/or eligible cash investments that the STANLIB Fahari I-REIT is permitted to invest in, as detailed in Section 3.4;
"Initial Estimated Expenses"	means all expenses including costs, fees and charges associated with the establishment of the REIT Scheme and the Offer;
"FDI"	means Foreign Direct Investment;
"Foreign Institutional Investors"	means any person who is not a local investor;
"GDP"	means Gross Domestic Product;
"GLA"	means gross lettable area, being the total area of a building that can be let to a tenant. GLA comprises primary GLA plus supplementary areas which include for example, storerooms, balconies, terraces, patios and signage/advertising areas dedicated for the use by the tenant and exclude basements and parking. Unless otherwise noted, any reference within the Prospectus to m² is based on GLA;
"GR"	means gross rental, being basic rental plus operational costs, excluding rates and taxes, measured in Kenya Shillings;
"Gross Proceeds" or "Estimated Gross Proceeds"	means the total proceeds raised during the Offer, prior to the deduction of the Initial Estimated Expenses;
"IFRS"	means the International Financial Reporting Standards;
"IMF"	means International Monetary Fund;
"Independent Reporting Accountants and Auditors" or "Independent Reporting Accountants" or	means KPMG, a partnership formed in terms of the laws of Kenya, full details of which are set out in the "Corporate Information" section;

Term or abbreviation	Meaning
"Auditor" or "KPMG"	
"Independent Property Valuers" or "Valuer"	means the independent property valuers of the I-REIT, being Tysons Limited or, in the alternate, Lloyd Masika;
"Internal Rate of Return" or IRR	means internal rate of return achieved on the STANLIB Fahari I-REIT;
"Issuer" or "Promoter"	means, in relation to this Offer, STANLIB Kenya;
"I-REIT"	means Income REIT;
"Issue price"	means the price at which the Units will be issued by the STANLIB Fahari I-REIT pursuant to the public offer, being KES 20 per Unit;
"KES"	means Kenya Shilling;
"LDK"	means LDK Africa Limited;
"Lead Placing Agent" or "Placing Agent"	means, in relation to this Offer, CfC Stanbic Bank Limited and SBG Securities Limited;
"Legal Adviser"	means the legal adviser to the Issuer, in relation to this Offer, being Mboya Wangong'u and Waiyaki Advocates;
"Listing Rules"	means the NSE Listing Rules, as set out in the NSE Listing Manual and as may be modified from time to time;
"m^2" or "sqm"	means square metres;
"NAV"	means net asset value, being the value of all the STANLIB Fahari I-REIT's assets after subtracting the value of all of its liabilities as determined in accordance with the consolidated financial statements of STANLIB Fahari I-REIT;
"Net Proceeds" or "Estimated Net Proceeds"	means the Gross Proceeds raised during the Offer, net of the Initial Estimated Expenses;
"NSE"	means Nairobi Securities Exchange Limited, approved as a securities exchange under the Act;
"Offer"	means the offer of up to 625,000,000 Units of KES 20 each at par in the STANLIB Fahari I-REIT;
"Offer Period"	means the period from the Opening Date to the Closing Date, both days inclusive;
"Offer Timetable"	means the timetable for the Offer as detailed in the Important Dates and Times section on page xii;
"Opening Date"	means the date at which the Offer opens;
"p.a."	means per annum;
"Primary GLA"	means the rentable area dedicated to the use of the tenant comprising usable and common area for offices and excluding common area for retail buildings;
"Professional Investor"	means: (a) any person licensed under the Act; (b) an authorised scheme or collective investment scheme;

Term or abbreviation	Meaning
	(c) a bank or subsidiary of a bank , insurance company, co- operative, statutory fund, pension or retirement fund; or (d) a person including a company, partnership, association or a trustee on behalf of a trust which, either alone, or with any associates on a joint account subscribes for REIT securities with an issue price equal to at least five million shillings.
"Prospective Investors"	means the general investing public, including but not limited to Professional Investors;
"Prospectus"	means this document inclusive of all annexures and accompanying specimen application form dated 19 October 2015, prepared in compliance with the Act, the REIT Regulations, the Listing Rules and Applicable Laws;
"Qualified Institutional Investors (East African)"	means a body corporate including a financial institution, collective investment scheme, fund manager, dealer or other body corporate whose ordinary business includes the management or investment of funds whether as principal or on behalf of clients;
"Receiving Bank"	means CfC Stanbic Bank Limited;
"Registrar"	means the registrar of REIT securities in relation to the STANLIB Fahari I-REIT, being CDSC Registrars Limited;
"REIT"	means Real Estate Investment Trust, an unincorporated common law trust that has been authorised as such by the CMA;
"REIT Manager"	means STANLIB Kenya;
"REIT Regulations"	means the Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013 as may be amended or modified from time to time;
"REIT Trustee" or "Trustee"	means the Co-operative Bank of Kenya Limited;
"Seed Properties"	means the properties for which acquisition by the STANLIB Fahari I-REIT is to be completed within the first six months after listing the I-REIT Scheme, as detailed in Section 3.10;
"Prospective Properties"	means the properties referred to in Section 3.10.4;
"Scheme Documents"	means the documents specified in the Regulations and include- (a) the prospectus and offering memorandum, and includes any conversion or supplementary prospectus or offering memorandum; (b) the trust deed and any amending, supplemental or replacement trust deed; (c) any document appointing a REIT manager or setting out the terms of appointment and the role or obligations of a REIT manager; (d) any document appointing a property manager, project manager certifier or structural engineer or setting out the terms of appointment, the role or obligations of such persons; (e) any document described in paragraph (b), (c) or (d) relating to an investee trust; and (f) the Memorandum and Articles of Association of any investee company and any shareholders' agreement including any amending, supplemental or replacement Memorandum and Articles of Association or shareholder's agreement;
"STANLIB"	means STANLIB Limited a company registered in South Africa (Reg No. 1997/014748/06) and its subsidiaries;

Term or abbreviation	Meaning
"STANLIB Fahari I-REIT" or "the REIT Scheme" or "the Scheme" or "the Trust"	means the STANLIB Fahari I-REIT;
"SFIPIC"	STANLIB Fahari I-REIT Property Investment Committee;
"STANLIB East Africa"	STANLIB entities in Kenya Uganda, Tanzania and South Sudan, and inclusive of STANLIB Kenya;
"STANLIB Kenya"	means STANLIB Kenya Limited, Certificate of Incorporation number C.9522;
"Subsidiary" or "Subsidiaries"	means a subsidiary or the subsidiaries of the STANLIB Fahari I-REIT, being an entity or entities owned more than 50 percent by the REIT Trustee on behalf of the REIT;
"Tangible NAV"	means NAV less intangible assets;
"TAV"	means total asset value, being the value of all the STANLIB Fahari I-REIT's assets prior to any adjustments or deduction of liabilities;
"Technical Engineer"	means one or both of the technical engineers being, Civil Engineering Design (K) Ltd and/or LDK Africa Limited;
"Transaction Adviser"	means the transaction adviser, in relation to this Offer, being CfC Stanbic Bank Limited and SBG Securities Limited;
"Trust Deed"	means the trust deed between STANLIB Kenya and Co-operative Bank establishing the STANLIB Fahari I-REIT as an Income Real Estate Investment Trusts Scheme, dated 30 September, 2015;
"UMIMS"	Unrestricted Main Investment Market Segment;
"Units"	means units of the STANLIB Fahari I-REIT, with a nominal value of KES20 each;
"Unitholder(s)" or " REIT Unitholder(s)" or "Securities holder"	means any person including the Promoter, who has purchased or otherwise acquired (including through the exchange, or in consideration of any transfer, of Property) and holds any Units and is registered in the Register as evidence that he holds the Units;
"USD"	means United States Dollar;
"VAT"	means value-added tax as defined in the Value-Added Tax Act, 2013, as amended;
"World Bank"	means the World Bank which is a component of the World Bank Group, which is a member of the United Nations Development Group;
"ZAR"	means South African Rand.

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Table and Figures Reference

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1 Corporate Information

The STANLIB Fahari I-REIT

Registered name and office of the STANLIB Fahari I-REIT:

STANLIB Fahari I-REIT
Liberty House, First Floor
Nyerere Road

Established as a common law trust via a Trust Deed dated 30 September 2015 and approved by the CMA as a REIT Scheme on 30 September 2015.

The names and addresses of the Promoter and Issuer and of each person associated with the Offer, the Prospectus or any part thereof, and their functions are set out below:

Promoter and Issuer	STANLIB Kenya Liberty House, 1st Floor Nyerere Road P.O. Box 30550 – 00100 Nairobi, Kenya Tel: +254 20 3268569 Email: customercare.kenya@stanlib.com
Transaction Adviser* & Receiving Bank	CfC Stanbic Bank Limited 1st Floor, CfC Stanbic Bank Centre Westlands Road P.O. Box 30550 – 00100 Nairobi, Kenya Tel: +254 20 363 8000 Email: reitoffer@stanbic.com
Transaction Adviser and Sponsoring Broker*	SBG Securities Limited 1st Floor, CfC Stanbic Bank Centre Westlands Road P.O. Box 30550 – 00100 Nairobi, Kenya Tel: +254 20 363 8080 Emai: reitoffer@stanbic.com
Trustee	The Co-operative Bank of Kenya Limited Co-operative House Haile Selassie Avenue P.O. Box 48231 – 00100 Nairobi, Kenya Tel: +254 703 027 000 Email: customerservice@co-opbank.co.ke; custodial@co-opbank.co.ke

REIT Manager	STANLIB Kenya Liberty House, 1st Floor Nyerere Road P.O. Box 30550 – 00100 Nairobi, Kenya Tel: +254203268569 Email: customercare.kenya@stanlib.com
Property Manager	JHI Kenya Limited 3rd Floor, Grenadier Tower, 1 Woodvale Close, Westlands, P.O. Box 1620-00606 Nairobi, Kenya Tel: +27 11 911 8000 Email: Adriaan.Otto@jhi.co.za
Technical Engineer – Structural Engineer*	Civil Engineering Design (K) Ltd 1st floor Sri Sathya Sai Centre Musa Gitau Road P.O Box 54531 - 00200 City Square Nairobi, Kenya Tel: +254 20 8068141 Email: info@ced.co.ke
Technical Engineer – Mechanical, Electrical and Plumbing Engineer*	LDK Africa Limited 9th Floor, Purshottam Place Westlands Road P.O Box 60293 - 00200 Nairobi, Kenya Tel: +254 374 3838 Email: ldkafrica@ldk.gr
Independent Property Valuer*	Tysons Limited 1st Floor, Jubilee Insurance House Wabera Street P.O. Box 40228 - 00100 Nairobi, Kenya Tel: +254 222 2011 Email: info@tysons.co.ke
Independent Property Valuer*	Lloyd Masika Limited Norfolk Towers, Kijabe Street P.O. Box 45733 – 00100 Nairobi, Kenya Tel: +254 20 2215900 Email: info@lloydmasika.co.ke
Reporting Accountant* and Auditor	KPMG Kenya ABC Towers, 8th Floor ABC Place, Waiyaki Way P. O. Box 40612 - 00100 Nairobi, Kenya Tel: +254 20 2806000 Email: info@kpmg.co.ke

REIT Securities Registrar	CDSC Registrars Limited Nation Centre, 10th Floor Kimathi Street P O Box 3464 - 00100 Nairobi, Kenya Tel:+254 20 291 2000 Email: helpdesk@cdsckenya.com
Lead Placing Agents	CfC Stanbic Bank Limited and SBG Securities Limited 1st Floor, CfC Stanbic Bank Centre Westlands Road P.O. Box 30550 – 00100 Nairobi, Kenya Tel: +254 20 363 8080 Email: sbgs@stanbic.com
Legal Adviser*	Mboya Wangong'u & Waiyaki Advocates Lex Chambers, Maji Mazuri Road Off James Gichuru Road P.O. Box 74041-00200 Lavington, Nairobi Tel: +254 20 2160 312 Email: gmboya@lexgroupafrica.com
Tax Adviser	Viva Africa Consulting LLP 3rd Floor, Kiganjo House Rose Avenue, Off Denis Pritt Road P.O. Box 75079-00200 Nairobi, Kenya Tel: +254 20 246 5567 Email: KThuo@vivaafricallp.com
Town Planning Surveyors*	Jooyato Surveyors Limited 2nd Floor, New Hurlingham Plaza, Argwings Kodhek Road Nairobi, Kenya Tel: +254-202717387 Email: info@jooyatosurveys.com

Note *: For the avoidance of doubt it is noted that no expert referenced above is or has been, engaged or interested in the formation or promotion of the real estate investment trust scheme or the offer of the REIT Scheme securities or in the management of the Promoter or the REIT Manager or is a person connected with the Promoter, the Trustee or the REIT Manager (except that CfC Stanbic Bank Limited and SBG Securities Limited are members of the Standard Bank Group of companies of which STANLIB Kenya is also a member).

2 Key Features of the Offer

2.1 The Offer

STANLIB Kenya, as the Promoter in relation to the first issue of REIT securities made after authorisation of the real estate investment trust scheme, offers for subscription, Units with a nominal value of KES 20 each of STANLIB Fahari I-REIT.

All subscriptions received will be accepted and retained to finance the purchase of the Seed Properties worth KES 2.4 billion and subsequent properties for the balance of the Net Proceeds save for any amount that may be in cash investments in accordance with the Regulations.

2.2 Key Offer Statistics

Table 1: Key Offer Statistics

Opening Date	Thursday 22 October 2015
Closing Date	Thursday 12th November 2015
Offer Price per Unit	KES 20
Minimum subscription amount	KES 20 000
Number of Units on offer up to a maximum of	625 000 000
Market capitalisation of the REIT Scheme at the Offer Price	KES 12 500 000 000
Estimated maximum Gross Proceeds of the Offer	KES12 500 000 000
Initial Estimated Expenses in relation to the Offer	KES 365 500 000
Estimated maximum Net Proceeds of the Offer	KES12 134 500 000

Note: The above dates and times are subject to amendment and notification to the general public, where appropriate, with the approval of the CMA.

2.3 Use of Proceeds

The Gross Proceeds raised during the listing of the REIT Scheme are to be used first to settle the Initial Estimated Expenses related to the Offer. The Net Proceeds of the Offer are calculated as the Gross Proceeds less Initial Estimated Expenses.

The Net Proceeds are to be invested by the REIT Scheme as per the REIT Scheme investment policy detailed in Section 3.4 of this document. Immediately after completion of the Offer, the entire Net Proceeds will be invested in cash, deposits, bonds, securities or money market instruments with the target of reducing the percent of TAV invested in such assets to below 25 percent (and the percentage of TAV invested in eligible real estate assets to equal to or more than 75 percent of TAV) within 24 months of authorisation of the REIT Scheme through purchase of Eligible Assets specified in Section 3.4 of this Prospectus. These purchases will include the Seed Properties specified in Section 3.10 that are proposed to be acquired and vested in the Scheme and for which all legal registration requirements will have been completed within one hundred and eighty days of the closing of the Offer. After expiry of two years from authorisation of the REIT Scheme, no more than 25 percent of TAV will at any time be invested in cash investments.

2.4 Initial Estimated Expenses

The Initial Estimated Expenses include costs, fees and charges associated with the establishment and listing of the REIT Scheme, which are expected to total approximately KES 365.5 million and are payable by the REIT Scheme.

The Initial Estimated Expenses of the offer comprise:

Table 2: Schedule of Initial Estimated Expenses*

REIT SET UP AND CAPITAL RAISING COSTS		REIT Set up	Capital raising	Total
		KES m	KES m	KES m
Trustee		-	-	-
REIT manager		-	-	-
DD Valuers fees		5.95	-	5.95
Transaction advisor -advisory fees	*	55.66	-	55.66
Transaction advisor -placement fees	*	-	131.25	131.25
CMA REIT approval fees		12.50	-	12.50
NSE Listing fees		1.50	-	1.50
Reporting Accountant		2.50	-	2.50
Legal fees -conveyancing		6.25	-	6.25
Legal fees - advisory		25.00	-	25.00
Structural engineers fees		1.00	-	1.00
Tax consultant's fees		56.25	-	56.25
Marketing consultant's fees		6.00	-	6.00
Printing fees		2.50	-	2.50
Advertising costs		15.00	-	15.00
Registrar		2.50	-	2.50
Receiving Bank		10.00	-	10.00
Interest costs		25.59	-	25.59
Contingency		6.00	-	6.00
Total		**234.2**	**131.3**	**365.5**

*Assumes that the REIT is able to raise the maximum amount of KES 12.5 billion and takes into account the costs incurred to the point of completion of the initial offer only, including but not limited to:

- CMA REIT approval fees: These are based on 0.15% of the size of the offer (subject to a maximum fee of KES 10m) plus 0.0375% of the size of the offer (subject to a maximum of KES 2.6m) for the approval of the prospectus.

- NSE listing fees: This comprises the initial NSE Listing approval fee of 0.06% of the size of the offer subject to a maximum of KES 1.5 million

- The Placement fee is computed on the basis of a fee of 1.5% of the sums placed with investors other than funds managed by STANLIB Kenya Limited. The assumption is that 70% of the total funds raised (i.e. KES 8.75 bn) will be subject to a placing fee. This is a variable fee and should the total sums raised be lower than anticipated or a higher proportion placed with STANLIB Kenya Limited managed funds, the placement fees payable will reduce. Conversely, should placing agents place a higher proportion of the offer, then aggregate placing fees may exceed the estimate set out above.

- The transaction advisory fee is estimated on the basis of a 0.5% fee (plus excise duties) on total funds raised of KES 12.5 billion and subject to a cap of USD 500,000. Should the total funds raised be lower – then the actual advisory fee will reduce proportionately.

2.5 Minimum Aggregate Subscription

The Offer is subject to a minimum aggregate subscription of KES 2,600,000,000 (equivalent to 130,000,000 Units) of the entire Offer (that represents the commitments on the Seed Properties and the Initial Estimated Expenses) as well as receipt of no fewer than seven (7) valid Applications for the Offer. However, in the event that this minimum amount is not attained, approval may be sought from the Capital Markets Authority to proceed with the allocation of the Units that are subscribed under the Offer.

2.6 Maximum Aggregate Subscription

The Offer is subject to a maximum subscription limit of KES 12,500,000,000. The estimated value of the pipeline of Prospective Properties is currently in the range of KES 8,000,000,000 and as such, the Trustee intends to accept all applications received up to the maximum subscription limit to finance the purchase of these Prospective Properties (or other properties that it may identify in the future).

2.7 Underwriting

There are no underwriting arrangements regarding this Offer.

2.8 Minimum and Maximum Application Size

There is no maximum Application size from any one Applicant. The minimum Application sizes are as follows:

Table 3: Minimum Application Size

Investor Category	Minimum Application Size (Kenya Shillings)	Thereafter in multiples of (Kenya Shillings)
Qualified Institutional Investors (East African)	Kenya Shillings one million (KES 1,000,000)	Kenya Shillings one hundred thousand (KES100,000)
Other East African Retail Investors and Foreign Retail Investors	Kenya Shillings twenty thousand (KES 20,000)	Kenya Shillings two thousand (KES 2,000)
Foreign Institutional Investors	Kenya Shillings one million (KES 1,000,000)	Kenya Shillings one hundred thousand (KES 100,000)

2.9 Status of Applicant

Every Applicant is required to complete the declaration on the Application Form declaring, as the case may be, the Applicant's status as a foreign investor, local investor, or local institutional investor, with supporting documentation evidencing such status.

The Capital Markets (Foreign Investors) Regulations, 2002 as amended ("the Foreign Investors Regulations") defines the following:

- *"**Local investor**" in relation to an individual, means a natural person who is a citizen of an East African Partner State; and in relation to a body corporate, means a company incorporated under the Companies Act of Kenya or such similar statute of an East African Partner State in which citizens of an East African Partner State or the Government of an East African Partner*

State have beneficial interest in one hundred per centum of its ordinary shares for the time being or any other body corporate established or incorporated in an East African Partner State under the provisions of any written law.

- *"**Foreign investor**" means any person who is not a local investor.*
- *"**Institutional investor**" means a body corporate including a financial institution, collective investment scheme, fund manager, dealer or other body corporate whose ordinary business includes the management or investment of funds whether as principal or on behalf of clients.*

The East African Partner States include such states as may be deemed to be the members from time to time of the East African Community, currently Kenya, Uganda, Tanzania, Rwanda and Burundi. Citizens of those countries and corporate persons incorporated or registered in those countries, in which citizens of those countries hold 100 percent of the beneficial interest should therefore declare their status as local investors and provide supporting evidence.

Whereas the Regulations as stated above include citizens of East African Partner States as local investors, this Prospectus and the Application Form may not be used for, or in connection with, any offer, or solicitation by, anyone in the East African Partner States where such offer or solicitation is not authorised or is otherwise unlawful in the said jurisdictions.

The offer of the Units of the REIT Scheme to foreign investors may be affected by laws and regulatory requirements of the relevant jurisdictions. Any foreign investors wishing to apply for the Units must satisfy themselves as to the full observance of the laws of the relevant territory and governmental and other consents to ensure that all requisite formalities are adhered to and pay any issue, transfer or other taxes due in such territory.

Foreign investors are advised to consult their own professional advisors as to whether they require any governmental or other consent or need to observe any applicable legal or regulatory requirements to enable them to apply for and purchase the Units.

Regulation 6(9A) and 6(9B) of the Capital Markets (Securities) (Public Offers, Listing and Disclosure) Regulations, 2002 provides that:

> *"In developing an allocation policy, every issuer or offeror shall ensure that such policy reserves at least 25% of the ordinary shares that are the subject of an initial public offering and subsequent listing for investment by local investors.*
>
> *Provided always that where the per centum reserved for local investors is not subscribed for in full by local investors, the issuer or offeror may, with prior written approval of the Authority, allocate the shares so remaining to foreign investors."*

Regulation 4(1) of the Foreign Investors Regulations imposes a duty on a listed company to maintain a register of shareholders at all times with an indication of whether they are foreign investors, individual local investors or institutional local investors.

In light of the above, the Issuer reserves the right to treat as invalid any Application or purported Application to purchase the Units which appears to the Issuer or its agents to have been executed, effected, or dispatched in a manner which may involve a breach of any applicable legal or regulatory requirement of any jurisdiction outside Kenya.

The fact of rejection will be notified to such Applicant.

2.10 Issue of Units

On completion of the Offer, the REIT Scheme will issue Units to successful Applicants equivalent to the Gross Proceeds received. Each Unit shall confer the right to one vote at all meetings of Unitholders and to participate pro rata in any distributions by the Trust.

2.11 Authorised Selling Agents

The Issuer has appointed Authorised Selling Agents to this Offer, all of whom have signed Agents Agreements with the Issuer. These Agents Agreements set out various terms and conditions that each Authorised Selling Agent is required to comply with.

The Authorised Selling Agents are either members of the NSE, licensed by the CMA, Central Depository Agents approved by the CDSC or commercial banks. The names of the members of the Authorised Selling Agents are set out in Appendix H to this Prospectus. The Authorised Selling Agents will sell the Units through their branches and such other outlets as the Issuer may determine.

2.12 Allocation Policy

a. The Allocation Policy set out below, has been designed to comply with the requirements of the Applicable Regulations and therefore upon completion of the offer:

   i. a minimum of 25 percent of the total I-REIT securities shall be Free Float; and

   ii. the minimum number of Unitholders will be seven (7);

The Trustee's objective for the public offer is to ensure that at least 25 percent of the I-REIT units are held by no fewer than 7 Unitholders so as to satisfy the NSE listing requirements for REIT securities on the Exchange.

Accordingly, the Allocation Policy has been designed to ensure compliance with the Capital Markets Regulations in the first instance for the public offer and the listing of the Units and compliance with the Listing Requirements.

Table 4: Allocation Policy

Allocation Policy		
Category of Applicant	**Number of offer Units**	**% Ownership**
Qualified Institutional Investors (East African)	343 750 000	55
East African Retail Investors (East African) Foreign Retail Investors	156 250 000	25
Foreign Institutional Investors	125 000 000	20

b. In the event that the total number of Units applied for by Applicants in any of the categories equates to the respective total number of Units reserved for that category, all valid applications will be allocated in full as per the number of Units applied for by such Applicants;

c. In the event that the total number of Units applied for by Applicants in a particular category is below the total number of Units reserved for that category, the following will apply:

i. All valid applications received from Applicants will be allocated in full as per the number of Units applied for taking into account the minimum number of Units that may be applied for by any Applicant in each category; and

ii. The balance of Units will be available for allocation to Applicants in the other categories which are over-subscribed, and such excess Units will be aggregated and the pool of excess Units availa ble will be allocated pro-rata to the excess Units applied for in the other categories;

d. Applicants in an oversubscribed pool will be allocated Units as follows:

i. Institutional Investors (East African and Foreign) – applicants will be allocated Units equivalent to the minimum application amount of KES 1,000,000 in the first instance and the balance will be allocated on a pro rata basis, rounded to the nearest 100 Units until all Units in that pool plus unallocated balances from other pools (if any) are exhausted.

ii. Retail Investors (East African and Foreign) – applicants will be allocated Units equivalent to the minimum application amount of KES 20,000 in the first instance and the balance will be allocated on a pro rata basis, rounded to the nearest 100Units until all Units in that pool plus unallocated balances from other pools (if any) are exhausted.

e. In the event that the results of the subscription make the above policy impractical then an amend ment to the Allocation Policy shall be made at the discretion of the Issuer with the approval of the CMA;

f. In the event of any doubt whatsoever as to the eligibility of an Applicant in a particular category, the decision of the Issuer will be final;

g. STANLIB Kenya will announce the manner in which the Units have been allocated to Applicants in the above categories (the "Allocation Results') on the date set out in the Offer Timetable; and

h. STANLIB Kenya reserves the right to reject in whole or in part any Applications. Any applica tions not accepted will be given the reasons for the non-acceptance.

2.13 Governing Law

This Prospectus and any contract resulting from the acceptance of an Application to purchase the Units shall be governed by and construed in accordance with the Laws of Kenya and it shall be a term of each such contract that the parties thereto and all other interested parties submit to the exclusive jurisdiction of the Courts of Kenya, unless otherwise provided therein.

2.14 Terms and Conditions of Application of Units

2.14.1 Application Procedure

a. All applicants must have a CDS account.

b. Persons wishing to apply for Units in the REIT Scheme must complete the appropriate Application Form and, where the Applicant does not have a valid CDSC account, the CDS Securities Account Opening Form (CDS 1 Form). The Application Form must be completed in accordance with the provisions contained in this Prospectus and the instructions set out on the Application Form and physically returned to one of the Authorised Selling Agents listed in Appendix H of this Prospectus;

c. In the event of a rejection, for any of the reasons set out in Section 2.14.4 below, any such Application Forms and accompanying Authorised Payment shall be returned to the Authorised Selling Agent to which the Application Form was submitted for collection by the relevant Applicant;

d. Copies of this Prospectus, with the accompanying Application Form, may be obtained from the Authorised Selling Agents referred to in Appendix H of this Prospectus;

e. Save in the case of negligence or wilful default on the part of STANLIB Kenya, its Advisers or any of the Authorised Selling Agents, neither STANLIB Kenya, nor any of the Advisers nor any of the Authorised Selling Agents shall be under any liability whatsoever should an Application Form not be received by the Closing Date;

f. An Applicant shall qualify to apply for Units in one category only;

g. Joint applications may only be made by individuals (not corporations) and in all cases the joint applicants submitting an application must fall within the same pool. Individuals will only be allowed to apply jointly once and joint applications must not be used to defeat the allocation policy. For purposes of the minimum initial allocation under the allocation policy, the Issuer reserves the right to treat each joint application as an application by each joint applicant alone;

h. Presentation of cheques for payment or receipt of funds transferred shall not amount to the acceptance of any Application;

i. All alterations on the Application Form, other than the deletion of alternatives, must be authenticated by the full signature of the Applicant or the Authorised Selling Agent.

j. The Receiving Bank and the Trustee through the branches, a list of which is set out in Appendix I: will be receiving Applications and payments;

k. Applications sent by facsimile or by any means other than the methods stipulated in this Prospectus will not be accepted;

l. Applications once given are irrevocable and may not be withdrawn once submitted;

m. By signing an Application Form, each Applicant:

    i. agrees that having had the opportunity to read this Prospectus, the Applicant shall be deemed to have had notice of all information and representations concerning the REIT Scheme contained herein;

ii. confirms that in making such Application it is not relying on any information or representation in relation to STANLIB Kenya other than those contained in this Prospectus and it accordingly agrees that no person responsible solely or jointly for this Prospectus or any part thereof shall have any liability for such other information or representation;

iii. accepts to receive any communication from STANLIB Kenya, as the REIT Manager, and the Trustee including notices for meetings, through electronic means including but not limited to email or placement of such notices on STANLIB Fahari I-REIT's website, or notification through the mass media;

iv. represents and warrants that, except in cases where the Applicant is licensed to apply for and hold Units for other persons, he who applies for the Units on his own account, will be the beneficial owner of the Units, has not represented himself as a different person in any other application nor applied for Units under a different name, and is not applying for the Units on the instructions of or on behalf of any other person and has not instructed any other person to apply for Units as his nominee;

v. being a person with legal capacity who is authorised to apply for Units on behalf of other persons, represents and warrants that it is not making multiple applications for itself or any other person, is not applying as nominee of any person whom it knows to have applied under any other name or through any other nominee or person; or for any beneficial owner more than once; and

vi. acknowledges that STANLIB Kenya and/or the Authorised Selling Agents reserve the right to reject any Application found to be in contravention of subparagraphs (iv) and (v) above.

n. An Applicant (other than Qualified Institutional Investors (East African)) wishing to apply for the Units must duly complete and sign the accompanying Application Form and return the same in its entirety accompanied by evidence of payment of the subscription amount (an "Authorised Payment") (as may be applicable) so that it is received by an Authorised Selling Agent by the Closing Date;

o. All Application Forms must be accompanied by an Authorised Payment for the full amount due for the applicable Units plus an additional KES 30.00, being the cost of postage of a CDS Account Statement;

p. All Authorised Payments must be in Kenya Shillings;

i. Where an application is for an amount of less than Kenya Shillings one million (KES 1,000,000), payment may be made by way of a bankers' cheque. All bankers' cheques should be drawn on a commercial bank which is a member of the Kenya Bankers Association Clearing House and should be made payable to STANLIB Fahari I-REIT - ("Application Form serial number"), A/C No 0100004160872, and be crossed "A/C payee only"

ii. For an application above Kenya Shillings one million (KES 1,000,000), payments must be remitted to the Receiving Bank through EFT or Real Time Gross Settlement (RTGS) and should be made payable to the Issuer's account number 0100004160872 at CfC Stanbic Bank Limited, Chiromo Branch

q. For Qualified Institutional Investors (East African) applying for Units, payment for the Units allotted will be required to be made as per the Offer Timetable following the Receiving Bank (on behalf of the REIT Scheme) notifying the Applicant of its proposed allocation of Units and demanding payment on behalf of the REIT Scheme of the requisite amount. Settlement of Units to Applicants shall only be made after payment in full for the Units has been received by the REIT Scheme;

r. The Authorised Selling Agent receiving an Application Form will check that the Applicant has filled in the Application Form appropriately, tear off the Acknowledgment Section from the Application Form, sign and stamp the same and return it to the Applicant;

s. Cash or personal cheques made directly payable to the Receiving Bank will not be accepted;

t. The Authorised Selling Agents and the Registrar are entitled to ask for sufficient identification to verify that the person(s) making the Application has authority or capacity to duly complete and sign the Application Form. The Authorised Selling Agents are therefore expected to undertake all "Know your Client" procedures and activities on nominee accounts as required by law. The Transaction Adviser, STANLIB Kenya and the Trustee have the right to demand and be provided with the details of the nominee accounts held by the Authorised Selling Agents to ascertain the eligibility of any application by nominees. In default, the Trustee may at its sole discretion treat such applications as invalid;

u. The Issuer reserves the right to present all cheques for payment on receipt, to reject any application not in all respects duly completed, and to accept or reject or scale down any other application in whole or in part. Scaling down will apply only if there is an over-subscription;

v. Every Applicant is required to tick the appropriate box on the Application Form as regards his/her residency and or citizenship status, where applicable;

w. By signing an Application Form, an Applicant agrees to the allotment and issue of such number of Units (not exceeding the number applied for) as shall be allotted and issued to the Applicant upon the terms and conditions of this Prospectus and subject to the REIT Scheme's Trust Deed, and agrees that Trustee may enter the Applicant's name in the register of Unitholders of the STANLIB Fahari I-REIT as holder of such Units;

x. No interest will be paid on monies received in respect of applications for Units, nor will interest be paid on any amounts refunded or deposited at the time of application;

y. Commission at the specified rate of 1.50 percent of the Offer Price of the Units allocated per application will be paid to the relevant Authorised Selling Agents on all Allocations made in respect of Application Forms received for the Units and which bear the stamp of the Authorised Selling Agent. No commission will be paid on Application Forms that bear more than one or no Authorised Selling Agent's stamp or which are rejected. A commission of 1.00 percent of the Offer Price of the Units allocated will be paid to any Authorised Selling Agent that has not signed an Agents Agreement; and

z. All payment, refunds or other currency transactions relating to the Offer shall be transacted in Kenya Shillings.

2.14.2 CDS Account

a. It is mandatory for an Applicant to open a CDS Account. To open a CDS Account, individual Applicants will be required to complete a CDS Securities Account Opening Form (CDS 1 Form) available from any Authorised Selling Agent listed in Appendix H: and other licensed central depository agents listed in Appendix I: to this Prospectus.

b. All Applicants will only receive issued Units in electronic or bookentry form by way of a credit to their CDS Accounts with the allocated number of Units. They may not opt to receive them in material form (Unit certificates);

c. In the case of Joint Applications, the Joint Applicants should have a CDS account in the name of the Joint Applicants;

d. The Registrar on behalf of the Trustee will authorise the CDSC to credit the respective CDS Accounts with the number of Units allocated to each Applicant within the dates in Offer Timetable set out on page xii;

e. Upon the Applicants CDS Accounts being credited with the issued Units, each Unitholder in the REIT Scheme shall be capable of dealing with their issued Units through the CDSC; and

f. On acceptance of any Application, the Directors will, as soon as possible after the fulfilment of the conditions relating to Applications and completion of the Application Form, register the allocated Units in the name of the Applicant concerned;

2.14.3 Loan Facilities

a. The decision on whether to take a loan or other form of financing offered by any commercial bank or third party financier in order to make payment for the Units applied for is the decision of each Applicant and the Trustee will not be in any way liable for the consequences of such a decision for the Applicant or the financier;

b. Where Applicants with CDS Accounts have obtained finance from a bank which requires pledging of the Units as collateral, the following procedure must be followed;

   i. the Applicant and or financing bank must complete a CDS Securities Pledge Form (CDS 5 Form) and record the pledge details on the Application Form. The Securities Pledge Form shall be submitted to the Authorised Selling Agent who will in turn submit it to CDSC. The Application Form together with payment will then be forwarded to the Receiving Bank and the data processing agent by the Authorised Selling Agent; and

   ii. upon completion of any additional documentation prescribed by CDSC, all pledges will be effected through entries in the CDS maintained by CDSC. The pledging of such Units will at all times be subject to Clause 11 of the Operational Procedures of the CDSC, 2007. There may be an additional fee payable to the CDSC for this service.

   STANLIB Kenya and the Trustee shall not be held liable for any fees or commissions or any other expenses due and payable by any Unitholder with respect to any loan or advance sought and/or obtained from any financier or any other person.

2.14.4 Rejections Policy

a. The Authorised Selling Agents will present to the Receiving Bank through the Registrar all Authorised Payments received on behalf of the REIT Scheme. Delivery of an Application Form accompanied with payment by way of a bankers' cheque to the Registrar will constitute a warranty that the cheque will be honoured on first presentation. If any bankers' cheque accompanying an Application is not paid on first presentation and the Application has already been accepted in whole or part, such acceptance may at the option of the Issuer be rescinded and the Units comprised therein may be transferred to another person upon such terms and conditions as the Issuer deems fit. The entire proceeds of such transfer shall be retained for the account of the REIT Scheme, as the case may be, and the original Applicant shall be responsible for any losses and all costs incurred;

b. STANLIB Kenya and the Trustee shall not be under any liability whatsoever should any Application Form fail to be received by the Registrar or by any Authorised Selling Agent by the Closing Date. In this regard, such Application Forms and accompanying cheques shall be returned to the Authorised Selling Agent where the Application Form was submitted, for collection by the applicable Applicants;

c. Applications shall be rejected if full value is not received. Applications shall not be considered until the cheque presented with the Application has cleared. It is not sufficient to merely present a cheque for the full amount payable; and

d. Applications may also be rejected for the following reasons:

i. Incorrect CDS Account Number;

ii. Missing or illegible name of primary or joint applicant in any Application Form;

iii. Missing or illegible identification number, including corporation registration number, or in the case of Kenyan residents (other than citizens), missing or illegible alien registration number;

iv. Missing or illegible address (either postal or street address);

v. Missing residence and citizenship indicators for primary Applicant in the case of an individual or missing residency for tax purposes for corporate investors;

vi. Missing or incomplete CDS 5 Form in the case of financed applications where the Units are to be taken as collateral;

vii. Insufficient documentation forwarded, including missing tax exemption certificate copies for Applicants that claim to be tax exempt;

viii. In the case of nominee applications, incomplete information, failure to satisfy the Issuer of nominee status or lack of declaration from the agent submitting the Application;

ix. Missing or inappropriately signed Application Form including:

- Primary signature missing from Signature Box 1;
- Joint signature missing from Signature Box 2 (if applicable);
- Two directors or a director and the respective company secretary having not signed or seal having not been affixed in the case of a corporate application;

x. Amount as payment for number of Units applied for is less than the correct calculated amount;

xi. Bankers' cheque has unauthenticated alterations;

xii. In the case of individuals or entities, as the case may be, meeting the requirements described under the "Retail" pool who are resident or physically located outside Kenya, where such individuals or entities are not eligible to participate in the Offer or receive the Prospectus under the laws of their residency or location and the Offer to such individuals or entities does not comply with the selling restrictions set out in the Prospectus. The Application Monies in respect of any rejected Application shall be returned at the time set out for refunds; or

xiii. Such other reason as the Issuer may provide to the Applicant upon rejection of an application.

2.14.5 Refunds Policy

No interest will be paid on any funds related to an Application to any Applicant or other person.

Refunds in respect of unsuccessful Applications (if any) shall be in the form of refund cheques or by way of EFT by the REIT Manager (where an Application has provided accurate EFT in their CDS Account details including the name of the relevant bank, branch and account number request your Authorised Selling Agent for detailed reference list of codes). Prospective investors are required to choose their preferred option of refund: (a) by EFT (b) by cheque to be collected by the Unitholder from the relevant Authorised Selling Agent (as designated by the Applicant on the Application Form for that purpose) against proof of identity. All refunds from KES 1,000,000 and above shall be through EFT.

None of STANLIB Kenya, the Trustee or any Authorised Selling Agent will be responsible for any refund not received. Where a financier has advanced money to a prospective investor to subscribe for Units, refunds will be made to or for the account of such financier as the case may be.

2.14.6 Notification of Allocation

All Applicants will be notified by letter or email or telephone of the results of the Offer and the allocation of Units on the Results announcement date in the Offer Timetable.

3 Particulars of the STANLIB Fahari I-REIT

3.1 Name, Address and Establishment

STANLIB Fahari I-REIT is an Income Real Estate Investment Trust Scheme established under the name STANLIB Fahari I-REIT, and trading as STANLIB Fahari I-REIT under licence from STANLIB Asset Management Limited.

STANLIB Fahari I-REIT's business address is care of the REIT Manager at:

STANLIB Kenya
Liberty House, 1st Floor
Nyerere Road
P.O. Box 30550 – 00100
Nairobi, Kenya
Email: customercare@stanlib.com

3.2 Details of the REIT Trustee and REIT Manager

3.2.1 Overview of the Board of REIT Trustees

The Co-operative Bank of Kenya Limited ("Co-op Bank") will act as the REIT Trustee. Details of the directors of Co-op Bank as at the date of this Prospectus are provided in the table below.

Table 5: Co-op Bank Board of Directors

Co-op Bank Board of Directors			
Name	**Designation**	**Nationality**	**Address**
Stanley C. Muchiri, EBS	Chairman	Kenyan	P.O. Box 48231-00100
Julius M. Riungu	Vice Chairman	Kenyan	P.O. Box 48231-00100
Dr. Gideon M. Muriuki, MBS	Managing Director	Kenyan	P.O. Box 48231-00100
Macloud Malonza	Director	Kenyan	P.O. Box 48231-00100
J. Sitienei	Director	Kenyan	P.O. Box 48231-00100
P.M Musyimi	Ag. Commissioner of Co-operative Development	Kenyan	P.O. Box 48231-00100
R. L Kimanthi	Director	Kenyan	P.O. Box 48231-00100
Benedict Simiyu	Director	Kenyan	P.O. Box 48231-00100
W. Ongoro	Director	Kenyan	P.O. Box 48231-00100
D. Kibera	Director	Kenyan	P.O. Box 48231-00100
R. Simani	Director	Kenyan	P.O. Box 48231-00100
W.J Mwambia	Representing PS National Treasury	Kenyan	P.O. Box 48231-00100
R. Githaiga (Mrs)	Company Secretary	Kenyan	P.O. Box 48231-00100

Source: Co-operative Bank

3.2.2 Overview of the Board of the REIT Manager

STANLIB Kenya will act as the initial REIT Manager. Details of STANLIB Kenya's directors as at the date of this Prospectus, are provided in the table below.

Table 6: STANLIB Kenya Board of Directors

STANLIB Kenya Board of Directors			
Name	**Designation**	**Nationality**	**Address**
Claire Mwangi	Chairperson	Kenyan	P.O. Box 72770-00200 Nairobi Kenya
James Muratha	Regional Director	Kenyan	P.O. Box 30550-00100 Nairobi Kenya
Mike Du Toit	Director	South African	P.O. Box 30664-00100 Nairobi Kenya
Ben Kodisang	Director	South African	17 Melrose Boulevard Melrose Arch 2196 Johannesburg South Africa
Seelan Gobalsamy	Director	South African	17 Melrose Boulevard Melrose Arch 2196 Johannesburg South Africa
Peter Waiyaki	Director	Kenyan	P.O. Box 74041-00200 Nairobi Kenya
John Mackie	Director	South African	17 Melrose Boulevard Melrose Arch 2196 Johannesburg South Africa

Source: STANLIB Kenya

3.3 Description of the STANLIB Fahari I-REIT

Overview

The STANLIB Fahari I-REIT is established as an unincorporated common law trust. The STANLIB Fahari I-REIT will be a closed ended fund, meaning that the Trust will not redeem Units, therefore prospective investors can only exit by disposing of Units in a secondary market based on market value per Unit. The REIT Scheme will have a maximum life of 80 years subject to the Trust Deed. Its units will be offered through an initial public offer to prospective investors and the Units will be listed on the NSE under the Unrestricted Main Investment Market Segment.

Once the Offer is concluded, Units of the REIT Scheme can only be bought or sold through a licensed stockbroker on the floor of the NSE. Consequently, the market price of the Units will be market driven and may not necessarily be equal to the Net Asset Value of the STANLIB Fahari I-REIT. However, the REIT Scheme may undertake secondary offers as and when the need arises.

The Units are freely transferable, and the Trustee shall not impose any restriction on the transfer of Units. The Units shall rank pari passu in all respects and each Unit shall confer the right to one vote at all meetings of Unitholders and to participate pro rata in any distributions by the Trust.

The Trustee will be responsible for all governance of the REIT Scheme, including the appointment of necessary advisers and providing approval of REIT Manager's recommendations. The Trustee must always act in the best interests of the Unitholders. The REIT Manager is responsible for the management of the REIT Scheme's investments. The REIT Scheme's investments must be as per the investment policy, but ultimately the REIT Manager is required to find suitable eligible real estate properties for investment of the funds raised as part of the Offer. In addition, the REIT Manager must ensure that any funds not invested in eligible real estate, subject to a maximum of 25 percent of the REIT Scheme's TAV, is placed in suitable cash and cash equivalent investments. The REIT Manager will also be responsible for managing the other REIT advisers that are appointed by the Trustee and to provide certain recommendations to the Trustee, particularly the distribution recommendation.

REIT Scheme Objectives

The primary objectives of the REIT Scheme is to provide Unitholders with stable cash distributions from investment in a diversified portfolio of income generating real estate properties and to improve and maximise Unit value through the ongoing management of the REIT Scheme's assets, future acquisitions and the development of additional income producing real estate properties.

REIT Scheme Objects

The objects of the REIT Scheme shall be:

- The acquisition, for long-term investment, of income generating eligible real estate and eligible investments including, but not limited to, housing, commercial and other real estate;
- Marketing and sale of real estate assets;
- Retention and management of the real estate assets of the trust with the objective of earning income from the assets;
- The undertaking of incidental and connected activities and activities related to the assets of the trust;
- Undertaking of such development and construction activities as may be permitted by the Act and the Regulations for an Income REIT; and

- Such other activities as may be authorised by the Regulations.

It is noted that in relation to development and construction activities, the REIT Scheme does not currently intend to undertake these activities. However, should the REIT Scheme begin to engage in development and construction activities in the future, these activities will be conducted in compliance with the Act and the REIT Regulations for an I-REIT, and in particular Regulation 70.

A material change to the objectives and objects of the REIT Scheme may only be made to the extent it is authorised by the Act and the REIT Regulations and approved by the REIT Scheme Unitholders.

Requirements for continuing as an authorised I-REIT

In order to retain its authorisation as an I-REIT, the REIT Scheme must comply with the requirements set out in Part X of the REIT Regulations, including:

- Investing only in eligible investments;

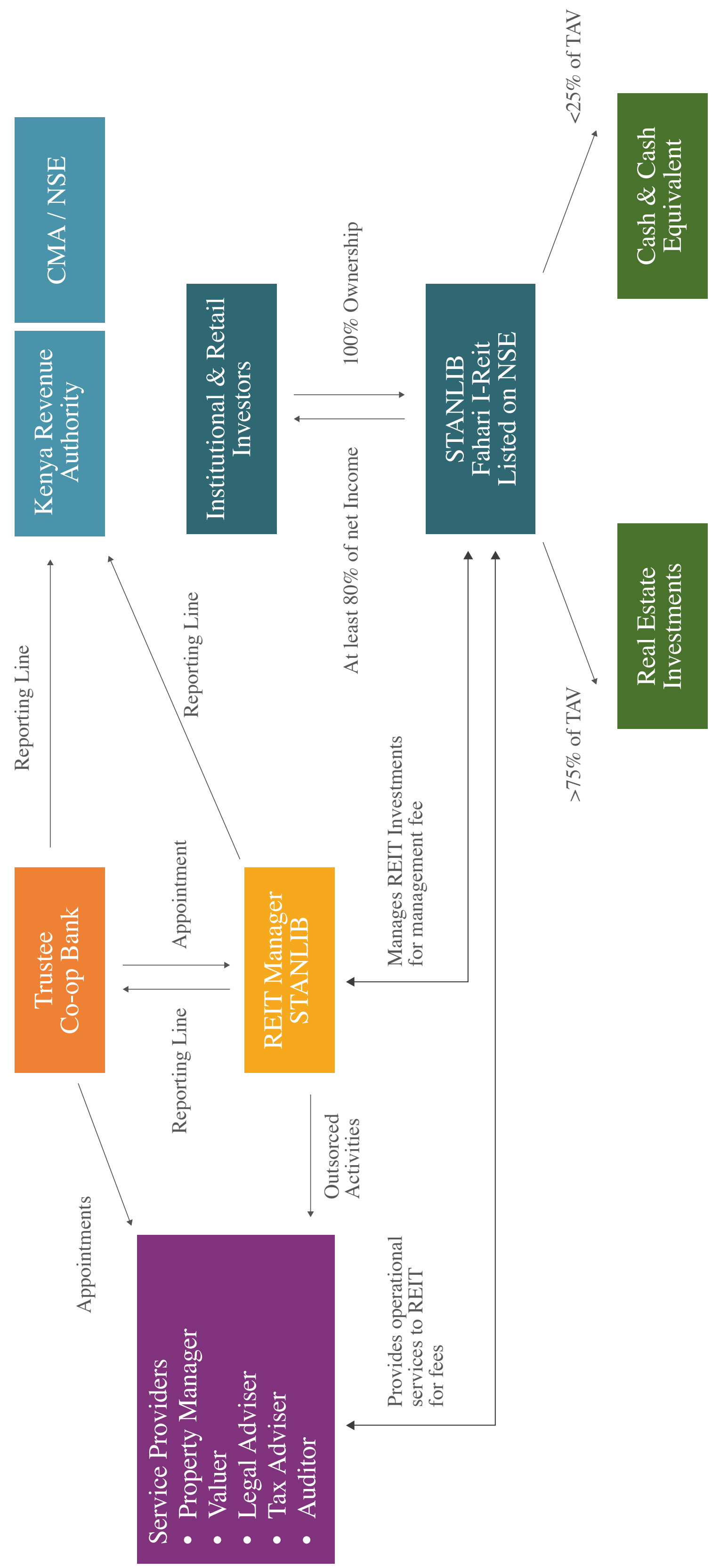
- Within two years of the date of its authorisation as a REIT, investing at least 75 percent of the total Net Asset Value in income producing real estate;

- In each financial year after the second anniversary of its authorisation, earn at least 70 percent of its income from rent, licence fees or access or usage rights or other income streams of a similar nature generated by eligible investments in income producing real estate; and

- Distributing, within four months of the end of each financial year, a minimum of 80 percent of the net after tax income of the Scheme, unless otherwise authorised by Unitholders. Failure to comply with this requirement to distribute at least 80 percent of the income would have tax implications for the REIT Scheme such that the income of the REIT Scheme may no longer be treated as tax exempt.

3.4 Structure of the STANLIB Fahari I-REIT

Figure 1: Structure of the STANLIB Fahari I-REIT



Eligible Assets of the Trust and Proposed Activities of the Scheme

Eligible Assets

The Eligible Assets comprise eligible real estate or eligible cash investments. At least 75 percent of the REIT Scheme's Total Asset Value ("TAV") may be invested in eligible real estate, while a maximum of 25 percent of the REIT Scheme's TAV may be invested in eligible cash investments.

Eligible real estate includes, but is not limited to, strategic real estate in Kenya, via the following investment instruments;

- Land Title (direct ownership of the property asset), including leases with minimum 25 years remaining.
- 100 percent ownership of any Company that owns the property asset; with the property asset being transferred directly into the REIT Scheme if deemed necessary by the REIT Manager and Trustee in order to access fiscal benefit; and
- 100 percent beneficial interest in an Investee Trust.

Of the eligible real estate allocation, investments shall be principally in the following sectors:

- Mixed-use developments;
- Retail (shopping centres);
- Commercial (offices);
- Industrial (warehousing and logistics);
- Hospitality (hotel and resorts);
- Residential;
- Specialised buildings (student accommodation, schools, manufacturing facilities or hospitals); and
- Land assembly for eligible real estate.

The sector allocation for the 75 percent to 100 percent of eligible real estate should not exceed the following bands:

- Retail: 30 percent to 75 percent of TAV;
- Office: 30 percent to 75 percent of TAV;
- Industrial: 0 percent to 15 percent of TAV;
- Hospitality: 0 percent to 15 percent of TAV; and
- Other: 0 percent to 15 percent of TAV.

Additionally, eligible real estate must meet the investment requirements described in further detail in the REIT Scheme investment policy below.

Eligible cash investments include cash, deposits, bonds, securities and money market instruments.

A material change to the Eligible Assets of the REIT Scheme may only be made if authorised by the Act and the REIT Regulations and approved by the REIT Scheme Unitholders.

REIT investment policy

The REIT Manager and the Trustee shall ensure that the investment policy is adhered to.

Investment Objective: The objective of the REIT Scheme is to generate both income and capital growth through investing principally in real estate.

Investment Policies: Subject to the Act and the REIT Regulations, the REIT Manager shall not be precluded from varying the main objective to take account of changing economic factors, tax laws and provisions and from retaining cash or placing cash on deposit in terms of the Trust Deed.

Investment Guidelines: Notwithstanding anything contained herein to the contrary, the REIT Scheme assets may be invested only in accordance with the following investment guidelines and the Trustee shall not permit any of its subsidiary property companies or real estate related companies or investee trusts to conduct their operations and affairs other than in accordance with the following investment guidelines:

- The Trust shall only invest in eligible investments and eligible real estate as permitted for I-REITS by the REIT Regulations, or any modifications thereof;

- The Trust shall not make, or permit any of its Subsidiaries to make, any investment that could result in the REIT Scheme ceasing to qualify as an Authorised REIT Scheme under the REIT Regulations;

- Subsidiaries of the Trust may only invest in revenue producing real estate properties or assets or assets ancillary thereto located in Kenya;

- In addition and without prejudice to the foregoing, the REIT Scheme will observe the following investment requirements:

    - Eligible real estate for the STANLIB Fahari I-REIT shall be investment in real estate in Kenya, unless the REIT Regulations otherwise allow;

    - Such real estate may be owned directly or through investee companies owned 100 percent by the Trustees or investee trusts of which the Trustee is 100 percent beneficiary;

    - The REIT Scheme will not co-own eligible real estate with any other person;

    - The REIT Scheme may hold units in listed property companies or real estate investment trust with similar objectives listed on a securities exchange in Kenya, in which event the REIT Scheme need not own 100 percent of such company or real estate investment trust;

    - The REIT Scheme will not invest more than 10 percent of its assets by value in such listed securities as are referred to above; and

    - Within two years of the first issue of REIT Units to Unitholders other than the Promoter, 75 percent of the Total Asset Value of the REIT Scheme must be income producing real estate.

- The REIT Scheme will act in best endeavour to achieve the following investment performance metrics after being fully invested subject to changing market conditions at any time:

    - Target Internal Rate of Return at property level and before REIT expenses: 14 percent per annum. Investors should note that distributions will be may after deduction of REIT expenses and the IRR earned could therefore be lower than this Target IRR

- The investments of the STANLIB Fahari I-REIT will be in accordance with the asset class allocation, in the property sectors and subject to the sector allocations as set out earlier in this section.

Operating Policies: The operations and affairs of the Trust shall be conducted in accordance with the following operating policies:

- To the extent the Trustee determines to be practicable and consistent with its fiduciary duty to act in the best interests of the Trust and the Unitholders, any written instrument which in the sole judgment of the Trustee creates a material obligation of the Trust must contain a provision or be subject to an acknowledgement to the effect that the obligation being created is not personally binding upon, and that resort will not be had to, nor will recourse or satisfaction be sought from the private property of the Trustee, Unitholders or beneficiaries under a plan of which a Unitholder acts as a Trustee or officer, employees or agents of the Trust, but that only property of the Trust or a specific portion thereof will be bound;

- The Trust shall only guarantee the obligations of its wholly-owned Subsidiaries (other than any wholly-owned Subsidiaries that are general partners in partnerships that are not wholly-owned by the Trust), provided that the Trust may guarantee the obligations of wholly-owned Subsidiaries of the Trust that are general partners in partnerships that are not wholly-owned by the Trust if the Trust has received an unqualified legal opinion that the guarantee by the Trust of the obligations of wholly-owned Subsidiaries of the Trust that are general partners in partnerships that are not wholly-owned by the Trust will not cause the Trust to cease to qualify as an approved I-REIT Scheme;

- Subsidiaries of the Trust shall not enter into any transaction involving the purchase of lands or land with improvements thereon and the leasing thereof back to the vendor for less than the fair market value of the property;

- Title to real estate shall be held by and registered in the name of the Trustee, its subsidiary or nominee, an Investee Company or the Trustee of an Investee Trust and, if required, in the name of a secondary disposition Trustee;

- The Trustee and each Investee Trust or Investee Company or other Subsidiaries of the Trust will have conducted such diligence as is commercially reasonable in the circumstance on real estate the Trust intends to acquire;

- The Trust will obtain and maintain at all times insurance coverage in respect of potential liabilities of the Trust and the accidental loss of value of the assets of Subsidiaries of the Trust from risks, in amounts, with such insurers, and on such terms as the Trustee considers appropriate, taking into account all relevant factors including the practices of owners of comparable properties, provided that it shall remain the obligation of the REIT Manager to obtain quotations and make recommendations to the Trustee;

Amendments to Investment Guidelines and Operating Policies shall be subject to the terms set out in the Trust Deed.

Regulatory Matters: If at any time a government or regulatory authority having jurisdiction over the REIT Scheme or any REIT assets shall enact any law, regulation or requirement which is in conflict with any investment guideline of the Trust then in force, such restriction in conflict shall, if the Trustee on the advice of legal counsel to the Trust so resolves, be deemed to have been amended to the extent necessary to resolve any such conflict and, notwithstanding anything to the contrary herein contained, any such resolution of the Trustee shall not require the prior approval of the Unitholders.

Operating Plan: The REIT Manager shall, at least on an annual basis, prepare an investment and operating plan for the ensuing period for approval by the Trustee.

3.5 Details of the REIT Manager

The REIT Manager will be STANLIB Kenya Limited ("STANLIB Kenya"). The shareholders of STANLIB Kenya are Liberty Holdings Limited and STANLIB Wealth Management Limited ("STANLIB"). STANLIB is an asset manager based in Johannesburg, South Africa with a footprint spanning several African countries. These countries are South Africa, Namibia, Botswana, Lesotho, Swaziland, Tanzania, Kenya, Uganda, South Sudan and Ghana. STANLIB Kenya is one of the entities that form part of STANLIB.

STANLIB was created in May 2002 through a merger of Liberty Capital Asset Management ("LIBAM") and Standard Corporate and Merchant Bank ("SCMB") Asset Management. LIBAM was founded in 1969 and SCMB Asset Management in 1974.

In 2007, Liberty Holdings Limited shareholders voted in favour of a scheme of arrangement whereby Liberty Holdings Limited would purchase the complete shareholding of Standard Bank and Quantum Leap Investments in STANLIB, resulting in STANLIB becoming 100 percent owned by Liberty Holdings Limited.

In 2011, STANLIB adopted a multiple specialist approach (the franchise model) to managing the assets under its control, which includes the Direct Property Investments Franchise. STANLIB is one of the largest asset management companies in Africa with AUM of USD 55 billion as at 30 June 2014. STANLIB counts over 400,000 retail and institutional investors as its clients. In South Africa, STANLIB is one of the largest unit trust companies by market share and runs the oldest unit trust in the country (source: Association for Savings and Investment South Africa).

The establishment of STANLIB Kenya, in 1998, introduced an asset management service provider to the market with a local and international focus, incorporating clients' objectives and a low-risk approach to investment management. STANLIB Kenya had AUM of KES 122 billion as at 30 June 2015. Elsewhere in East Africa, STANLIB has expanded rapidly and now in addition to Kenya, has operations in Uganda, Tanzania and South Sudan. Its Kenyan operations are also the regional headquarters for STANLIB in East Africa.

Key STANLIB Kenya and STANLIB personnel who will be involved in the managing of the REIT Scheme are presented in the following table.

3.5.1 REIT Manager's key personnel

Table 7: Key personnel of the REIT Manager

Key personnel of the REIT Manager	
STANLIB Kenya Property team	
Anton Borkum	CEO: STANLIB Fahari I-REIT
Ruth Okal	Property Asset Manager
Hilda Njoroge	Property Analyst
Senior support	
James Muratha	STANLIB East Africa - Regional Director
Steven Maleche	STANLIB Kenya – Acting Chief Investment Officer

Mary Mwangata	STANLIB Kenya Head of Compliance
Joel Roimen	STANLIB Kenya Chief Operating Officer
Felix Gichaga	STANLIB Kenya - Regional Head of Business Development

In addition, the REIT Manager has access to the following personnel from STANLIB:

Amelia Beattie	STANLIB - Head of Direct Property Investments Franchise
Neysa Harilal	STANLIB Direct Property Investments - Business Manager

Further, the REIT Manager will have an Investment Committee that will initially be constituted as set out in Table 9: STANLIB Fahari I-REIT Property Investment Committee below.

Brief Profiles of the REIT Manager staff and support personnel are as follows:

Anton Borkum, CEO: STANLIB Fahari I-REIT

Anton Borkum, 42 years of age, is the Head of Direct Property Investments at STANLIB East Africa, and has in excess of ten years real-estate finance and investment experience. He was appointed to this role in July 2015. His duties include overall accountability for the performance of the REIT (as REIT CEO), as well as oversight over STANLIB's property investment and real estate advisory activities in East Africa. He holds an MBA from Bond University and an MSc from Pretoria University, and has played significant roles in the structuring, negotiation and execution of many property transactions. Prior to STANLIB, Anton worked at Liberty Holdings as the Head of Group Corporate Finance, Property.

Steven Maleche, Acting Chief Investment Officer

Steven Maleche, 36 years of age, is the Acting Chief Investment Officer at STANLIB Kenya. He has over 12 years' experience in the asset management industry and is responsible for co-ordination and management of the investment team. Steven joined STANLIB in 2010 from Pinebridge Investments where he was an investment analyst. He holds a Bachelor of Commerce (Accounting) and an Executive MBA.

Ruth Okal, Property Asset Manager

Ruth Okal, 34 years of age, is a Property Asset Manager at STANLIB Kenya. Ruth has 10 years industry experience and is responsible for performance analysis of properties under STANLIB Kenya's portfolio and industry reporting to inform business decisions. Ruth joined STANLIB Kenya in 2013 from Knight Frank Kenya Limited, where she gained experience within Commercial Agency, Property Management, Valuation, Market Research, Feasibility Studies and Development Advisory.

Hilda Njoroge, Property Analyst

Hilda Njoroge, 27 years of age, is a Property Analyst at STANLIB Kenya. Hilda has over four years industry experience and is responsible for research and analysis of properties under STANLIB Kenya's portfolio, provision of relevant information and recommendations regarding investment attractiveness of properties. Hilda joined STANLIB Kenya in 2014 from Acorn Group Limited, where she gained experience in feasibility studies, financial modelling, project funding, investment analysis and project budgeting.

James Muratha, Regional Director STANLIB Kenya

James Muratha, 40 years of age, is the Regional Managing Director at STANLIB East Africa and has over 15 years' experience in the financial services sector having worked in asset management, financial accounting and audit. James was appointed a Regional Director of STANLIB in charge of East Africa in January 2010. His duties include overseeing the East African STANLIB business covering Kenya, Uganda, Tanzania and South Sudan. James has a wealth of experience in international capital markets and is an expert in multi-strategy, multi-currency funds both locally and internationally. He is also involved in initiatives that support the growth of the capital markets within East Africa, including the introduction of property as an asset class to institutional investors at STANLIB as well as participating in the formulation of the REIT framework in Kenya. Prior to STANLIB, James worked as a Director at UBS Global Asset Management in Canada.

Mary Mwangata, Risk and Compliance Offer

Mary Mwangata, 32 years of age, is the Risk and Compliance Officer at STANLIB Kenya. Mary has over 8 years of progressive, professional experience in the banking and financial sector across the East African Region. Mary has worked with STANLIB Kenya for 2 years. Prior to joining STANLIB Kenya, Mary worked at Equity Bank Group and Transnational Bank Limited in various capacities.

Joel Roimen, Chief Operating Officer

Joel Roimen, 39 years of age, is the Chief Operating Officer at STANLIB Kenya. Joel has over 12 years' experience in the financial services sector where he has been involved in asset management operations and banking service delivery. Joel has been with STANLIB Kenya for 9 years. Prior to joining STANLIB Kenya, Joel worked at Commercial Bank of Africa and Suntra Investment Bank.

Felix Gichaga, Regional Head of Business Development

Felix Gichaga, 39 years of age, is the Regional Head of Business Development at STANLIB Kenya. Felix has nine years of industry experience and joined STANLIB Kenya in 2013. He has the overall responsibility for the development and execution of strategic business growth plans and strong client relationships. Prior to joining STANLIB Kenya, Felix served as Head of International Development Group (Kenya) for CfC Stanbic Bank Limited.

Amelia Beattie, Head of STANLIB Direct Property Investments

Amelia Beattie, 45 years of age, is the Head of STANLIB Direct Property Investments, an investment franchise within STANLIB. Amelia is responsible for, *inter alia*, performance of the Liberty Property Portfolio, which is managed within STANLIB's Direct Property Investments Franchise. Amelia joined STANLIB in January 2012, after more than a decade with Old Mutual Property, where she reached the role of Chief Operating Officer. She has extensive strategic and implementation experience in all aspects of property fund management, including change leadership, risk management and international expansion and development.

Neysa Harilal, Business Manager, STANLIB Direct Property Investments

Neysa Harilal is responsible for oversight of the business activities of STANLIB Direct Property Investments and ensuring these are aligned with the company's strategic intent. Neysa began her career in management consulting and has worked in diverse industries across the public and private sectors of South Africa. She joined Liberty in 2008 and has worked in several different business units with a focus on expanding Liberty's presence across the different product pillars of Health, Investments, Insurance and Properties in select African markets.

3.5.2 Duties and obligation of the REIT Manager

The REIT Manager shall:

- Carry out the administration of the REIT Assets including the management of the portfolio of investments in accordance with the provisions of this Trust Deed and the Act;
- Advise the Trustee on the asset classes which are available for investment;
- Formulate a prudent investment policy;
- Invest the REIT Fund in accordance with the investment policy of the REIT Scheme;
- Reinvest any income of the STANLIB Fahari I-REIT which is not required for immediate payments;

- Ensure that the units in the REIT are priced in accordance with the provisions of this Trust Deed, the Regulations and the Act;
- Not issue any units otherwise than on the terms and at a price calculated in accordance with the provisions of this Trust Deed, the Regulations and the Act;
- Rectify any breach of matters relating to incorrect pricing of units or to the late payment in respect of the issue or redemption of units;
- Prepare and dispatch in a timely manner all cheques, warrants, notices, accounts, summaries, declarations, offers and statements under the provisions of this Trust Deed and the Act;
- Make available for inspection to the Trustee or any auditor appointed by the Trustee, the records and the books of accounts of the REIT Manager, giving either oral or written information as required with respect to all matters relating to the REIT Manager, its properties and its affairs;
- Be fair and equitable in the event of any conflict of interest;
- Credit to the REIT all monetary benefits or commissions arising out of managing the Fund, other than the REIT Manager's fees;
- Account to the Trustee within thirty days after receipt by the REIT Manager any monies payable to the Trustee;
- Keep and maintain records of the REIT at all times;
- Not engage or contract any advisory or management services on behalf of the Fahari REIT without prior written approval of the Trustee;
- Provide instructions to the Trustee to implement the objectives of the REIT and, in consultation with the Trustee, appoint a property manager or other person as its agent to assist it in undertaking its functions as REIT Manager; and
- Be liable for any acts or omissions of its agents.

The REIT Manager will earn fees for investment management services being a base annual fee of KES 30.36 million, plus a variable fee of 1.5 percent per annum of the average property and non-cash REIT Scheme assets under management plus a further variable fee of 0.5 percent per annum of the average cash and cash-equivalent REIT Scheme's assets under management.

3.5.3 Investment Philosophy and Objective

STANLIB Kenya's aim is to manage the REIT Scheme on behalf of investors with a long-term investment appetite in quality real estate situated in carefully chosen economically growing nodes in Kenya. Its investment objective is delivering long term performance characterised by strong income growth and capital appreciation through the following:

- Use its specialist property investment management skills to drive levers of property growth and turnover;
- To create a catalytic environment for property and other investment opportunities in specific investment nodes;
- Sustain investments in nodes which have good economic fundamentals and where the investor already has dominant investments;

- Invest in quality and dominant property sector classes poised for growth; and

- Evaluate good investment opportunities that meet the minimum investment size per asset of KES 100 million and criteria to improve the overall quality of portfolio's and improve long term returns

STANLIB Kenya has the ability to create strong trading platforms which in turn attract good tenants, warranting high rentals and maintaining a consistent demand for space. This results in sound returns for investors while increasing asset diversification. Its intention for the REIT Scheme is to remain resilient due to the quality and diversification of the assets and well established relationships with good tenants.

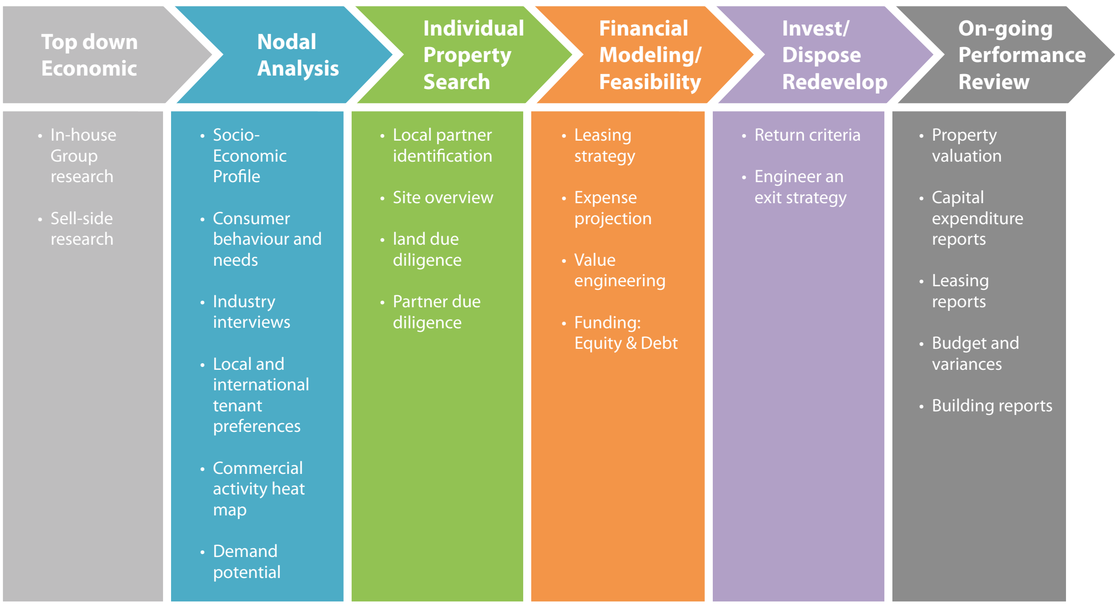
All the factors intrinsic to a successful investment are evident in the investment management work performed, the heritage and credibility of the investment provider, its historical performance, liquidity, diversification, stability and strong management.

3.5.4 Investment Process and Portfolio Construction

As an active property investment manager, STANLIB conducts regular research on existing and planned investments. It makes use of internal and external research to provide a comprehensive macro and micro study for each investment and the surrounding environment. Research data is compiled into knowledge which is then intelligently applied to support and steer strategy and therefore enhance profitability of investment returns.

STANLIB's investment process typically tracks the following steps:

Figure 2: STANLIB's Investment Process



STANLIB, through its Direct Property Investments franchise, is a member of industry bodies that provide information on performance benchmarking and country research across all property sectors. This allows for benchmarking investments to the industry and therefore providing a gauge for STANLIB Kenya to actively manage its portfolios.

Portfolio Construction

STANLIB Kenya's investment guidelines are created to suit the specific portfolio under management and the investment guidelines have been set for the STANLIB Fahari I-REIT. These include but are not limited to:

- Minimum investment value
- Minimum IRR
- Balanced sector class
- Single asset exposure thresholds
- Single tenant exposure thresholds
- Development risk and minimum pre-let requirements

The pillars on which STANLIB Kenya manages its portfolio strategies are:

- Overall strategic objectives, purpose and philosophy
- Tactical strategy and investment guidelines
- Portfolio specific strategy
- Operational strategic initiatives

STANLIB Kenya is passionate about the environment it operates in and therefore has the following objectives at the heart of any property strategy for a portfolio it manages:

- Working with its stakeholders (investors, local and county governments and tenants) in a collaborative partnership to understand their needs
- Ensuring socially responsible sustainability
- Maintaining carefully considered concentration in the correct nodes and sectors to ensure optimal performance through a diversified portfolio of prime properties over time
- Preserving and enhancing the value of properties owned through on-going maintenance, upgrading and refurbishment
- Maximising the letting of available space with sustainable leasing practices
- Seek out suitable new opportunities which match the portfolio's investment appetite
- Encouraging its property management and development strategic partners to maximise returns by creating an efficient and dynamic environment for anchors and tenants and a quality experience for consumers
- Proactively accommodating new real estate trends to entice stakeholders to choose its environments ahead of the other competition in the area

Tactical Strategy - Investment Guidelines

For each fund/mandate there is a clearly defined investment mandate with approved asset and sector allocation guidelines.

Guidelines include permitted allocations to the following:

- Existing Physical Property;
- Financial Assets;
- Non-Physical Property (i.e. property funds or vehicles); and
- New Property Developments.

In developing a benchmark for a property portfolio, STANLIB Kenya believes that it must be relevant, investable, easily understood, reflective of current investment opinions and specified in advance. A valid benchmark enhances performance evaluation by highlighting the contributions of certain investment categories to the overall return as well as enhancing an investor's ability to control risk. Poorly conceived benchmarks obscure the contributions of fund managers and can lead to inefficient allocations of assets and capital.

Portfolio Specific Strategy and Operational Strategic Initiatives

Key to a property strategy is a focus on continually enhancing the current assets and redevelopment of existing assets. This is designed to ensure improved performance, supported by attention to escalating rental levels and closely monitoring arrears and overheads. The properties that are held in the portfolio need to be evaluated and operational efficiencies need to be implemented in order to maximise value. These activities include:

- Income flow management;
- Lease audit and data integrity review;
- Vacancy management and leasing strategy;
- Review of lease structures; and
- Cost optimisation management.

The portfolios are managed through Key Performance Indicators ("KPIs") that assist in managing the performance per asset which are rolled up into portfolio performance indicators. This is reported to the client. These KPIs will include:

- Gross net income vs. budget;
- Cost/income ratio vs. benchmark for portfolio sector;
- Vacancy percent;
- Collections percent and arrears movement;
- Unassigned leases movement;
- Energy-saving activities;
- Improvement in recoveries of recoverable expenses; and
- Rental and capital appreciation (investment strategy).

STANLIB Kenya aims to enhance and improve the respective portfolios, by acquiring, developing or disposing of properties accordingly.

Investment Criteria for Acquisitions

The proposed strategy is to acquire revenue enhancing properties to grow the portfolio, grow income and minimise risk. This will need to be considered in terms of the capital available for the portfolio management activities. The emphasis is on acquiring revenue enhancing assets which fit the relevant profile of the REIT Scheme's portfolio. When selecting investments in direct properties, STANLIB Kenya aims to carefully balance revenue enhancement and overall quality, and this will be a major focus going forward.

"Quality" incorporates factors such as tenant covenants, lease expiry profiles, rental levels, location and overall condition of the properties. STANLIB Kenya invests in properties which have market related rental streams and where rental escalations contribute to growth in revenue. Its acquisitions hurdle rate is determined up front and signed off by the investment committee.

Criteria for developments

One of the ways to grow the portfolios and deliver yield enhancement and improved total returns over time is adding greenfield developments. Any new developments comprise a maximum percentage of the portfolio, determined upfront at any time to mitigate risk and in compliance with the Act and the REIT Regulations for an I-REIT. The introduction of new developments will be managed with this in mind, as it could impact potential returns in the short term. Though the portfolio sector allocation target over five years is fluid, any investment decisions will be made taking into account benchmarks and the re-alignment of the portfolios.

All developments must be considered along the following social, environmental and economic sustainable criteria:

- The minimum hurdle rate must be a pre-determined IRR;
- A minimum pre-let space commitment;
- The acquisition yield must be in line with the whole portfolio yield;
- Located in major markets nationwide;
- The development must have a strong national, high quality tenant base with medium term leases;
- Good access and egress, located next to good transport nodes or logistics hubs; and
- Use sustainable methods to reduce the developments' footprint on the built environment.

3.5.5 Governance

All Kenyan property investment and strategy orientated work will be prepared in consultation with the STANLIB Direct Property Investment Committee ("SDPIC"), and thereafter presented by the REIT Manager team to the STANLIB Fahari I-REIT Property Investment Committee ("SFIPIC") which reports to the Board of the REIT Manager. Should the REIT Manager (through SFIPIC) approve a transaction, it will then recommend the decision to the Trustee, who will ultimately make the decision on behalf of the REIT Scheme.

The following investment specialists sit on SDPIC:

Table 8: STANLIB Direct Property Investment Committee

Name	Position
Patrick Mamathuba (Chair)	STANLIB Head of Alternative Investments Franchise
John Sturgeon (Deputy Chair)	Group Executive: Corporate Finance and Capital Management- Liberty Group Holdings
Amelia Beattie	STANLIB Head of Direct Property Investments Franchise
John Mackie	STANLIB Head of Pan Africa Franchise
Wolf Cesman	Independent Property Professional with 40 years' experience
Mark McIntosh	Partner Webber Wentzel Attorneys - Independent legal professional

The following investment specialists will sit on SFIPIC:

Table 9: STANLIB Fahari I-REIT Property Investment Committee

STANLIB Fahari I-REIT Property Investment Committee	
James Muratha	STANLIB East Africa - Regional Director
Amelia Beattie	STANLIB Head of Direct Property Investments Franchise
Ben Kodisang	STANLIB Africa: Managing Director
Mike du Toit	Liberty Life Kenya: Regional Executive, Group Arrangements

3.5.6 Investment Risk Management

Investment risk management at STANLIB Kenya is proactive, which means being prepared for unlikely events and learning from market crises. This applies to both market risk and non-market risks such as counterparty, operational, leverage and liquidity. Risk management is the responsibility of the REIT Manager team and will be integrated into the team's decision-making process.

There are three components to STANLIB Kenya's risk management framework:

- **Risk Measurement:** the team does not rely solely on aggregate portfolio risk such as volatility or tracking error, which rely on individual volatilities and correlations of asset classes and managers. Volatility, tracking error and correlations capture the overall risk of the portfolio but do not distinguish between the sources of risk, which may include market risk, sector risk, credit risk and interest rate risk etc.

- **Risk Monitoring:** Enables the team to monitor changes in the sources of risk on a regular and timely basis. Portfolio decomposition plays an important role in stress testing. The sources of risk are stressed by the team to assess the impact on the portfolio. Risk is managed for normal times but being cognisant of and aim to be prepared for extreme events.

- **Risk-adjusted investment management:** This function aligns the investment decision making process with the risk management. It suggests ways that portfolio managers can adjust their portfolios in response to expected changes in risk

The Trust Deed provides for the management and administration of the REIT Scheme by a licensed REIT Manager. The REIT Manager will be appointed by the Trustee as a contractor in a fiduciary capacity to fulfil the role of the REIT Manager as set out in the Act, the REIT Regulations and the Trust Deed and to fulfil the objectives of the Trust.

The REIT Manager will cease to manage the fund under the following circumstances:

- Revocation or suspension of the REIT Manager's licence;
- Winding up of the REIT Manager;
- Resignation of the REIT Manager; or
- Removal of the REIT Manager in accordance with the provisions of the Trust Deed, the Act and the REIT Regulations.

In addition, the REIT Manager shall be removed immediately on the happening of any of the following events:

- If a court of competent jurisdiction orders liquidation of the REIT Manager except for voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee and the Authority;
- If a receiver is appointed for the undertaking of the REIT Manager's assets or any part thereof; or
- If for any good reason the Trustee is of the opinion, and so states in writing to the Authority, that a change of the REIT Manager is desirable in the interest of the Unitholders.

3.6 Details of the Promoter

STANLIB Kenya will be acting as the STANLIB Fahari I-REIT Promoter. STANLIB Kenya is a duly licensed fund manager, also licensed to carry on the business of a REIT Manager, and has been appointed to be the initial REIT Manager of the REIT Scheme. The Board of Directors of the REIT Manager includes an independent Director who is the Chairperson of the Board.

3.7 Details of the Property Manager

The REIT Manager has appointed JHI Properties Kenya Limited, a specialist Property Manager, to provide property management functions in respect of the REIT's properties. Where appropriate, the fees payable to the Property Manager are recovered from the tenants. Where the lease terms do not provide for such recovery, the fees payable to the Property Manager will be charged to the REIT and will form part of the property-related operating expenses.

JHI Properties Kenya Ltd ("JHI Kenya"), a joint venture between Excellerate Property Services Kenya Ltd ("EPS Kenya") and Grenadier Group Ltd ("Grenadier"), will act as STANLIB Fahari I-REIT's Property Manager.

EPS Kenya owns 70 percent of JHI Kenya and itself is a subsidiary of Excellerate Property Services (Pty) Ltd ("EPS"). EPS is a property management technology, skill and applied services group that provides a wide range of integrated property related solutions and service offerings in Africa. As a value driven organisation, EPS strives to deliver service excellence for its clients through a holistic approach to property related solutions and unlocking opportunities, by leveraging on extensive knowledge to and experience, technical capabilities and group synergies. EPS is committed to corporate social responsibility, and considers the economic, social and environmental sustainability of its actions.

Grenadier Group is a Kenyan group of companies invested in various business sectors and owns 30 percent of JHI Kenya. Grenadier Group contributes valuable local knowledge, experience and staff to EPS Kenya.

The property portfolio currently under management by JHI Group in South Africa comprises of approximately:

- ZAR 58 billion of asset value;
- 2,000 commercial and retail properties;
- 18,300 tenants; and
- 8 million square metres of lettable space.

JHI Group has in excess of 230 clients throughout Southern Africa of which 11 are listed on the Johannesburg Stock Exchange. The vast majority of these management agreements are for Property & Facilities management agreements for buildings. However, they also render full facilities management services for corporate tenants of which more than 150 000m² are for the head offices of Santam and the Sanlam Life Insurance companies.

JHI Group has an extensive national and international footprint, with offices in Nairobi (Kenya), as well as Maseru (Lesotho), Windhoek (Namibia), Gaborone (Botswana), Lagos (Nigeria), Harare (Zimbabwe), Lusaka (Zambia) and Accra (Ghana).

EPS Kenya has been involved in the management of 8 buildings owned by the Grenadier Group around Nairobi totalling over 200,000 square feet since July 2014 and will continue to manage this portfolio. All staff currently working on the portfolio will be seconded to the new company.

The scope of services to be managed by JHI Kenya include:

- Administration of leases and tenancy agreements
- Billing and collection of rents
- Carrying out reviews and escalations of rents
- Leasing of vacant units – formulate a leasing strategy, structure leases, rental rebates and lease cancellations
- Preparation of letters of offer and negotiation of leases
- Supervision of service providers
- Co-ordination of payments to service providers
- Co-ordination of payment of all statutory outgoings
- Attending to tenancy matters
- Conducting all necessary property research required for investment and performance measurement as agreed between the parties from time to time
- The administration and transparency of service charge account
- Conduct physical inspections of the direct properties on a regular basis and ensure that they are maintained in good order according to the required standards
- To monitor and control the services provided, including cleaning, maintenance and security, while providing pro-active advice relating to future investment in the Properties to maintain high occupational standards and the prestige of the address
- Reports to be delivered include:
  - Advising the REIT Manager on value maximization strategies for the portfolio
  - Preparation of monthly, quarterly, semi-annual and annual management reports
  - Preparation of budgets and forecasts – annual, quarterly, operating and capital budgets, CAPEX & OPEX
  - Preparation of quarterly financial results and report on spend against budget
  - Timely and accurate financial reporting to both occupants and REIT Manager
  - Produce clear statements to both REIT Manager and tenants

The fees payable to the Property Manager for the scope of work outlined above is 3.5 - 4 .0 percent of net rental income of each property owned by the REIT Scheme. The fees agreed are fixed and not subject to increase unless if a replacement property manager is appointed. Any change to the appointed Property Manager or the fee charged will be subject to approval by the Trustee.

Key JHI Kenya personnel who will be involved in the managing properties of the REIT Scheme are presented in the following table.

Table 10: Key Property Manager personnel

Key Property Manager personnel		
Name	**Designation**	**Profile**
Adriaan Otto	General Manager: Africa	Adriaan is currently the General Manager of Property Management for Africa. He supervises the MD's or GM's responsible for each specific country and ensures quality service delivery and full compliance (financial and statutory). He has held this position since 2013. He has 8 years of property management experience and joined JHI in 2011
Thinwa Kagai	Portfolio Executive: Kenya	Thinwa is currently the Portfolio Executive of JHI Kenya and is responsible for the supervision of the property management division. He has over 15 years of property management experience having worked in Kenya and Uganda for various companies including Knight Frank Kenya, Actis and more recently PDM Kenya – an affiliate of the Aga Khan Development Network

Source: JHI Kenya

JHI Properties (a member of the EPS Group) and Liberty Holdings are shareholders in a joint venture known as JHI Retail, which is domiciled in South Africa.

3.8 The Trustee

The REIT Trustee will be Co-op Bank, which is incorporated in Kenya under the Companies Act (cap 486) and is also licensed to do the business of banking under the Banking Act. Co-op Bank listed on the Nairobi Securities Exchange on December 22, 2008. Shares previously held by the 3,805 Cooperative societies and unions were ring-fenced under Co-op Holdings Co-operative Society Limited which became the strategic investor in the bank with a 64.56 percent stake.

Co-op Bank is the third largest Kenyan bank with a total asset base of KES 325 billion as at 30 June 2015. Co-op Bank has a 137 countrywide branch network, 7,400 Co-op "Kwa Jirani" agents and linkages with the co-operative societies movement which gives it a large presence across Kenya. As at 30 June March 2015, Co-op Bank had a market capitalisation of KES 106 billion. A summary of Co-op Bank's 2014 financial year audited financial results are presented in Appendix F while the annual reports for the last five years are available for inspection.

In addition to its banking operations, Co-op Bank runs three subsidiary companies, namely:

- Kingdom Securities Limited, a stockbroking firm, in which Co-op Bank holds a controlling 60 percent stake;
- Co-op Trust Investment Services Limited, a fund management subsidiary wholly-owned by Co-op Bank; and
- Co-op Consultancy & Insurance Agency Limited (CCIA), a corporate finance, financial advisory and capacity-building subsidiary wholly-owned by Co-op Bank.

Co-op Bank will carry out the role of REIT Trustee within its Custody department, whose activities are complementary and already regulated by the Capital Markets Authority.

In addition to this role, Co-op Bank is formally engaged with various other clients who are in the process of establishing REITs. Co-op Bank intends to act as Trustee of the different REITs independently of each other.

Details of senior management are provided in the table below.

Table 11: Co-operative Bank of Kenya Senior Management

Co-operative Bank of Kenya Senior Management		
Name	**Designation**	**Profile**
Dr. Gideon Muriuki OGW	Managing Director	Mr. Muriuki was appointed Managing Director in 2001 and has presided over the Bank's turnaround from a massive loss position of KES 2.3 billion in the year 2001, to a profit before tax of KES 10.87 billion in 2013. He joined the bank in 1996 as a senior corporate manager then became director, corporate and institutional banking in 1999 before his appointment as Managing Director in 2001 with a clear mandate to return the Bank into profitable trading. Holds a Bachelor of Science degree in Mathematics is a Fellow of the Kenya Institute of Bankers and was awarded an Honorary Doctorate in business management in year 2011. He has over 23 years' experience in banking and finance. He is also the Managing Director of Co-op Trust Investment Services Ltd and Co-op Consultancy & Insurance Agency Ltd-both subsidiaries of the Bank. He is a Director of Kingdom /securities Ltd, Vice President Africa – International Co-operative Banking Alliance (ICBA), Executive Committee member of the Keya Bankers Association. He received a Distinguished Leadership Award from Africa International University and is a Goodwill Ambassador for African Rural and Agriculture Credit Organization (AFRACA). The international Banker has voted him as the CEO of the Year Africa – 2014. He was decorated in 2005 with the order of the Grand Warrior (OGW) and in 2011 (with the award of the) Moran of the Order of the Burning Spear (MBS) in recognition of his successful turnaround of the bank and exemplary service to Kenya. He is also recipient of a decoration of Chevalier de L'orde National du Burkina Faso by the president of Burkina Faso in recognition of his outstanding contribution to development of rural finance in Africa.
Rosemary Majala Githaiga	Company Secretary	Ms Githaiga has over 24 years' experience as a lawyer and prior to joining Co-op Bank in 1996, worked for Hamilton Harrison & Mathews Advocates. She is an Advocate of the High Court of Kenya, a member of the Institute of Certified Public Secretaries CPS (K) and an Associate Member of the Chartered Institute of Arbitrators. As the Company Secretary of the Co-op Bank Group, she has responsibility for overall provision of legal counsel and company secretarial services, fraud prevention and investigations and information security. She is also the Trust Secretary for the Co-operative Bank Foundation, the corporate social responsibility vehicle of the bank. She is also a Director of CIC Insurance Group Limited.
Vincent Marangu	Acting Head , Cooperatives Banking Division	Joined the bank in 2003 and has wide experience in business and financial advisory working with co-operatives and rural finance sectors as Head of Co-op Consultancy and Insurance Agency Ltd. Vincent has key competencies in corporate finance, strategic planning, business planning, organizational development and business operations review. He has consulted for co-operatives in Kenya and East Africa region and implemented many donor projects with international agencies. He holds a Bachelor's Degree in Economics and Business studies and is a graduate of the School of African Microfinance. He is a member of the Association of Professional Cooperators (APC), Kenya.

Co-operative Bank of Kenya Senior Management		
Name	**Designation**	**Profile**
Patrick Nyaga	Director, Finance & Strategy Division	Mr Nyaga has over 20 years' experience mainly in auditing and banking. He previously served at KPMG (EA), with the main focus being audit of financial institutions and especially banks in Kenya and the region. He then joined banking where he has worked for over 11 years. He holds an MBA from Strathmore Business School, a Bachelor of Commerce degree in Accounting, is a Certified Public Accountant (K) and a member of ICPAK. He is also a Director of CIC General Insurance Limited.
William Ndumia	Director, Transformation	Mr Ndumia joined the bank in 2005. He has over 14 years' experience in various banks covering positions in Banking controls, ICT, projects, operations and change management. He holds a degree in Mechanical Engineering with various local and international courses.
Samuel Birech	Chief Operating Officer	Mr Birech joined the bank in 2002. He has over 20 years retail banking experience across several banks in Kenya and has experience in managing Co-op Bank's wide network of branches. He holds a Bachelor of Commerce degree and has attended various local and international courses. He is a Board Member at Pan Africa Christian University.
Maurice Matumo	Director, Retail Banking Division	Mr Matumo joined the bank in 2006. He has over 15 years retail banking experience in Kenya and East Africa and has immense experience in retail product management and business development. He holds a Bachelor of Business Management degree and has attended various local and international courses.
Anthony Mburu	Director, Credit Management Division	Mr Mburu is a career banker with over 20 years of banking experience both in Kenya and East Africa with particular focus on credit and risk management. He holds a Bachelors of Commerce degree and has attended various local and international credit courses. He is also a Director of Kenya Co-operative Coffee Exporters Limited.
Lydia Rono	Director, Corporate and Institutional Banking Division	Ms Rono is a career banker with 27 years of banking experience and has worked in various senior positions in Co-op Bank. Prior to this position, she worked as the chief manager – institutional banking. She holds a Bachelors of Commerce degree and an MBA from University of Nairobi and has attended various local and international courses on management.
Amos Mwita	Head, Compliance Department Officer	Mr Mwita is responsible for coordinating the management of Co-op Bank's compliance risk including implementation and maintenance of the compliance policy and function, Know Your Customer (KYC), Anti Money Laundering and Counter Terrorism financing policies. He has over 15 years of banking experience as an operational efficiency and monitoring expert at Co-op Bank.

Source: Co-operative Bank

The REIT Trustee's scope of work with the REIT Trustee will be in accordance with the Trust Deed, the Act and the REIT Regulations together any other relevant law, and will include but will not be limited to:

- Appointment of REIT Manager and supervision of its activities;
- Acquisition of long term investment income generating eligible real estate for the benefit of the Unitholders;

- Ensure that the fund and assets of the Scheme are invested according to Trust Deed, income of the Scheme is applied according to Scheme Documents, insurance of assets, payments and distributions made in accordance with the Scheme, and that borrowing limitations are observed;

- Maintain custody, hold, protect and control all the assets of the REIT Scheme (held in the name of the Trustee) for the benefit of REIT Unitholders as beneficiaries of the Trust;

- Act honestly and in a fiduciary capacity in the best interests of beneficiaries and exercise due care and diligence in the discharge of its functions;

- Enter into borrowing arrangements for the purpose only of fulfilling the objectives of the Trust and may pledge or otherwise give security over the assets of the REIT Scheme to secure such borrowings;

- Prepare and maintain a register of REIT Unitholders of the REIT Scheme. The Trustee may, with the prior written approval of the Capital Markets Authority in Kenya, appoint another person to prepare and maintain the register on its behalf; and

- Apply to the Capital Markets Authority in Kenya for termination of the Scheme should it be necessary.

Further details in relation to the Trustee's role, duties, responsibilities and obligations as a fiduciary and its powers are included in the Trust Deed. Where the Trustee is of the opinion that the level of distribution recommended by the REIT Manager is not in the interests of REIT Unitholders, the Trustee shall call a meeting of REIT Unitholders to approve, by way of ordinary resolution, a lower distribution

Save as disclosed herein, the Trustee does not have any potentially conflicting nor competing roles nor any current pending or threatened litigation which might materially affect the resources or financial capacity of the Trustee to fulfil its role or responsibilities as the Trustee of the REIT Scheme.

3.9 Key terms of the Trust Deed and Scheme Documents

Table 12: Summary of key aspects of the Trust Deed

Summary of key aspects of the Trust Deed	
Item	**Key Aspects**
Roles, responsibilities and obligations of the Trustee, REIT Manager, Valuer, Technical Engineer and auditor	– Trustee's roles, responsibilities and obligations are covered in Section 3.8 – REIT Manager's roles, responsibilities and obligations are covered in Section 3.5 – Valuer's roles, responsibilities and obligations are covered in Section 3.11.2 – Technical Engineer roles, responsibilities and obligations are covered in Section 3.11.1 – Auditor's role is to conclude an annual audit on the financial statements and reporting practices of the REIT Scheme and to report back to the Trustee on the financial health of the REIT Scheme
Liability of the REIT Manager	The REIT Manager will not be liable for any loss or damage or depreciation in the value of the REIT Scheme or any investment comprised therein or the income therefrom unless such loss, damage or depreciation in the value of the REIT Scheme arises from negligence, wilful default or fraud by the REIT Manager, its agents, employees or associates
Liability of the Trustee	The Trustee shall be entitled to limit its liability for any borrowing to the assets of the Trust and subject to the provisions of the Act, Regulations and the law relating to trusts and Trustees shall entitled to be indemnified out of the assets of the REIT for all losses, expenses, fees and charges incurred in the performance of its duties and obligations
Trustee's powers	– The Trustee has power to appoint valuers, lawyers, accountants and other professionals for the purpose of permitting it to carry out its duties and perform obligations and shall charge them fees, costs and expenses to the REIT Scheme – All legal proceedings which may be instituted by or against the REIT Scheme shall be instituted by or against the REIT Trustee in its capacity as such. The REIT Manager shall indemnify the Trustee against all costs and expenses thereby incurred – The Trustee shall have all powers necessary to protect the interests of the Unitholders – The Trustee shall maintain custody, hold and protect all the assets of the real estate investment trust – The Trustee shall protect the interests of the real estate investment trust in any asset – The Trustee shall act as REIT Manager on a temporary basis in any period where there is no other REIT Manager until a new REIT Manager is appointed – The Trustee shall supervise the activities of the REIT Manager to ensure that they comply with the terms of the Scheme Documents, the Act and REIT Regulations – The Trustee shall not delegate to the REIT Manager any

Summary of key aspects of the Trust Deed	
Item	**Key Aspects**
	function involving the supervision of the REIT Manager or the custody or control of the assets of the Scheme – The Trustee shall act in the best interests of the beneficiaries and if there is a conflict between the interests of the Trustee and those of the beneficiary, then the Trustee shall give priority and preference to the interest of the beneficiary – The Trustee shall not make use of confidential information acquired when acting as the Trustee to gain improper benefit for self or cause detriment to a beneficiary – The Trustee shall act in accordance with the instructions of the REIT Manager provided that the instructions are in accordance with the terms of the Trust Deed and this Prospectus; the provision of the Act or REIT Regulations; and be in the best interests of the REIT Unitholders
Appointment, retirement, removal and replacement of the Trustee	– The Trustee may resign by giving three months' notice in writing to the REIT Manager and the Authority provided that the resignation will not be effective until another eligible person is appointed as Trustee in its place. The REIT Manager, in consultation with the Trustee, shall use its best endeavours to appoint within two months after the date of notice another qualified person as the new Trustee – The Trustee shall be removed by the REIT Manager in writing immediately if a court of competent jurisdiction orders its liquidation, a manager or receiver is appointed over any of its assets or the Trustee ceases to qualify being a Trustee under the Act or REIT Regulations – The Trustee shall be removed by three months' notice in writing given to the Trustee by the REIT Manager with the Approval of the Authority if the Trustee fails or neglects after reasonable notice from the REIT Manager or the Unit holders by special resolution resolve that such notice be given – The rights, obligations and liabilities and any causes of action by or against an outgoing trustee which arose or accrued before the retirement or removal of the outgoing trustee will continue to subsist after the retirement and/or removal of such trustee – Notwithstanding retirement or removal, a trustee may require an outgoing or prior trustee to assist and join in any subsequent action by a trustee or the Authority on behalf of the REIT Unitholders against any party
Appointment, retirement, removal and replacement of the REIT Manager	The REIT Manager will cease to manage the fund under the following circumstances – Revocation or suspension of the REIT Manager's licence – Winding up of the REIT Manager – Resignation of the REIT Manager – Removal of the REIT Manager in accordance with the

Summary of key aspects of the Trust Deed	
Item	**Key Aspects**
	provisions of this Deed, the Act and the REIT Regulations In addition, the REIT Manager shall be removed immediately on the happening of any of the following events: – If a court of competent jurisdiction orders liquidation of the REIT Manager, except for voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved in writing by the Trustee and the Authority – If a receiver is appointed for the undertaking of the REIT Manager's assets or any part thereof If for any good reason the Trustee is of the opinion and so states in writing to the Authority that a change of the REIT Manager is desirable in the interest of the Unitholders and obtains a special resolution of the Unitholders to remove the REIT Manager
Appointment of structural engineer	The Trustee in consultation with the REIT Manager, shall appoint a structural engineer and ensure that the Trustee has access at all times to a structural engineer
Appointment of valuers	The Trustee shall appoint a valuer to value the real estate assets which have been vested in the Trust or acquired or proposed to be acquired prior to an application being made to the authority for the authorisation of the REIT Scheme
Appointment of an auditor	The Trustee shall appoint an auditor and ensure that audits are undertaken as required by the Act and the REIT Regulations and as necessary to protect the interests of REIT Unitholders
Valuation	The Trustee shall cause a valuation of the real estate assets of the Trust to be conducted and ensure that other assets of the Trust are appropriately valued: – Prior to the acquisition or disposal of an asset; – Prior to the initial issue or offer of any REIT securities except when made to the Promoter or connected parties; – If the auditor or REIT Unitholders request; or – If the REIT Manager or Trustee deems necessary or there is a material change that may result in the current valuation being incorrect. The valuer shall be appointed for a term of not more than 3 years and, except with the prior approval of the Authority, may not be reappointed as valuer of the REIT Scheme at the conclusion of such term. The REIT Manager shall value cash, bank deposits, bonds, other assets of a similar type and listed securities in which the REIT Scheme has invested on a daily basis and submit to the Trustee at the conclusion of each working day details of such valuations.
Meetings, reports and financial statements	The obligation to call meetings and the rights of REIT Unitholders to call meetings are covered in Clause 33 of the Trust Deed. In summary:

Summary of key aspects of the Trust Deed	
Item	**Key Aspects**
	The Trustee shall convene an annual general meeting of the REIT Unitholders within three months after the relevant accounting reference date of the REIT Scheme via not less than 21 days written notice, inclusive of the date in which the notice is deemed to be served, and the day of the meeting. Unitholders may requisition for a meeting which requisition shall: a. State the objects of the meeting; b. Be dated; c. Be signed by a majority in number of all Unitholders who, at that date, are registered as the Unitholders representing not less than one-tenth in value of all of the Units in the REIT Scheme funds then in issue; d. Be delivered to the REIT Manager. The Trustee or the REIT Manager, as the case may be, may convene an extraordinary meeting of Unitholders at any time but not later than six weeks after receipt of a requisition. The quorum of the meeting shall consist of Unitholders of at least 25 percent of the Units in issue inclusive of proxies received. Unitholders have the right to receive reports and financial statements of the REIT Scheme.
Items that require a vote of REIT Unitholders	The key items requiring a vote are listed below. – The imposition of an obligation to Securities Holders to provide additional funds necessary to enable the Trustee to pay any costs and expenses necessary in connection with the REIT Scheme assets; – Appointment of a new Trustee on resignation of the immediate former trustee; – The removal and replacement of the Trustee unless an order of the Court has been issued for the same; – The approval of special circumstances under which the REIT Manager may, with the approval of the CMA, remove a Trustee without need to revert to the Unitholders; – The acquisition of real estate at a price which exceeds the price in the valuation report by more than 10 percent; – The disposal of real estate at a price lower than 90 percent of the value assessed in the valuation report; – The entry, by the Trustee into a contract for the disposal of an asset where such disposal exceeds 50 percent of the Total Asset Value of the REIT Scheme; – Borrowing or the entry by the Trustee into a financing arrangement of amounts greater than 35 percent but not more than 40 percent of the Total Asset Value, for a temporary purpose for a term not exceeding six months;

Summary of key aspects of the Trust Deed	
Item	**Key Aspects**
	– The approval of a lower distribution than that proposed by the REIT Manager; – The alteration of Scheme Documents; – The approval of any proposed material increase in fees or change in the method of calculating the fees charged by the REIT Manager, if the same is not deemed fair and reasonable by the Trustee; – Removal, appointment and re-appointment of the REIT Manager; – Winding up of the REIT Scheme
REIT Unitholders' rights, limitations and decisions or actions requiring approval	Each REIT Unitholder is entitled to vote at an annual and/or extraordinary general meeting. Votes may be given either personally or by proxy and the voting rights attached to each shall be such proportion of the voting rights attached to all of the Units in Issue. Actions requiring REIT Unitholders' approval include – Subdivision or consolidation of REIT Units – Amendment to the Trust Deed and Scheme Documents not excluded under Clause 31.2 of the Trust Deed The Trust Deed specifies that certain clauses of the Trust Deed and/or provisions of other Scheme documentation relating to anti-money laundering (AML) practices and environmental and social (E&S) matters may only be amended by way of a Special Resolution plus a positive vote by all Unitholders holding more than 5percent of the Units in issue at the time.
Requirement for listing and right to redemption of REIT securities	See Section 7.4
Connected persons	The REIT Manager shall conduct all transactions, including transactions with connected persons, at an arm's length and in an open and transparent manner. All connected party transactions shall be conducted on terms no less favourable than standard commercial terms and shall be subject to the prior approval of the Trustee and where required by the Act or the Regulations by the REIT securities holders.
Maximum fees and charges payable by prospective investors	No fees to be payable by the prospective investors to purchase the REIT Units. All fees on transfers shall be subject to the rules of the NSE and the CDSC
Termination and winding up of the REIT Scheme	The circumstances under which the REIT Scheme may be wound up are: – By order of the court; – A special order to that effect is issued; – When the period (if any) fixed for the REIT Scheme by the Trust Deed expires; or – If an event that the Scheme document provides that the REIT Scheme is to be wound up
REIT Manager's costs, fees	The REIT Manager shall be remunerated in the amount and

Summary of key aspects of the Trust Deed	
Item	**Key Aspects**
and expenses	on the basis and shall be reimbursed for the costs and expenses set out in the REIT Manager's appointment contract The remuneration of the REIT Manager may be reviewed from time to time by agreement with the Trustee

Source: Trust Deed

Where no investment in real estate amounting to at least KES 300 million has been completed within 180 days from the date of the close of the Offer, the Trustee shall, within 14 days after the expiry of such period refund in full all monies paid into the fund by investors in the REIT Scheme securities together with any interest or earnings on the amount subscribed and without any deductions except the amounts required by law in respect of interest or other income.

Failure to refund monies within the specified period shall constitute an offence on the part of the Promoter, the Trustee and the REIT Manager.

Other Material provisions in Scheme Documents

Item	**Key Aspects**
Duties of the REIT Manager (Clause 4)	– Carry out the administration of the Assets including the management of the portfolio of investments in accordance with the direction and the authority of the Trustee, as well as the provisions of the Trust Deed, the Regulations and the Act; – Advise the Trustee on the asset classes which are available for investment; – Formulate a prudent investment policy; – Invest the Fund in accordance with the investment policy of the REIT; – Re-invest any income of the REIT which is not required for immediate payments; – Prepare and dispatch in a timely manner all cheques, warrants, notices, accounts, summaries, declarations, offers and statements under the provisions of the Trust Deed and the Act; – Make available for inspection to the Trustee or any auditor appointed by the Trustee, the records and the books of accounts of the REIT Manager, giving either oral or written information as required with respect to all matters relating to the REIT Manager, its properties and its affairs; – Be fair and equitable in the event of any conflict of interest; – Credit to the REIT all monetary benefits or commissions arising out of managing the Fund, other than the REIT Manager's Fees which shall be calculated as specified in the scheme documents or in reports prepared from time to time. – Account to the Trustee within thirty days after receipt by the REIT Manager any monies payable to the Trustee; – Keep and maintain on behalf of the Trustee proper accounting records and other records to enable a true and fair view of the financial position, financial performance and cash flows of the REIT at all times;

Summary of key aspects of REIT Management Agreement	
	– Not engage or contract any advisory or management services on behalf of the REIT without prior written approval of the Trustee; – Provide instructions to the Trustee to implement the objectives of the REIT and appoint a property manager or other person as its agent to assist it in undertaking its functions as REIT Manager; – Be liable for any acts or omissions of its agents; – Not use information acquired in its capacity as REIT Manager to gain an unfair advantage for itself or other persons, or to the detriment of REIT securities holders; – Ensure that the property of the Fund is clearly identified and held separately from the assets of the REIT Manager or any other person; – Establish and maintain risk management systems and controls and ensure that it has adequate resources and systems; – Obtain tenants and manage tenancy agreements; and – Carry out such other duties or functions as may be assigned to it from time to time by the Trustee.
Duration of the Appointment (Clause 5)	– The REIT Manager's appointment to manage the REIT shall: – i. Take effect on the Commencement Date; – ii. Remain fully in force until it is terminated by either party giving the other six (6) months written notice to this effect; – iii. Notwithstanding the provisions of clause 5.1.2, be terminated immediately should the REIT Manager cease to be licensed as a REIT Manager in terms of the Act or should the REIT Manager be de-registered in terms of the Act or the Companies Act, Cap 486 of the Laws of Kenya; – iv. The relationship shall immediately terminate should the courts of Kenya find the REIT Manager guilty of money laundering. – If the REIT Manager is de-registered as a REIT Manager it shall within seven (7) days of its' de-registration give written notice to the Trustee of such de-registration. – Without prejudice to the foregoing, this REIT Manager's Agreement may be terminated forthwith by either party if the other party commits a fundamental breach of the terms and conditions herein and fails to remedy such breach within thirty (30) days after being issued with a written notice by the other party requiring the party in breach to remedy the same.
REIT Manager's Authority (Clause 6)	– REIT Trustee empowers the REIT Manager generally, subject to any limitations contained in any investment guidelines as may have been agreed to between the Trustee and the REIT Manager and to the provisions of the Act, to act as necessary to achieve the investment objectives of the Trustee, save in the case of transactions involving real property for which the Trustee's prior written permission shall be required.
Undertakings by the REIT Manager (Clause 9)	– The REIT Manager undertakes to: – Provide the Trustee on a monthly basis, by the tenth (10) working day of each month, with: – i. A portfolio statement reflecting the book and market value of each Asset;

Summary of key aspects of REIT Management Agreement

- ii. A statement of the capital transactions;
- iii. A statement of the revenue receipts including rents received;
- iv. A cash and call deposit account statement;
- reflecting the status of the Trustee's portfolio as at the last day of the previous month;
- Make records pertaining to the Assets available for inspection by the Trustee's auditors or their duly authorized representatives, at Liberty House, Mamlaka Road, Nairobi, Kenya or wherever the REIT Manager's offices are located, whenever reasonably necessary for audit and control purposes;
- Realize such Assets as the Trustee may request in writing from time to time;
- In liaison with the Property Manager, monitor the collection of all income and other benefits arising from the Assets which are paid into the Trustee's account or invested on the Trustee's behalf;
- Act in the best interest of the Trustee at all times; the REIT Manager shall indemnify the Trustee for any loss or damage that the Trustee may suffer as a direct or indirect result of dishonesty or negligence on the part of the REIT Manager employees or any person engaged in carrying out the REIT Manager's duties in terms hereof. Save for the foregoing, the REIT Manager shall not be liable for any loss or damage, which the Trustee may suffer.
- Ensure that all personnel involved in the provision of the services contemplated by the REIT Manager's Agreement are suitably skilled and technically competent to perform the tasks assigned to them.
- Perform any other REIT Manager duty mutually agreed or that may be agreed upon between the parties from time to time during the substance of this Agreement.
- Ensure that any vacancies arising in the positions of regional director, chief investment officer, property asset manager and head of property investment in the employ of the REIT Manager are filled promptly and in any event not to permit three of these four positions to be vacant at the same time.
- Ensure that in its management of the REIT, it:
- i. Shall maintain and comply with the Standard Bank Group Anti-Money Laundering and Countering the Financing of Terrorism ("AML/CFT") Policies and the Standard Bank Group Global Sanctions Policies.
- ii. Shall not, and shall not cause or permit any of its agents to, engage in (nor authorize or permit any of their Affiliates, employees or any other person acting on their behalf to engage in) any Sanctionable Practice with respect to any transaction of the REIT.
- iii. Shall not cause, or permit, the REIT to make or hold an investment in any person that is (i) named on lists promulgated from time to time by the United Nations Security Council or its committees pursuant to any resolution issued under Chapter VII of the United Nations Charter; (ii) named on the World Bank Listing of Ineligible Firms; or (iii)

Summary of key aspects of REIT Management Agreement

convicted, or subjected to any similar criminal sanction, by any court or governmental body of competent jurisdiction, for engaging in money laundering or financing of terrorism or any Sanctionable Practice (i.e. corrupt, coercive, fraudulent, collusive & obstructive practices).

- iv. May give such assurances of compliance in relation to the matters set out in this Clause of the REIT Manager's Agreement as may reasonably be requested by any Securities Holders provided that such assurances if in writing will be disclosed to the Trustee and be available for inspection by all Securities Holders.
- Adopt such Environmental Management System Plan as, subject to any applicable law, can be reasonably and economically be implemented and agreed with the Trustee at all times taking into account the best interests of the Securities Holders.
- Issue such reports as are required by the Regulations, any applicable law and/or as may be agreed with the Trustee. Such reports will include the REIT Manager's compliance with this Agreement and the Regulations. The REIT Manager may, in addition, issue semi-annual reports to the Trustee with such financial or operational information as may be agreed with the Trustee.

3.10 The Property Assets

The STANLIB Fahari I-REIT shall comprise the following Seed Properties worth KES 2.36 billion excluding taxes:

Table 13: STANLIB Fahari I-REIT Seed Properties

STANLIB Fahari I-REIT Seed Properties					
Property	**Type**	**Location**	**Description**	**Lettable area (sq ft)**	**Acquisition price excluding Taxes (KES millions)**
Highway House	Commercial	Pokomo Road, Nairobi	Three storey office building. The property is fully let to a leading cooling equipment manufacturing and re - seller in the region.	8,489	107.1
Bay Holdings Industrial Area	Commercial	Industrial Area, Nairobi	Office property located along a main road within the main Industrial Area of Nairobi. The property is currently fully let to a Kenyan bank and two companies in the supplies sector.	27,329	211.0
The Greenspan Shopping Mall	Commercial	Savannah Road, Donholm	A modern decentralized mixed use shopping mall within the middle income area of Donholm, approximately 15 kms to the east of the city centre of Nairobi.	173,353	2,040.1

Source: Valuation Report and Heads of Terms Agreement / Share Purchase Agreement signed with Vendors

3.10.1 Seed Property 1, Nairobi, Kenya, Highway House, KES 107.1 million (USD 1.1 million)[1] acquisition value

Property known as L.R. No. 37/157 (Original Number L.R. No. 37/54/18) measuring 0.1089 of an acre with a term of 99 years from 1st July 1956, and registered as Title Number I.R 22130. The property has an unexpired leasehold term of 40 years as at 1 July 2015.

Located in a growing office node on Pokomo Road, off Mombasa Road, this three storey office building is fully let to a leading cooling equipment manufacture and re-seller in the region. The gross lettable area is approximately 789 square metres/8,489 square feet, with ample covered parking bays.

[1] Note: USD/KES reference rate of USD 1.00 : KES 101.20 applied throughout this Prospectus

A Share Purchase Agreement (SPA) between STANLIB Kenya and the vendors was executed on 8th April 2015. Subject to the completion of the conditions precedent included in the SPA, the REIT Scheme will acquire 100 percent of the issued shares in Signature International Limited, which is the holder of title of Highway House.

Valuation summary

The valuation, completed by Lloyd Masika Limited, was conducted on an investment approach, using the current rental agreement terms as the basis of the forecast value. The valuer applied a yield of 10 percent which translated to a capitalisation rate of 10%. The investment approach forecasts the rentals for the remainder of the lease to 2017 and results in a market valuation of KES 115.5 million for an unencumbered and unexpired leasehold interest in the property. The valuation was completed December 2014 and the report is available for inspection.

Town planning summary

The town planning survey was conducted by a licenced surveyor. Nairobi County Planning department has confirmed that existing plans are approved and the surveyor has confirmed no encroachments per the plans. The property is located in an Industrial Area zone. The full town planning report is available for inspection.

Technical Engineers summary

Overall the building is structurally sound. The Technical Engineers advised that the installation of external drains be considered to allow for efficient drainage and to prevent flooding along the Shimo la Tewa Road. This is to be negotiated with the vendor.

It was also noted by the Technical Engineers that repairs need to be carried out on the floor slabs and the water supply booster pumps to be replaced for an estimated cost of KES 852,000 and KES 250,000 respectively. The cost of these items is to be deducted from the purchase price or repaired by the vendor before the sale and transfer of the property.

In order to maintain the condition of the property, the owner needs to ensure the regular cleaning of the under water tank and maintenance of the rain water pipes system to prevent blockages from the roof storm water.

An analysis of MEP installations suggests the following:

- Re-arrangement of the main entrance/ exit as this is the only way to exit the building in case of an emergency. The cost of this work will be payable by the tenant
- Fire safety certificate to be obtained
- Additional fire extinguishers in the parking and office areas
- Generator to be relocated to a fire compartment room with a designated fire suppression system
- Implementation of energy efficiencies such as solar panels, LED lighting, light sensors and a central BMS in order to monitor and control energy consumption

The Promoter has considered these suggestions and is likely to implement the majority of them soon after acquisition.

This report is dated August 2015 and is available for inspection.

3.10.2 Seed Property 2, Nairobi, Kenya, Bay Holdings Industrial Area Branch, KES 211.0 million (USD 2.1 million) acquisition value

L.R. No. 209/4125 measuring 0.665 of an acre for a term of 99 years from 1st January 1949 and registered as Title Number I.R 93022. The property has an unexpired leasehold term of 33 years as at 1st January 2015.

This property is located at the junction of Enterprise Road and Bamburi Road within the main Industrial Area of Nairobi. The gross lettable area is 2,538.9 square metres/27,329 square feet with a covered area for parking and it is currently fully let to three companies, two of which are in the supplies sector. The leases stipulate a biennial escalation in rental rate of 12.5 percent, the lease for one company expires in 2017 and for the other two companies expires in 2024. Average rental is within the market range of KES 20 - 70 per square foot per month. The rental yield for 2015 on the property is 8.4 percent. As at the date of this Prospectus, one of these tenants has been placed under statutory management but the Promoter belives that the tenant will maintain current lease terms or, failing that, substitute tenants will be found within a reasonable time period. Consequently the Promoter does not expect a significant adverse impact on forecast aggregate REIT revenues.

A Share Purchase Agreement has been executed between STANLIB Kenya and the vendors on 7th April 2015. Subject to the completion of the Conditions Precedent included in the SPA, the REIT Scheme will acquire 100 percent of the issued shares in Bay Holdings Limited, which is the holder of title of Bay Holdings Industrial Area Branch.

Valuation summary

The valuation, completed by Lloyd Masika Limited, was conducted on an investment approach, using the current rental agreement terms as the basis of the forecast value. The investment approach forecasts the rentals for the remainder of the lease to 2017 and results in a market valuation of KES 211 500 000 for an unencumbered and unexpired leasehold interest in the property. The valuer applied a yield of 9 percent, which translated into a capitalisation rate of 11 percent. This rate took into account the strong tenants to which the building is let, that it was well specified, but also that it was located in a predominantly industrial zone. The valuation report was completed in December 2014 and is available for inspection.

Town planning summary

A town planning survey was conducted by Jooyato Surveyors, a licensed surveyor. Nairobi County Planning department confirmed that the existing plans are approved and the surveyor confirmed that there are no encroachments per the plans. The property is located in an Industrial Area zone. The full town planning report is available for inspection.

Technical Engineers summary

The Technical Engineers found the internal infrastructure to be operational and in reasonable condition. There is no immediate intervention necessary, however routine maintenance and cleaning is recommended to keep the building in good working condition. Externally, a request to the Nairobi City County (formerly Nairobi City Council) will be made to unblock the road side drain gullies.

The analysis of MEP suggested the following:

- Additional firefighting measurements to the warehouses need to be incorporated; local suppression systems to the heavy duty operations of the warehouses, such as manufacturing machines

- Fire safety certificate to be obtained

- Maintenance of plastic water tanks on the roof to avoid future leakages
- Implementation of energy efficiencies such as solar panels, LED lighting, light sensors and a central BMS in order to monitor and control energy consumption

The Promoter has considered these suggestions and is likely to implement them soon after acquisition. The full Technical Engineers report is dated August 2015 and is available for inspection.

3.10.3 Seed Property 3, Nairobi, Kenya, The Greenspan Shopping Mall ("Greenspan"), KES 2,040.1 million (USD 20 million) acquisition value

The Property forms part of L.R. No. Nairobi/Block 82/8759 and measures approximately 38,493 Square Metres for a term of 99 years less 7 days from 1st September 2007.

Greenspan is a decentralized mixed use development within the middle income area of Donholm, approximately 18 km to the east of the city centre of Nairobi. The development comprises 270 residential units and a retail centre with a gross lettable area of approximately 16,105 square meters with 1,000 parking spaces. The retail centre is located on 3.8 hectares (9.5 acres). The net rental income for 2015 is approximately USD1.64 million p.a. and the estimated net yield is 8.1 percent with a 5-year IRR of 18.56 percent at property level.

The mall is futuristic with a parking ratio of 4 bays per 100sqm of GLA, has a captive middle market within the larger Greenspan estate and offers opportunity to develop an additional 2 acres of vacant land forming part of the acquisition.

The property presents an ideal location with potential to improve the returns through development of excess land and reconfiguration of the mall/ tenant mix. Anchored by Tusky's, it offers fast food restaurants and bars, as well as various service related tenants such as banks, wellness centres, salons and small non-branded fashion and apparel component. The anchor tenant occupies 45percent of the GLA while the balance is occupied by services, food, clothing and apparel.

Outering road (is being expanded and being made a dual road), the major access road to the area connecting the Jomo Kenyatta International Airport and Thika superhighway has begun and is expected to improve the accessibility to the neighbourhood. The area is densely populated with middle income residential owners / tenants. The mall is also well supported by local residents and workforce from businesses and offices.

A Share Purchase Agreement was executed between STANLIB Kenya (on behalf of the REIT) and the vendors on 1st July 2015. Subject to the completion of the Conditions Precedent included in the SPA, the REIT Scheme will acquire 100 percent of the total issued share capital in Greenspan Mall Limited, which is the holder of title of the Greenspan Mall property.

Valuation Summary

The valuation, completed by Lloyd Masika Limited, was conducted on an investment valuation approach, using the current rental agreement terms as the basis of the forecast value. The investment approach forecasts the rentals for the remainder of the leases and takes into consideration the expected rent escalation of 7.5-10 percent annually on the majority of the lease. This results in a market valuation of KES 1,950,000,000 for an unencumbered and unexpired leasehold interest in the property. The valuer applied a yield of 11.5 percent on the present interest (i.e. prevailing market rentals achieved at 2015 as per tenancy schedules) and the projected interest every year on profit rentals and discounted according. This rate took into consideration the balanced tenant mix, the anchor tenant and the established food court with several food stalls. The valuation was completed in February 2015 and the report is available for inspection.

Town planning Summary

A town planning survey was conducted by Jooyato Surveyors. Nairobi County Planning department confirmed that the existing plans are approved and the surveyor confirmed the surveyed and computed acreage tallies with the certificate of leases. The full town planning report is available for inspection.

Technical Engineers summary

The Technical Engineers found the internal infrastructure to be operational and in reasonable condition. There is no immediate intervention necessary, however routine maintenance and cleaning is recommended to keep the building in good working condition.

The MEP report has classified suggested renovations as high and low priority items to be executed over the next 3 to 5 year.

Greenspan was observed to be largely good order with some areas that requires immediate rectification. These include:

- Testing the entire basement sprinkler system pipe work and correction all the water leaks
- Installation of cable trays and the cables well fastened
- sewer pipes networks in the basement needs to be corrected to the appropriate gradients
- Water pipes network on the roof and in the basements need to be aligned

The Promoter has considered these suggestions and is likely to implement them soon after acquisition.

The full Technical Engineers report is dated August 2015 and is available for inspection.

3.10.4 Prospective properties

In addition to the properties disclosed above, the REIT Scheme is targeting the acquisition of a number of additional properties. In particular, the REIT has currently identified certain properties with a total value of at least KES 8.03 billion and which if acquired would provide the REIT Scheme with commercial, residential and retail property exposure. The properties are at different phases of negotiation with the relevant vendors and are briefly described below. There can be no guarantee that any of these negotiations will necessarily mature into a purchase.

Table 14: Prospective Properties

STANLIB Fahari I-REIT Prospective Properties				
Property	**Type**	**Location**	**Description**	**Lettable area (m^2)**
Prospective Property 1	Commercial	Nairobi	Three storey office building. The property is fully let to a bank and architectural studio	330
Prospective Property 2	Commercial	Nairobi	A high specification and environmentally sensitive office building let to triple A tenants	7,894
Prospective Property 3	Retail	Mombasa	A retail mall hosting over 70 shops let to strong covenant tenants including banks, an international fast food franchise, restaurants, and a cinema theatre	20,281
Prospective Property 4	Commercial	Nairobi	An ultramodern mixed use grade A office. The three storey building is currently 80% let with tenants banks and other quasi-retail users	2,502
Prospective Property 5	Commercial	Nairobi	A single - tenanted office building located in the prime central business area of Upper Hill	2,165
Prospective Property 6	Commercial	Mombasa	A single-tenanted office building located in the business district of Mombasa	2,895
Prospective Property 7	Commercial	Nairobi	A single-tenant modern office building located in an established, landscaped office park	2,948

3.11 The Technical Experts

3.11.1 Independent Technical Engineers

The Independent Technical Engineers' appointment was a dual appointment of Civil Engineering Design (K) Ltd, which has conducted the structural engineering portion of the due diligence and LDK Africa Limited, which has completed the due diligence on the mechanical, electrical and plumbing installations.

Civil Engineering Design (K) Ltd ("CED") is the consulting structural engineer. CED has been in operation for over 15 years and completed a wide range of projects. The services offered include civil and structural engineering design and contract supervision.

The firm is managed by Mr. Hardip Sura, a Chartered Engineer with over 30 years of professional experience. It has a staff complement of 22 persons, including 12 qualified Structural and Civil engineers. In addition, CED has computer aided design technicians, administrative and other staff. Where specialist expertise in other disciplines is required, the company forms associations with other firms as necessary to ensure timely and efficient completion of projects.

Table 15: Key CED Personnel

Key CED Personnel		
Name	**Designation**	**Responsibility and Experience**
Hardip Singh Sura	Senior Engineer	Chartered Civil Engineer with over 30 years of professional experience Specialist in project administration, design and supervision of construction of structures for multi-storey buildings and infrastructure projects including airports, roads, highways, port facilities, quays, water supply and sewerage schemes Recent projects include structural and civil design and construction supervision inputs across: - Karen Hub Development - Village Market Expansion - Oval Office Development
Mike Makotsi Lwoyelo	Civil Engineer	Civil Engineer with 8 years of experience in Civil Engineering Design and supervision works including, road-works, storm and foul sewer construction and earthworks Recent projects include: - Peponi road upgrade - Ofafa Maringo development: earthworks design roads, storm and foul sewer reticulation - Mark properties: upgrading the existing entry road, storm water and foul sewer design
Martin Waweru Gathukia	Structural Engineer	Civil/Structural Engineer with 4 years of experience in Civil & Structural Engineering Design and site supervision Experience in conceptual design for tender, final design and preparation of construction drawings for small, medium and large housing projects Recent projects include: - One General Mathenge & One West Park: structural site inspections of foundations, reinforcement and shutter prior to concrete - Kirinyaga Road apartments: Residential apartment, design calculations and production of construction drawings

Some of the recent key projects on which CED has worked include:

- Corporate Offices:
  - Westgate Office Block (20 storeys)
  - The Oval, Westlands
  - Park Plaza, Westlands (10 storeys)
- Housing & Apartments:
  - Executive apartments for Gilt Edge Investments – Kileleshwa
  - Mwanzi Road Apartments
  - Riverside Apartments (9 storeys)
- Shopping Centres:
  - Westgate Shopping Centre

  - Galleria Mall – Langata Road
  - Karen Hub
  - Village Market
- Hotel Developments:
  - Villa Rosa Kempinski Hotel
  - Muthaiga Country Club

LDK Africa Limited ("LDK") is the consulting mechanical, electrical and plumbing engineer. LDK is one of six subsidiaries of a Greek parent company that has been providing engineering consulting services since 1968 and completed projects in over 100 countries. LDK established a permanent presence in Nairobi in 2013. It is enlisted in the Register of Design Firms of the Greek Ministry of Environment, owning Design Certificates for Electrical and Mechanical, Electronic, Industrial and Energy Projects.

LDK has accumulated significant experience over the years, working on more than 1,000 projects covering sectors such as tourism, industry, hospitals, residential complexes, office buildings, shopping malls and mixed use buildings. LDK offers advanced services in design, supervision and project management.

LDK's international experience has allowed it to efficiently incorporate international innovations and respond to client challenges swiftly with integrated solutions. Whilst at the same time it deals with each project on a case-by-case basis ensuring a suitable team with the required skills are made available.

LDK's team for the mechanical, electrical and plumbing engineering due diligence was led by Alexandrou Konstantinos, a Mechanical Engineer with over 11 years of professional experience. He has been a Project Manager and Consultant for LDK since 2007 and specializes in utility installations of buildings, tourist, industrial and infrastructure projects. Recent projects in Kenya include a mixed use development on a property of 191 acres in Limuru in 2012 and 2013, the refurbishment of Finch Hattons, a game resort located in Tsavo West National Park, in 2012. Outside of Kenya, Alexandrou worked on the development of a 30 hectare residential estate in the Klagon-Tema region of Ghana.

The scope of work for the Technical Engineers comprised the following:

Part A: Standard Requirements

1. Assessment of buildings and infrastructure of the whole plot based upon property survey and study all available documentation to determine quality standard and condition of:
   - Structural review:
     - Desk review of all built documentation relating to the structure, including architectural drawings, structural drawings, council approval documents and quality control documentation;
     - Compliance with design and specifications, including compliance of the actual structural construction with design and specifications, i.e. visual checks of the visible structural components; and
     - Any visual distress in the load bearing structures (from loading, corrosion of the existing reinforcements, etc.) shall be noted and the required solutions to the problems shall be succinctly provided. The solutions shall not be accompanied with any design but shall be given as guidelines as well as any interventions that are required to be made to the structure.

     It is noted that a review of the structural reinforcement of the building, if necessary, as well as the laboratory inspections of the load bearing structures are not included.

   - Mechanical and electrical installations review:

- Assessment of the overall quality of design of the mechanical and electrical installations with particular regard to the functionality, up to date technology, efficiency and maintainability;
- A brief description of each system or major piece of equipment;
- Assessment of quality, condition and estimated remaining life for each system or major piece of equipment;
- Tabular summary of the above; and
- Performance tests on major equipment.

2. Conformity with permits and building regulations:
   - Tabular comparison between permissible, permit design, and actual constructed building coefficient (floor area for main use), footprint, volume and height etc.;
   - Tabular comparison of permissible, permit design and actually constructed floor area, per floor level, per type of usage. This will clearly indicate where actual usage of space is not in accordance with that permissible with particular emphasis on use of semi covered areas, balconies, mechanical rooms, underground space, car parking etc.; and
   - Table showing illegal space usage per floor with risk assessment.

3. List of defects and recommended rectification thereof, including a cost estimate
   - Indicate which are high and low priority items and recommend a possible spread of expenditure over coming 3 to 5 years, also which if any are covered by existing guarantees or warranties.

4. Assessment of energy consumption
   - Include analysis on the efficiency rating of the building and recommended improvements including a cost estimate of these improvements.

5. Health and Safety audit
   - Report any significant issues concerning safety with particular emphasis on fire escape, fire detection and fire fighting.

Part B: Possible Extra Requirements

1. Spot check on structural integrity
   - If it is deemed necessary CED will carry out some spot checks on key structural components to assess whether or not the steel reinforcement actually installed is in compliance with the design.

2. Capital replacements and modifications
   - Prepare a list of foreseeable necessary capital replacements and modifications including an estimate of the cost over next 15 years, for both:
     - Structural and civil elements; and
     - Mechanical and electrical elements.

3. General maintenance and planned preventative maintenance
   - Assess the quality of past maintenance including discussions with the individuals responsible and check past records of maintenance; and
   - Provide a view on the likely maintenance costs over the next 10 years.

3.11.2 Independent Property Valuer

As provided in the REIT Regulations, the STANLIB Fahari I-REIT may make use of more than one Independent Property Valuer.

The first Independent Property Valuer will be Tysons Limited (“Tysons”). Tysons was established in 1923 by George A. Tyson and has grown over the last eight decades to be a leading valuation and real estate solution provider in East Africa. The company retains highly qualified personnel in real estate and environmental matters.

Tysons’ Valuation Department handles valuation of all types of fixed and moveable properties. The department aims to provide timely and high quality valuation services that meet client requirements.

The second independent Property Valuer will be Lloyd Masika Limited (“Lloyd Masika) a highly reputed Nairobi-based valuation firm. Lloyd Masika was established in Nairobi, Kenya in 1979 and provides professional valuation and estate agent services in Kenya.

Lloyd Masika provides services to individual property owners, private companies, government agencies, industrial and manufacturing firms, banks, insurance companies, agro based companies, embassies and hotels.

The scope of services to be undertaken by the Property Valuers include the following:

- Summary of market valuation including methodology applied;
- Identification of encumbrances registered against the property;
- Providing a summary of statutory payments due including outstanding amounts;
- Comments on:
  - Whether or not the property has ever been set aside for public use;
  - Use of property and significant developments within the neighbourhood that could have an effect on future value/use of the property;
  - Evidence of pollution and or land contamination either on the subject site or an adjoining site that may affect the current or future development;
  - Topography of the plot, soil types and the likely effect on development;
  - Material matters on the leases which may adversely affect future income growth performance of the property;
- Any material matter known or evident to you which may have significant effect the ownership of the property and future use; and
- Copy of the certificate of official search.

The REIT Valuer shall be appointed for a maximum consecutive term of three years. The appointment of a new Independent Property Valuer, and any change to the fee charged by such Independent Property Valuer, will be subject to the approval of the Unitholders.

Key personnel who will be involved in the valuation of the REIT Scheme properties are presented in the following two tables:

Table 16: Key Independent Property Valuer Personnel

Key Independent Property Valuer Personnel		
Name	**Designation**	**Profile**
B. Ragalo	Chief Executive Officer	Mr Barthlomew Ragalo is a registered valuer and a member of the Institution of Surveyors of Kenya (ISK). He is the Managing Director in charge of Marketing and Property Management within Tysons Limited. In his role Mr Ragalo is responsible for management and coordination of the company's business units; oversee the management of various residential and commercial properties, supervision of marketing staff and approval and preparation of valuation reports. Mr Ragalo holds a Master of Business Administration in Strategic Planning from the University of Maarstritch, Holland.
S. Odiembo	Director of Valuations	Mr Samuel Odiembo is a registered valuer and a member of the ISK. He is currently the Director of valuations at Tysons Limited and his responsibilities include supervision of valuation staff in the Tyson's head office and branches and liaising with clients. Mr Odiembo has over 18 years' experience in the valuation profession and holds a Bachelor of Arts in Land Economics from the University of Nairobi, Kenya
S. Omengo	Head of Projects and Research	Mr Stephen Omengo is a registered valuer and is a member of ISK. He is a senior valuer with Tysons Limited and is involved in valuation of properties including land, buildings, furniture and equipment. Mr Omengo has over 19 years' experience valuing assets and holds a Master in Science in Information Systems Engineering, University of Sunderland, United Kingdom and a Certificate of Environmental Impact Assessment and Audit from Africa Nazarene University, Kenya.

Source: Tysons Limited

Key Lloyds Masika personnel who will be involved in the valuation of the REIT Scheme properties are presented in the following table:

Table 17: Key Independent Property Valuer Personnel

Key Independent Property Valuer Personnel		
Name	**Designation**	**Profile**
S.N.Waruhiu	Managing Director	Mr Stephen Waruhiu is a registered valuer and a member of the ISK. He is the Managing Director in charge of valuations at Lloyds Masika and as over 30 years' experience in urban and rural valuations within Kenya. In his role Mr Waruhiu is responsible for management and coordination of the company's business units; oversee the management of various residential and commercial properties, supervision of marketing staff and approval and preparation of valuation reports. Mr Waruhiu holds a Bachelor of Arts in Land Economics from the University of Nairobi, Kenya.
P.Muswii	Director of Valuations	Mr Peter Muswii is a registered valuer and a member of the ISK. He is currently the Director of valuations at Lloyds Masika and his responsibilities include supervision of valuation staff of Lloyd Masika and liaising with clients. Mr Muswii has over 26 years' experience in the valuation profession and holds a Bachelor of Arts in Land Economics from the University of Nairobi, Kenya
C. Migwi	Director of Valuations	Mr Charles Migwi is a registered valuer and is a member of ISK. Mr Migiwi has over 20 years' experience in urban and rural valuation, estate agency and property management. Mr Migwi holds a Bachelor of Arts in Land Economics.
K. Masika	Director of Valuations	Mr Kenneth Masika is a registered valuer and is a member of ISK. Mr Masika has over 10 years' experience in urban and rural valuation, estate agency and property management. Mr Masika holds a Bachelor of Arts in Land Economics.

Source: Lloyd Masika

3.12 The Promoter and Issuer

The Promoter and Issuer is STANLIB Kenya. Details of this organisation are shown at section 3.5 and 3.6.

The Promoter will not be a Unitholder of the REIT Scheme for its own account. However, other members of the Liberty Group may invest in REIT Units and STANLIB Kenya may purchase Units on behalf of client funds under management.

The Promoter is engaged as REIT Manager of the REIT Scheme. In accordance with Regulation 55(4), STANLIB Kenya Limited has, on its Board of Directors, two non-executive directors who are not employees of members of STANLIB Kenya's group. One of these non-executives is an independent director who chairs the Board.

The Promoter will neither sell nor transfer any real estate to the REIT Scheme within one year of its establishment and accordingly, the lock-in provisions set out under Regulation 74 of the REIT Regulations will not apply to the Promoter.

The Promoter does not undertake to fund any cost overruns.

3.13 Connected Party Transactions

There are no connected party transactions involving the REIT Scheme.

The Promoter, a duly licensed fund manager, also licensed to carry on the business of a REIT Manager, has been appointed to be the initial REIT Manager of the REIT Scheme.

3.14 Financial Structuring

There is no financial structuring contemplated for the REIT Scheme.

Should financial structuring be introduced subsequent to the issue of this Prospectus, the measures that are proposed shall be clearly identified and their impact reported as part of the continuing disclosure reporting under regulation 42 and in subsequent half yearly and annual reports under regulation 101.

3.15 Trustees' borrowing powers

The Trustee may enter a borrowing arrangement:

- on the initiative of the Trustee where such borrowing is required to preserve the value of the assets of the Trust and is in the best interests of the REIT Unitholders; or
- if requested to do so by the REIT Manager to give effect to the objectives of the Scheme to acquire real estate assets or to undertake capital expenditure or refinance an existing borrowing.

The Trustee may provide security over the REIT Scheme assets to support borrowings under the above point.

However, the Trustee shall ensure that any borrowing or provision of security is not prejudicial to the interests of the REIT Unitholders.

The total borrowings entered into by the Trustee on behalf of the STANLIB Fahari I-REIT or by any investee company or investee trust shall not exceed, in aggregate, at the time the liability is incurred, 35 percent of the TAV of the REIT Scheme, provided that:

- this limit shall not operate to prevent the rolling over or refinancing any debt provided that the amount rolled over or refinanced is not more than the amount originally borrowed; and
- the Trustee may borrow on its own initiative or on the recommendation of the REIT Manager up to a maximum of 40 percent of the Total Asset Value with the prior sanction of REIT Unitholders by way of an ordinary resolution for a temporary purpose for a term not exceeding six months.

Any non-compliance with the borrowing limitation under the REIT Regulations shall not result in a breach of the Act or these REIT Regulations but may result in:

- the REIT Scheme ceasing to be classified as a real estate investment trust for taxation purposes;

- subject to the Scheme Documents, the REIT Unitholders having a cause of action against the Trustee or the REIT Manager; and

- revocation of authorisation of the REIT Scheme by the Authority.

The Trustee shall be entitled to limit its liability for any borrowing to the assets of the Trust and subject to the provisions of the Act, REIT Regulations and the law relating to trusts. The Trustee shall be entitled to be indemnified out of the assets of the REIT Scheme for all losses, expenses, fees and charges incurred in the performance of its duties and obligations.

4 Kenya Economic Overview

4.1 Leading Economy in East Africa

Table 18: Key country facts

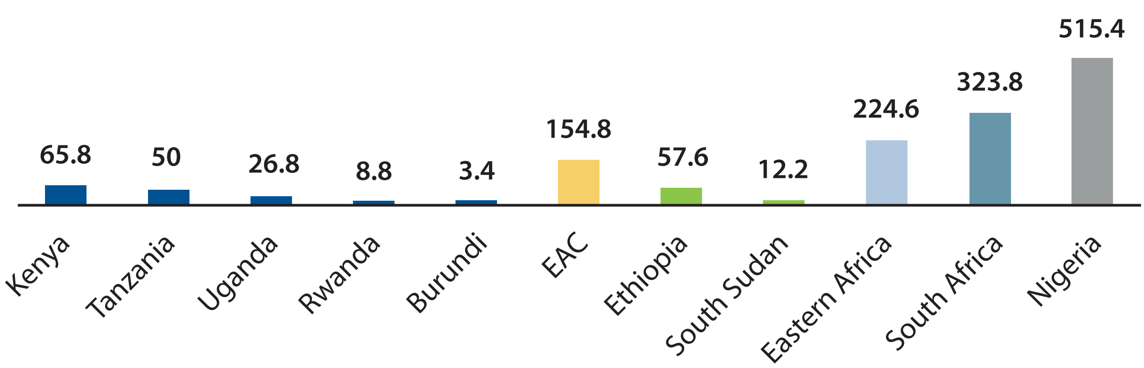
Key country facts	
Total area	581,367 km^2
Official languages	English, Kiswahili
Population	45.6 million
Major cities	Nairobi: ~3.1 million Nakuru : ~1.6 million Mombasa: ~0.9 million Kisumu: ~0.9 million
Nominal GDP (USD)	61.7[2] billion
GDP per capita (USD)	1,412 [3]
Real GDP growth (percent change year on year)	5.3 percent
Key industries	Agriculture, horticulture, Financial Services, Telecommunication, Construction
Currency	Kenyan Shilling (KES)
Exchange rate KES/USD	99.7* 107.0**
Trade associations	East African Community, Common Markets for Eastern and Southern Africa, Intergovernmental Authority on Development, Tripartite Free Trade Area

Source: EIU, World Bank, Central Bank of Kenya, WEOD April 2015, *2015 Average EIU forecast **2015 End period EIU forecast, 2014 EIU estimate (e) =estimate

Kenya is the largest economy and the most diversified economy in the Eastern African Community (“EAC”). The EAC comprises Kenya, Tanzania, Uganda, Burundi and Rwanda. Kenya covers 581,309 square kilometres and has a population of about 45.55 million as at 2014. The World Economic Forum rated Kenya as the highest country in Sub-Saharan Africa in terms of economic policies and institutions, making the country one of the most popular destinations for foreign investment. In particular, better public financial management has increased accountability and alleviated corruption concerns. These improvements are supported by a large pool of English speaking professional workers and a high computer literacy, especially among the youth. According to the IMF, Kenya is a frontier economy that has the potential to advance to the next generation of emerging markets. The country’s median age of 19.1[4] is the lowest when compared to emerging market peers.

[2] EIU Kenya Report –October 2015
[3] BMI Kenya Business Forecast Report Q3 2015
[4] CIA world fact book, June 25 2015

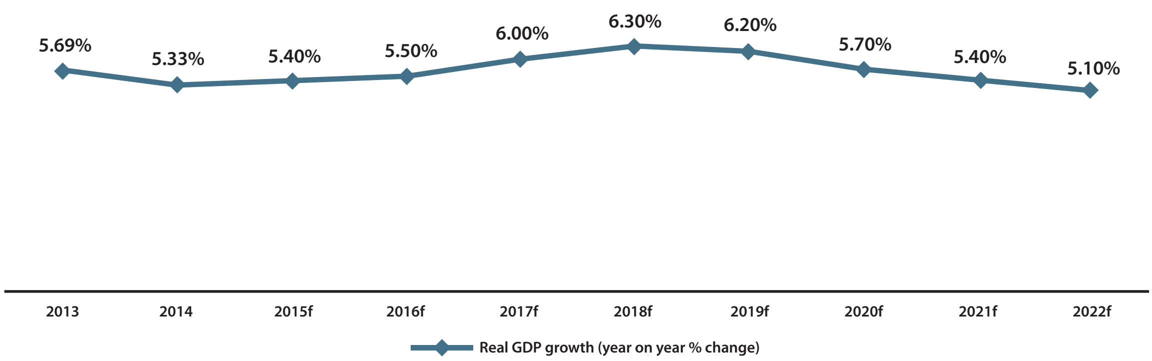
Figure 3: Kenya Nominal GDP (2015 estimates) – compared to the region (USD bn)



Source: WEO Database, April 2015

The Kenyan economy has managed a steady recovery from the slump occasioned by the 2007/2008 global financial crisis. Despite poor global economic performance, the growth in Kenya's real GDP is expected to remain robust at 5.4percent in 2015 from 5.3percentin 2014, supported by infrastructure projects and closer economic integration within the EAC and slightly brisker growth in the global economy.[5] The resilience is likely to continue with the economy expanding at 5.50percent in 2016 and 6.0percent in 2017, according to the latest World Bank Group's economic analysis.

Figure 4: Kenya's Real GDP growth forecast



Source: EIU Country Data, Kenya, October 2015

Whilst agriculture has been the mainstay of the Kenyan economy for many years, the country's economic mix is becoming more diverse and now includes infrastructure, manufacturing, telecommunications and financial services. There is little prospect of the Kenya economy eliminating its dependence on rain-fed agriculture in 2016-19, despite increased irrigation. Nonetheless overall growth will remain relatively brisk, barring global and local shocks, and could benefit from the start of oil production in four-five years.

Rapid innovation in the telecommunications sector has led to the integration of mobile telecommunications and banking. This has had a significant impact on the economy as it has allowed

[5] EIU Country Report Kenya, October 2015

for financial inclusion of a previously unbanked section of the population. The outcome has been increased economic activity in the form of trade and provision of services.

Kenya continues to invest heavily in infrastructure in line with its Vision 2030 initiative, which is the country's blue print to becoming a middle income country by the year 2030. This has greatly opened up the infrastructure sector. Improved infrastructure has led to a reduction in transaction costs which has in turn given a boost to the manufacturing sector. In 2010, Kenya voted in a new constitution and established a devolved government structure. The new constitution will allow for a better distribution of government resources and enable mobilization of these resources at grassroots level.

4.2 Political Environment

The peaceful transfer of power post the March 2013 elections, held under the 2010 constitution, reflects the country's ambition to remain politically stable. Nonetheless, the electoral results show that the vote continues to be cast along ethnic lines, which leaves the country susceptible to ethnic divisions. Major changes to the institutional framework under the new constitution have reduced the authority of the president over parliament, and powers are gradually being devolved to 47 new counties, which may lead to greater accountability and transparency in future. However, the move from a highly centralised system towards a devolved structure will come with its own challenges and will test the effectiveness of the new Supreme Court and the country's commitment to the principles enshrined in the new constitution.

Concerns around security risks remain heightened because of the threat posed by Al Shabab, the Somalia-based Islamist group that carried out a terrorist attack on the Westgate shopping centre in the capital, Nairobi, in September 2013. More recently, the attacks in Mpeketoni, Lamu in mid-2014, in Mandera County (near the border with Somalia) in November 2014, and at Garissa University College in April 2015, have highlighted that the security risks associated with terrorism persist and threaten to damage the crucial tourism sector.

Kenya was ranked 145 out of 176 countries in Transparency International's 2014 Corruption Perceptions Index. Corruption continues to be a problem, partially fuelling ethnic based disputes.

4.3 Demographic Overview

Demographic analysis of the Kenyan population provides many reasons for optimism for the country's future prospects, including:

- While population growth is fast enough to provide a growing work force, a deceleration in population growth will increase the expected positive impact of faster economic development on GDP per capita. The positive growth outlook translates to an increase in GDP per capita to USD 2,961 in 2024, up from USD 1,314 in 2014;
- The youthful population, comprising people younger than 25 and making up 64percent of total population will boost private consumption and promote growth in the economy;
- Historically, private consumption has compromised more than 70 percent of GDP and this trend is expected continue in the future;
- The working age population, comprising the ages between 15-64 years, is forecast to be 56.6 percent by 2020, ensures a strong labour force and foreign business[6]; and

[6] World Population Prospects, 2015

- The workforce is expected to be relatively well educated due to the government's efforts to provide free secondary education and improve technical skills[7].

4.4 Economic Environment

4.4.1 Overview

Kenya's GDP estimates were rebased in September 2014, resulting in an increase in the size of nominal GDP by 25.3 percent in 2013 to USD55.2bn. The base year was changed to 2009 from 2001, while the new series gives better coverage to growing industries such as mobile money and informal businesses. Growth in gross fixed capital formation has been somewhat restrained since 2012. Standard Bank[8] research estimates that nominal GDP will grow to 5.3percent and 5.7percent year on year in 2015 and 2016 respectively. With GDP growth expected to average 6.0 percent in the four years thereafter helped by a rapid expansion in consumer services (including banking and telecommunications), growth of the middle class, urbanisation, EAC integration, structural reforms and investment in infrastructure, including a major new railway line[9].

Private consumption is expected to perform well in the medium term powered by rapid population growth as well as a growing middle class population. The increased spending power of Kenyan consumers, particularly in Nairobi, has attracted investment from leading multinational corporations, such as Danone and Heineken. Additionally, a number of international restaurant chains have begun operations in various up-market retail outlets and are expected to open more outlets within the capital and the country as well as attracting other similar international brands to enter the Kenyan market.

Kenya's budget deficit is expected to reach 8.3 percent of GDP in 2015/16 and narrow gradually to 5.1 percent of GDP in 2018/19[10] helped by fiscal consolidation, improved revenue collection and faster GDP growth. Furthermore the economic slowdown being experienced by European trading partners has negatively affected exports. This is expected to be partially offset by a promising outlook for regional trading partners in Africa, who account for just under half of total Kenyan exports, as well as stronger Asian demand.

The major risk to Kenya's forecast positive economic performance would be poor weather conditions, as lack of rain could cause diminution of agricultural output and hydroelectricity production. In the medium term, EIU expects structural deficiencies, such as infrastructure bottlenecks and skills shortages, to persist.

4.4.2 Monetary policy

The CBK benchmark interest rate was raised to 10 percent in June 2015 and a further 11.5 percent in July after being kept constant at 8.5 percent since May 2012, as inflation has largely remained within the government's target band of 2.5 percent to 7.5 percent since August 2012. The only deviations recorded were in September and October 2013, at 8.3 percent and 7.8 percent, respectively, and in July and August 2014, at 7. 7 percent and 8.4 percent, respectively. Although core inflation has recently picked up, it is estimated that this will only become a concern to the CBK in 2015. EIU,[12] similarly expects an upwards trend in the CBK rates in the near term and expects commercial bank lending rates to decline from an estimated 16.5 percent in 2014 to 14.5

[7] BMI Kenya Report Q3 2015

[8] Africa Markets Revealed, October 2015

[9] EIU Country Report Kenya ,October 2015

[10] EIU Country Report Kenya, October 2015

[11] Standard Bank Economic Research Kenya GDP flash Note, October 2014

[12] EIU Country Report, Kenya June 2015

percent in 2019, helped by the growing sophistication of monetary policy and competition between banks as the spread between the two rates gradually become narrower.

4.4.3 Inflation outlook

September 2015 year on year inflation eased to 6.0 percent from 7.1 percent in April (an eight-month high)[13]. Inflation remains elevated because of a steep rise in food prices reflecting depressed rains in most part of the country in the first three months of 2015. Standard Bank research suggest that El Nino rains later this year could disrupt food supply and derail the relatively benign outlook for inflation, however this may be a bigger concern for food prices in Q1:16[14]. EIU forecast inflation to stand at 6.4percent in 2015, and to 4.9 percent a year on average in 2016-19, helped by prudent monetary policy and efficiency gains arising from investment in infrastructure and regulatory reform.

Poor rainfall, which leads to costlier food and electricity, as well as depreciation of the shilling pose inflationary risks to Kenya. However, the increased use of geothermal energy will make power supplies more drought-resistant, while oil prices are projected to remain below an average of USD80/barrel in the next five years[15]. According to the World Bank's Commodity Market Outlook, oil prices are expected to average USD53/barrel in 2015, which is 45percent lower than 2014, and USD57/barrel in 2016.

4.4.4 Exchange Rate

The Kenya Shilling reached a low of KES 106.2: USD 1 on September 8th 2015, leaving it 19.9percent weaker from the same time last year and 17.1percent down from the beginning of the year. Depreciation of the Kenya Shilling is mainly being driven by external factors including, broad-based slower growth in China and uncertainties in the euro zone. Whilst interest rate hikes in June and July failed to stem the shilling's decline, it may provide a platform for a possible rebound, depending on external developments. With more than four months import cover, due to the country's debut sovereign bond in 2014 and the government's access to a USD 687 million IMF stand-by facility in case of adverse shocks, foreign-exchange reserves remain healthy. Standard Bank Research forecast that the USD/KES will trade close to levels around 104.9 by end of 2015. Depreciation will be underpinned by current-account deficits and relatively high inflation (compared with industrial countries), and will be more rapid if political or economic confidence slips.

4.4.5 Summary of Economic Outlook

An important part of Kenya's growth story is the government's commitment to improving the business environment, a pledge exhibited by its willingness to run fiscal deficits to finance development projects. The Kenyan government's commitment to improving the business environment and facilitating trade will complement the dismantling of trade barriers within the EAC and attract foreign investment.

Kenya is expected to enjoy a period of robust economic expansion, in excess of the 6 percent long term forecast, supported and bolstered by the following key factors:

- Kenya's economy has shown resilience compared with the economic lethargy of developed economies since 2011/12;

[13] African Local Markets Monthly, October 2015-Standard Bank Research
[14] African Local Markets Monthly, October 2015-Standard Bank Research
[15] EIU Country Report, Kenya June 2015, World Bank's Commodity Market Outlook April 2015
[16] African Local Markets Monthly, October 2015-Standard Bank Research
[17] EIU Country Report, Kenya October 2015

- Kenya's infrastructure indicators look relatively good when compared with other low-income countries in Africa. A significant feature of the transport and logistics sector is that Kenya is strategically positioned to act as a trade hub for a large, albeit poor, east and central African hinterland;

- Unlike many of its Sub-Saharan African neighbours, Kenya does not rely on resource extraction for economic growth;

- Kenya's long-term growth forecast of real GDP of 5.4 percent in 2015 and an average of 6 percent in the years thereafter[18]

- Private consumption and investment in Kenya are expected to perform well;

- Kenya's current account deficit is expected to be covered by the capital and financial account inflows, which are short term including errors and omissions for coverage, means that the country will remain susceptible to shocks;

- Kenya's prudent monetary policy is aimed at removing liquidity using the repurchase agreement market;

- Narrowing of Kenya's fiscal deficit as a percentage of GDP in 2014/15 as a result of rebasing of the GDP and strong trade growth within Africa; and

- As Kenya urbanizes and further develops its infrastructure, manufacturing, telecommunications, tourism and financial services industries, this process of diversification should be self-reinforcing.

[18] EIU Country Report, Kenya October 2015

5 Kenya Real Estate Market

5.1 Overview

Kenya continues to invest heavily in infrastructure in line with Vision 2030 which is the country's blue print to become a middle income country by the year 2030. Improved infrastructure is expected to open up new areas to real estate development. Under Vision 2030 the Government is specifically focussing on three key real estate development areas namely recreation, sports, tourism and culture.

The real estate sector is a key beneficiary of the growing middle class population occasioned by an improving economy. The Kenyan real estate sector has seen significant growth in demand within the residential, office, retail, industrial and hospitality sub sectors. The 2014 rebasing of the Kenya GDP did not significantly change the structure of the economy however, as a result of the exercise several sectors have grown strongly in this period such as real estate which rose to 8.2 percent from 5.2 percent of GDP.

Land prices have increased 5.57 times since December 2007, compared with gold at 53percent and crude oil at -38.8percent over the same period.[19]

5.2 Industry Segmentation

The real estate market in Kenya can generally be segmented into five major categories, or subsectors, based on the use of the real estate, namely:

- Residential;
- Office;
- Industrial;
- Retail; and
- Hospitality.

5.2.1 Residential Market

The residential subsector has seen the most growth in the last ten years comparative to other real estate sectors. The Ministry of Housing puts annual demand at 200,000[20] units against supply of 35,000 units annually. Demand for residential units has been occasioned by the influx of expatriates working in Kenya for international firms and also by the growing middle class population leading to a significant rise in residential house prices. By 2010, 22 percent of Kenya's population lived in urban areas and this is expected to rise to 51.9 percent by 2050[21]. Knight Frank's H1-2015 report indicates that rental prices have stabilised with no significant change reported in the same period the previous year, particularly in the high income and upper middle residential rental market. The high end residential sale market witnessed a 2.1percent annual growth increase in the second quarter of 2015 compared to a 4percent increase for a similar period last year, with a quarterly increase of circa 0.9percent.[22]

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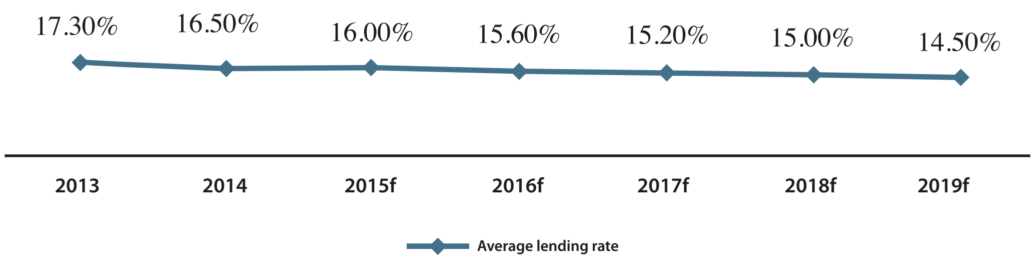
[19] Hass Consult Land Index Q1 2015
[20] Hass Consult/KPDA State of Development Report Q4 2013
[21] World Bank 2011 Report- Developing Kenya's Mortgage Market
[22] Knight Frank H1-2015 update

Figure 5: Kenyan Lending Rates -2013-2019



Source: EIU Country Data, August 2015

Table 19: Kenyan Mortgage Statistics

Kenyan Mortgage Statistics	2010	2011	2012	2013	2014
Number of mortgages	15,049	16,135	18,587	19,789	22,013
Average value of mortgage (KES m)	4.1	5.7	6.4	6.9	7.5
Non-performing mortgage loans (KES bn)	n/a	3.6	6.9	8.5	10.8

Source: Central Bank of Kenya Bank Supervision Annual Reports 2014, 2013, 2012, 2011, and 2010

Due to the high lending rates, there has been a shift from the mortgage market to the rental market. This has led to improved rental yields in the residential subsector.

In 2014, the CBK introduced a new reference rate called the Kenya Bank's Reference Rate (KBRR) to replace commercial banks setting their own rates. The aim of this change is to bring more transparency to the make-up of lending rates offered by commercial banks and in turn encourage greater uptake of loans. As at 20th July 2015, KBRR moved to 9.87 percent. Additionally, the Ministry of Lands, Housing & Urban Developments has and continues to implement reforms to increase mortgage uptake. Some of the factors that have contributed to the slow growth of Kenya's mortgage industry are, informality of income source, limited access to long term funds, high interest rates and high credit risk (due to lack of documented income and lack of credit history).

CBK data indicates credit to the private sector by commercial banks grew faster than projected; reaching 25.8 percent in the year to June 2014, up from below 9.5 percent in the year to June 2013[23]. Increased credit uptake reflects a steady decline in commercial bank's average lending rate from 18.1 percent as at January 2013 to 16.4 percent as at June 2014. A recent Knight Frank report indicates that in 2014, the number of mortgages for the middle income residential market increased by circa 10.7percent from 2013 because of the relatively favourable interest rates[24].

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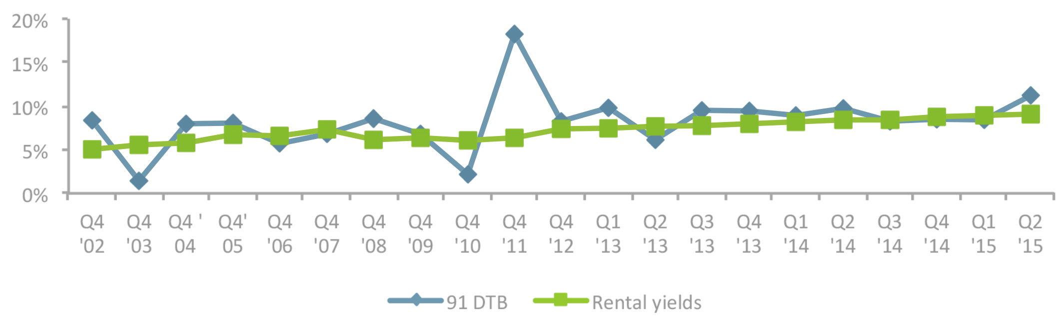
[23] CBK Financial Stability Report 2013
[24] Knight Frank H1-2015 update

Figure 6: Kenyan Rental Yields Graph



Source: Hass Consult Property Reports, CBK

Improved infrastructure has also seen the development of areas that were once considered peri-urban. These include amongst others developments such as, the USD150 million Garden City which opened in May 2015, Two Rivers, which is a KES 14 billion, 100 acre mixed-use development phase I is set to open in Q4 2015, the KES 35 billion Migaa residential development and the 400 acre mixed-use development by Tilisi Developments Ltd near Limuru, all of which are situated on the outskirts of Nairobi.

5.2.2 Office Market

Knight Frank, in its HI 2015 report, reported a reduced uptake of prime office space compared to a similar period in 2014. Upper Hill is particularly affected with a 90 percent drop in Q2 2014 due to poor infrastructure. Nonetheless, Nairobi is generally considered the commercial hub of East Africa and is gradually stepping up to become a commercial hub of Sub-Saharan Africa. Google, NOKIA, BASF, General Electric, IBM, and Pfizer are some of the multinational firms that have set up regional and African headquarters in Kenya. Multinational firms are choosing Kenya in preference to the traditional hub of Johannesburg mainly because of improved trading relations with major global trading blocks e.g. China and USA as well as opening of new commercial routes by Kenya Airways which enable direct flights to Central and West Africa. Local start-ups, especially in the technology space, and the banking and insurance industries have also contributed to rising demand for office space in Nairobi. Broll Kenya estimates that offices have rental yields of between 9 and 11 percent[25]. Westlands and Gigiri are the two leading suburbs, with the highest asking rents at KES 150 to KES 220 per square foot[26].

Knight Frank estimates total effective office demand at 1.3 million square feet and an average 8,000 square feet per requirement[27] driven by demand for higher quality office space. Compared to the 2.8 million square feet of office space[28] that is expected to come into the market by the end of 2016, it is expected that there could be an over-supply in the market if demand does not dramatically increase. Nonetheless there are significant variations in performance by location and quality across the market and the outlook remains positive for Grade A office space which, Mentor Management Company Limited, expects will remain in short supply. Office take-up rates in 2014 were down 20percent from

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25 Broll Kenya Property Market Overview (February 2014)
26 Mentor Management Limited, November Office Market Update 2014
27 Knight Frank Q2 2014 Kenya Market Update
28 Mentor Management Limited, November Office Market Update 2014

2013, however, prime rental levels increased by 5-10percent[29]. Prime commercial office rental levels in Nairobi remained stable in the first half of 2015 at USD 21 sqm per month.[30]

Table 20: Examples of international companies with office hubs in Nairobi

Company	Home country	Nairobi office jurisdiction
Google	United States of America	Sub-Saharan Africa
Nokia	Finland	East and Central Africa
Toyota	Japan	Sub-Saharan Africa
Pfizer	United States of America	Sub-Saharan Africa
General Electric	United States of America	Sub-Saharan Africa
IBM	United States of America	Sub-Saharan Africa
Bharti Airtel	India	Sub-Saharan Africa
BASF	Germany	Sub-Saharan Africa
Citi Bank	United States of America	East Africa
Heineken	Germany	East Africa
LG	South Korea	East Africa

Source: Press, Company websites

5.2.3 Industrial Market

New investments in the industrial property subsector have largely been low key with little supply coming through, especially in the owner-occupier segment. Additionally, demand has not grown as rapidly as demand in the other property subsectors. Recently demand has been driven, to a large extent, by imports of capital and consumer goods as local manufacturing activity has been limited and most consumer goods requiring limited warehousing capacity as products are transported directly to shops and malls once imported.

The growth rate in this subsector has been muted but is beginning to improve particularly along Mombasa Road in Nairobi. Yields have been competitive at levels of 7.5-10.0 percent[31]. Rents are low and take-up slow, so it is likely to be some time before this becomes an established subsector in Kenya's property sector. Should additional multinationals seek to bolster their presence in the region, and set up regional office in Nairobi, demand for industrial real estate could experience renewed growth. Some manufacturers, such as Samsung, have expressed interest in local manufacturing. Development of the USD 10 billion Konza Technology City which is planned to be a phased

[29] Knight Frank Annual Report 2015
[30] Knight Frank H1-2015 update
[31] The Broll Report 2014/2015

construction over the next 20 years will see the introduction of light electrical component manufacturing and could potentially cause a rise in demand for industrial real estate. Some developers are exploring purpose-built speculative logistics parks which may see a migration of light industrial occupiers from the traditional industrial centre to new locations on the periphery of Nairobi, thereby taking advantage of the new road infrastructure currently being developed.

Other notable proposed developments include a textile city in Athi River, set to begin construction in mid-2016, and an EPZ city in Naivasha. PVH and VF Corporation, two of the world's largest apparel manufacturing companies have already signed up to the Athi River Project[32]. PVH and VF Corporation own and market iconic brands worldwide. VF Corporation in particular produces branded lifestyle apparel and footwear with more than 30 brands, including Calvin Klein, Timberland and Tommy Hilfiger.

5.2.4 Retail Market

The rise in disposable income has brought about increased demand for goods and services. Demand for commercial retail space has risen in tandem with rising consumer demand. Local and foreign retailers have been looking to increase their footprint to satisfy this demand. Kenya has continued to experience increased popularity of decentralised urban shopping malls, both in Nairobi and in secondary cities such as Mombasa, Kisumu, Eldoret and Nakuru. There have been sizeable investments in the commercial retail space recently, for example the 6,737 square metre Bufallo Mall in Nanyuki, the 28,000 square metre Taj Mall in Embakasi, Nairobi and the 50,000 square metre Garden City Mall, whilst currently the largest retail mall in East Africa will be overtaken by the Two Rivers development which will have 67,000 square metres of retail space on completion . Other new malls such as Galleria Mall, The Hub, The Junction phase two and Thika Road Mall in Nairobi and City Mall in Mombasa have brought new entrants into the retail sector such as KFC, Carrefour and Game.

The re-opening of Westgate mall and lifting of travel advisories is expected to have a positive effect on the retail sector. Garden City Mall which opened its doors in May 2015 had an overall uptake of 90 percent of its space prior to opening[33]. International investors continue to show interest in this sector with retailer Carrefour, operated by Majid Al –Futtaim Retail Company, taking up 6,000 square feet of retail space at The Hub and 100,000 square feet at Two Rivers. Other international brands set to make their debuts in the country include Choppies and Debenhams.

Demand for retail space has been driven by the increasing spending power of Kenyan consumers and rising demand for overseas brands. This has encouraged a strong level of retail construction, and pre-leasing levels in the new schemes have been strong. Retail projects that broke ground in the first half of 2015 include the 40,000 square metres Waterfront in Karen, 20,000 square metres, Crystal Rivers in Athi River and Cedar mall in Nanyuki with the construction of Ananas Mall in Thika completed in the same period. Knight Frank reports prime retail rents remain unchanged in the first half of 2015 at USD 48 sqm per month.[34]

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[32] Knight Frank Q2 2014 Kenya Market Update

[33] Knight Frank H1-2015 update

[34] Knight Frank H1-2015 update

Table 21: Retail Malls recently built in Kenya

Retail Malls recently built in Kenya			
	Location	Year of completion	Space (m^2)
Galleria Mall	Karen, Nairobi	2012	14,000
Taj Mall	Embakasi	2013	27,800
City Mall	Mombasa	2013	20,000
Thika Road Mall	Thika Road, Nairobi	2013	25,600
Greenspan Mall	Embakasi, Nairobi	2014	24,000
Ananas Mall	Thika	2015	8,300
Buffalo Mall-Phase I	Naivasha	2015	6,737
Garden City-Phase 1	Thika Road, Nairobi	2015	33,000
K-Mall	Ruai, Nairobi	2015	8,841
Diamond plaza-Phase II	Highridge, Nairobi	2015e	30,000
The Hub	Karen, Nairobi	2015e	30,000
Two Rivers	Runda, Nairobi	2015e	67,000
Cedar Mall-Phase I	Nanyuki	2016e	10,000
Comesa Mall	Eastleigh, Nairobi	2016e	11,000
Rosslyn Riviera Mall	Rosslyn, Nairobi	2016e	14,621
Garden City- Phase II	Thika Road, Nairobi	2017	15,000
Cedar Mall –Phase II	Nanyuki	2018e	7,620
Crystal Rivers	Athi River	2018e	20,000
Waterfront	Karen, Nairobi	2018e	40,000

Source: *Press, Broll, Knight Frank H1-2015 report*

5.2.5 Hospitality Market

Nairobi has entered the global hospitality map with a number of new hotels set to open in the next few years as global chains tap into growing business tourism. The hotels in different stages of completion are expected to add 1,437 rooms in the market. In the past five years the country, especially Nairobi, has attracted billions of shillings investment in the hospitality industry. Recent additions are the Villa Rosa Kempinski in 2013, Dusit in 2014, the Best Western Premier hotels in 2013 and Acacia Premier, a new local chain of hotels, opened in Kisumu in 2015. Radisson Blu is looking to open its Kenyan flagship property in Kenya in 2015 and Hilton is looking to open two new hotels in the next three years. Other brands eyeing the Kenyan market are Novotel, Ibid, Sogled Tulip, City Lodge, Marriott, Accor Group, Easy Hotel and Mantis.

Despite the drop in international passenger numbers from 111,984 in January 2013 to 86,666 in July 2014 mainly due to increased security concerns, hotels such as Radisson Blu and City Lodge are still planning to open hotels in Nairobi to capitalise on the Government's plans to increase conference tourism. This plan from Government has seen a number of hotels planned for construction near Gigiri to cater for the increase in delegates expected to the United Nations Environment Programme, which received full United Nations Agency status in 2012 following the Rio+20 Summit. A PwC report

[35] KNBS Leading Economic Indicators October , 2014

expects a slight 2.5 percent increase in room revenue over the next five years,[36] in part buoyed by domestic tourism reflecting rising incomes and a growing middle class. Another development in the leisure industry is the increase in golf course resort developments and holiday homes that cater to the growing middle and upper class. Developments include Longonot Gate, Migaa, Thika Greens and Aberdare Hills Golf Estate each valued between USD 55million – USD1.3 Billion[37].

Table 22: Leading Hotels in Nairobi

Leading Hotels in Nairobi			
Hotel	**Year of completion**	**Location**	**Number of rooms**
Crowne Plaza	2010	Upper Hill, Nairobi	162
Eka Hotel	2012	Kilimani, Nairobi	170
Villa Rosa Kempinski	2013	Westlands, Nairobi	200
Best Western Hotel	2013	Kilimani, Nairobi	96
Dusit D2	2014	Riverside, Nairobi	100
Hotel Royal Orchid Azure	2014	Westlands, Nairobi	165
English Point Marina	2015	Kengeleni, Mombasa	26
Acacia Premier	2015	Kisumu	94
City Lodge Hotel	2016	Runda, Nairobi	Tbc
Hilton Garden Hotel	2015e	Mombasa Road, Nairobi	Tbc
The Premier	2015e	Embakasi, Nairobi	144
Radisson Blu Hotel	2015e	Westlands, Nairobi	276
Marriot Hotel	2015e	Westlands, Nairobi	tbc
Golden Tulip	2016e	Tbc	Tbc
Sun Africa	2016e	Tbc	Tbc
Tamarind Tree Hotel	Tbc	Langata, Nairobi	Tbc

Source: Press, PwC Hotel and Leisure Report, Broll

5.3 Current Trends and Challenges

5.3.1 Land Policies

Land is a critical issue to the economic, social and cultural development of Kenya and was historically a key reason for the struggle for independence. Land issues remain politically sensitive and culturally complex and the tackling of long running disputes over land remain a central issue today as the Government has failed to enact legislation to address longstanding grievances. Kenya does not have a

[36] PwC Passport to Africa: Hospitality Outlook 2014-2018
[37] Broll Report 2014/15

single clearly defined or codified National Land Policy however in 2012 the Government enacted three major pieces of legislation namely the Land Act 2012, Land Registration Act 2012 and National Land Policy. The new legislation is aimed at simplifying the complex land administration system and unifying the many different registration authorities under a single umbrella.

5.3.2 Legal Aspects

Since independence Kenya has had two land tenure systems, namely customary and statutory land tenure systems. Pursuant to the implementation of the new Constitution in Kenya, a major overhaul was made to land registration systems in 2012. Land is now classified as either public land, community land or private land.

A significant change under the new laws is that:

- Freehold land cannot be owned by a non-Kenyan citizen; and
- A leasehold interest of over 99 years cannot be held by a non-Kenyan citizen.

Land systems are currently operated under the Constitution of Kenya and the following core statutes:

- Land Act, 2012
- Land Registration Act, 2012
- National Land Commission Act, 2012

Systems of land tenure are based on principles of English property law on one hand and a largely neglected regime of customary property law on the other hand. A structure of land distribution is characterised by large holdings of high potential land, on the one hand, and highly degraded and fragmented small holdings on the other.

5.3.3 Investment Incentives

The investment incentives that are available to investors in the real estate sector include investment allowances for any building and plant and machinery affixed to the building. This is given at 100 percent value of the Property, Plant and Equipment (150 percent if located outside of Nairobi, Mombasa or Kisumu). Kenya has the industrial building allowance at 10 percent and wear and tear allowance on plant and machinery (12.5 percent), computers (30 percent), motor vehicles (25 percent), furniture and fittings (12.5 percent) and (20 percent) on software.

According to the World Bank's Doing Business report for 2014, Kenya ranked 163rd out of 189 nations in terms of the ease of registering property. This compares with its 2013 ranking of 161st place. The 2014 report notes that it takes 9 procedures and 73 days to register property in Kenya, compared with 6 procedures and 58.9 days on average in Sub-Saharan Africa, and 5 procedures and 24.1 days on average in the Organization for Economic Cooperation and Development. This is expected to reflect in the trend of number of businesses opening up shop in the country and in turn taking-up real estate in the country.

6 Risk Factors

STANLIB Fahari I-REIT's operating results, financial condition and prospects could be materially and adversely affected by any of the risks described below. In that event, the value of the Units could decline.

This section describes the risk factors that the Issuer considers to be material in relation to the STANLIB Fahari I-REIT its Industry and investment in the Units. The risks are categorised into risks (a) generally of investment in REIT securities; (b) associated with the particular REIT given its structure, classification and objectives and strategy; and (c) specifically associated with the investment portfolio or assets of this REIT and its objectives and proposed activities.

These risks should not be regarded as a complete and comprehensive statement of all potential risks and uncertainties. Additional risks and uncertainties that are not presently known to the Issuer or which the Issuer currently deem immaterial, may also have an adverse effect on the STANLIB Fahari I-REIT's operating results, financial condition and prospects. The information given is as of the date of this document and, except as required by CMA Regulations, any forward-looking statements are made subject to the reservations specified under the Cautionary Statement at the beginning of this document.

Prospective Investors should consider carefully the risks and uncertainties described in this section together with all other information contained in this Prospectus and the information incorporated by reference herein, along with their personal circumstances, before making any investment decision.

Additional risk factors not presently known to the Issuer or that are currently deemed immaterial may also impact the STANLIB Fahari I-REIT's operating results and financial condition.

6.1 General Risks of Investment in REIT Securities

6.1.1 Country specific risks

Investing in securities in emerging markets such as Kenya generally poses a greater degree of risk, albeit for potentially higher returns, than investment in more mature market economies because the economies in emerging markets are more susceptible to destabilisation resulting from domestic and international developments.

I-REITs are subject to inherent risks relating to general economic conditions in the countries in which they are based and operate. These conditions include changing economic cycles that affect demand for rental properties, the market value of such properties and borrowing costs. These cycles may be influenced by global political events such as terrorist acts, war and other hostilities, as well as market specific events, such as shifts in consumer confidence and consumer spending, rates of unemployment, industrial output, labour or social unrest and political uncertainty.

Like other emerging markets, the Kenyan economy displays higher macroeconomic volatility, greater political risk, a fragile export base, budget deficits, lack of adequate infrastructure necessary to accelerate economic growth and changes in the political and economic environment compared to more developed economies.

However, many independent analysts' ratings of Kenya show that Kenya's attractiveness as an investment destination has improved over the past few years and set out a favourable long-term outlook for the Kenyan business environment and economy. For example, the Economist Intelligence Unit (EIU) country report on Kenya published in March 2015 states that *"...Kenya's business environment will remain challenging but is expected to show a gradual improvement in 2015-19. Income per head—already boosted by GDP rebasing—will grow at a steady pace in 2015-19, spurred* *by solid economic growth, structural reform, regional integration and the processes of urbanisation and consumerisation. This will push up household disposable income and create new business opportunities (in retailing, manufacturing, telecommunications and banking)...".* Further, the report shows that Kenya's business environment index ranking is likely to improve from an average value of 4.31 (out of 10) in the period 2010-2014 to 4.61 in the period 2015-2019 (source: http://country.eiu.com/kenya).

6.1.2 Industry specific risks

There can be no assurance that the current positive trends in terms of growth in rental income and property values displayed by property rental market in Kenya will continue into the future.

Analysis of the Kenya property market show positive growth trends in terms of rental incomes and property values over the past few years. Changes to property industry dynamics could mean that these industry measures do not sustain their present trajectory indefinitely into the future.

However, experience in other markets suggests that I-REITS that invest in portfolios of high-quality investment properties may be better placed to sustain their returns and operating performance even in a less favourable market environment of slower growth in rental incomes and property values for the industry as a whole.

Weaknesses in land title and rental lease registration can adversely impact the operations of REIT Schemes.

All I-REIT Schemes are dependent on the certainty of the title to the properties and enforceability of rental lease agreements. Uncertainty of title presents the risk of (i) delays in completion of the purchase of properties until titles and leases are regularised, and (ii) delays in enforcement of lease contractual arrangements both of which could have adverse impacts on the business, financial condition and results of operations of I-REITs.

As a mitigating factor, the STANLIB Fahari I-REIT's policy is to conduct a thorough due diligence on properties to be purchased and to require the current owners to regularise titles and leases before the purchases are completed.

Real estate investments can be illiquid and may adversely impact an I-REIT's ability to re-balance its investment portfolio in response to changing market conditions.

The underlying asset portfolio of REIT Schemes comprises primarily of real estate property. REIT Regulations require that an I-REIT must invest at least 75 percent of its Total NAV in income producing real estate, after an initial two-year grace period. The nature of real estate property investments means that it is difficult to find buyers for property assets quickly, particularly for the larger, iconic, REIT-quality properties. As a result, it may be difficult for REITs to re-balance their investment portfolio or sell their assets on short notice should there be adverse economic conditions or exceptional circumstances.

6.1.3 Risks common to traded REIT securities

REIT units will be traded on the Nairobi Securities Exchange and the prices will be subject to securities market volatility, reflecting demand and supply conditions, just like other securities.

The price obtainable on sale of a REIT unit on a public exchange can go up or down and may differ from the reported net asset value per REIT unit. The price of the REIT Scheme Units will generally reflect prospective investors' confidence in Kenya's economy, the property market and its returns, the REIT Scheme management and interest rates.

6.2 Risks Associated With the STANLIB Fahari I-REIT Structure

6.2.1 Market Risk

The underlying asset value of STANLIB Fahari I-REIT's properties may be impacted by fluctuations in supply and demand for rental properties of the type that the Scheme intends to invest in

This is the risk that prevailing market forces of demand and supply may negatively impact the REIT Scheme's underlying asset values and its ability to attain projected performance. The market values of the Seed Properties and other properties that the Scheme owns will be impacted by fluctuations in supply and demand for rental properties in Kenya.

STANLIB Fahari I-REIT's reported financial results may be affected by losses recognised on the revaluation of investment properties being charged to the profit and loss statement. STANLIB Fahari I-REIT intends to prepare its financial statements in accordance with International Financial Reporting Standards ("IFRS"). As currently permitted by IFRS investment properties held to earn rentals and for capital appreciation are stated at annual valuation performed by independent professional valuers on an open market value for existing use basis. Any revaluation surpluses or deficits arising from the revaluation of investment properties will be reflected in the profit and loss statement.

The REIT Manager intends to mitigate the impact of these risks on STANLIB Fahari I-REIT's underlying asset values and operating performance by applying a careful investment evaluation processes as described in Figure 2: STANLIB's Investment Process of section 3.5 to help ensure that the seed properties selected and new Eligible Assets that the STANLIB Fahari I-REIT may invest in the future are in line with the Scheme's stated investment philosophy and objectives and meet the minimum investment return criteria.

6.2.2 Income Risk

Rental income earned from, and the value of, STANLIB Fahari I-REIT's investment properties may be adversely affected by a number of factors and distributions may not be made if the REIT Scheme reports an operating loss

Reduction in reported rental income and operating profits may arise, for example, if tenancy agreements of the underlying properties are renewed at a lower rental rate than the previous agreement or if the occupancy rate falls that in turn, reduces property income and STANLIB Fahari I-REIT's ability to recover certain operating costs such as service charges. Other factors could include changes in the Scheme's ability to collect rent from tenants on a timely basis or at all; changes in laws and governmental regulations in relation to real estate, including those governing usage, zoning, taxes and government charges. Such revisions may lead to an increase in the management expenses or unforeseen capital expenditure to ensure compliance. Rights related to the relevant properties may also be restricted by legislative actions, such as revisions to the building standards laws or the city planning laws, or the enactment of new laws related to construction and redevelopment.

The REIT Manager intends to mitigate the impact of such factors by implementing Portfolio Specific Strategy and Operational Strategic Initiatives as described in section 3.5. These include activities such as: income flow management; lease audit and data integrity review; vacancy management and leasing strategy; review of lease structures; and cost optimisation management. In particular, the leasing strategy will include procuring of payment upfront and contractual lock-ins of rental rates and other clauses in tenancy agreements.

6.2.3 Securities Liquidity Risk

The Fahari I-REIT will be amongst the first I-REITS to have its units listed on the Nairobi Securities Exchange, so there is no demonstrated active market for similar securities as yet.

STANLIB Fahari I-REIT Whilst the STANLIB Fahari I-REIT has received regulatory and NSE approvals to list its Units on NSE, listing and quotation does not guarantee that a highly-liquid trading market for the Units will develop and remain strong.

The Issuer intends to mitigate this risk by marketing the Units to a broad range of investors – including retail investors, local institutional investors and foreign institutional investors - so as to achieve diverse investor base that exceeds the minimum free float requirements specified in the REIT Regulations. In this way, the Issuer hopes to increase the potential liquidity of the listed Units.

6.2.4 Leverage Risk

The Fahari I-RIET Scheme has the capacity to borrow to finance the acquisition of underlying properties and may choose to do so in certain circumstances, which would necessarily impose certain leverage-related risks.

Under the REIT Regulations, STANLIB Fahari I-REIT's total borrowings may not exceed 35percent of its total asset value. Should the REIT Scheme use debt to finance the acquisition of underlying properties, then the Scheme will be subject to leverage-related risks, as is the case with listed companies that borrow. These leverage-related risks include, for example, the risk that fluctuations in borrowing costs impact reported operating income, refinancing risks that the Scheme may not be able to borrow on similar terms when existing borrowings expire or are recalled and, in extreme circumstances, the risk of having to dispose of property assets in adverse market circumstances to meet repayment obligations.

The REIT Manager intends to mitigate these risks by ensuring that the STANLIB Fahari I-REIT complies with the maximum borrowing requirements specified in the Trust Deed and CMA Regulations at all times. Further, the Scheme structure has been designed to allow the Scheme to issue units to raise funds in excess of those required to purchase the Seed Properties and to deploy these excess funds to purchase Eligible Assets over the next two years.

6.2.5 Regulatory Risk

Changes to the regulatory framework applicable to the STANLIB Fahari I-REIT could impact the Scheme's financial performance and after-tax returns to Unit holders.

The STANLIB Fahari I-REIT will be subject to the REIT Regulations. The regulatory regime governing I-REITS in Kenya remains relatively new. Future changes may occur in laws and regulations that impact the REIT Scheme. Alternatively, there may be changes to enforcement or regulatory interpretation of laws leading to changes in the legal requirements affecting the REIT Scheme.

The REIT Manager intends to mitigate this regulatory risk by participating actively in industry forums to discuss and debate potential regulatory changes and their potential impact.

6.2.6 Tax Risks

Changes to Tax Statutes applicable to REIT securities or interpretation of such statues could impact returns to Unitholders.

The REIT Scheme is subject to the current tax laws administered by Kenyan Revenue Authority (KRA) and will seek registration as a real estate investment trust scheme under the provisions of the Income Tax Act that would entitle the Scheme to certain tax exemptions in respect of the income it earns and the distributions it makes. Further, as allowed by Regulation 65(1)(b) of the REIT Regulations, the Scheme intends to invest in eligible real estate assets through investment in the shares of investee companies incorporated in Kenya that directly own the eligible real estate and which are wholly beneficially owned and controlled by the Trustee in its capacity as the trustee of the I-REIT. STANLIB Fahari I-REIT intends to register these investee companies with KRA as an integral element of a real estate investment trust scheme and, consequently, expects the income earned by these wholly owned companies to also be eligible for tax exemptions in respect of the income they earn. Failure to obtain and retain registration of the Trust and its investee companies with KRA, failure of the REIT to distribute at least 80 percent of its net after tax income to Unitholders, changes to the interpretation of current tax laws and any new laws and regulations that may be introduced in the future could adversely impact the tax liability of the REIT Scheme. Such changes may reduce income, distributions and Unitholder returns.

The Kenyan Parliament re-introduced Capital Gains Tax at a rate of 5percent effective 1 January 2015. The Kenya Revenue Authority has confirmed that organizations that are exempted from Income tax, such as registered REIT schemes, will not be subjected to Capital Gains Tax. Consequently, the re-introduction of Capital gains Tax is not expected to negatively impact the return and distribution of any capital gains achieved on the underlying properties acquired by the REIT Scheme, should it divest its interest in these properties and realise a capital gain.

The REIT Manager and Trustee intend to mitigate these tax risks by, firstly, monitoring and taking proactive action to help ensure that the Scheme remains compliant with tax registration requirements , secondly, ensuring that at least 80 percent of the net after tax income of the REIT is distributed to Unitholders and, thirdly, by participating actively in industry forums to discuss and debate proposed changes to the tax legislation.

6.2.7 Redemption Risk

The STANLIB Fahari I-REIT may complete a partial redemption of Units if it has excess funds that it is unable to deploy in purchasing real estate properties.

The STANLIB Fahari I-REIT initial offer is structured to allow the Scheme to raise funds in excess of those required to purchase the Seed Properties. However, should it prove unable to deploy all its excess funds, the Scheme may choose to apply its right, but not the obligation, to implement a partial redemption of Units sufficient to reduce its cash balances to ensure compliance with REIT Regulations that require it to have invested at least 75 percent of its asset value in real estate by the end of two years from the initial offer date and thereafter.

The REIT Manager intends to mitigate the risk of such an early redemption by focusing on the investment process to identify potential Eligible Assets and to conclude such purchases within the two year period. Further, the REIT Manager intends to manage the investment of the cash balances it retains in that period actively so as to optimise investment returns on these funds for Unitholders.

6.3 Risks Associated with the Scheme's Proposed Investment Portfolio

6.3.1 Risks arising from acquisition of Special Purpose Vehicles

STANLIB Fahari I-REIT has contracted to purchase shares in companies that own some of the underlying Seed Property assets with contractual provisions to protect the Scheme against losses relating to pre-acquisition liabilities and claims.

The acquisition of some Seed Properties and other Eligible Assets will involve the purchase of shares in limited liability companies (special purpose vehicles) that own underlying real estate properties rather than purchasing the underlying property asset directly. As is common with acquisitions of this type, the Scheme's policy is to complete due diligence on any such company it wishes to purchase. Further, the Scheme's policy is to enter into contractual arrangements that include obligations for the vendor to identify and settle liabilities of the company prior to the sale and to provide certain, limited, ability for the Scheme and the company to make claims against the vendors in the event that they suffer losses relating to pre-acquisition liabilities and claims that may only come to light and crystallise after the acquisition.

However, there remains a residual risk that the Scheme may not be able to claim full reimbursement for the losses that it might suffer in respect of such pre-acquisition liabilities and claims that are identified and crystallise after the acquisition because of contractual limitations and because the Scheme may be unable to collect claim reimbursements on a timely basis or at all.

The REIT Manager intends to mitigate this risk by ensuring that it monitors liabilities and claims against the companies that the Scheme purchases carefully and puts in place appropriate processes to identify potential claims, to submit claims and to follow up and collect such claims.

6.3.2 Foreign Exchange Risks

Some of the Scheme's proposed pipeline investments include properties for which rents are denominated in foreign currencies. Consequently, if these properties are acquired by the REIT, fluctuations in foreign currency exchange rates could impact the Scheme's reported earnings, asset values and returns to Unitholders.

The REIT Manager would mitigate such foreign exchange risks, if they become significant in the future, by structuring part or all of its borrowings in the same foreign currencies such that foreign currency cash inflows are broadly matched by cash outflows in the same currency thus reducing the net impact of foreign currency fluctuations on the Scheme's income statement.

7 Implications of Investing in the STANLIB Fahari I-REIT

7.1 Fees, Costs and Expenses

Estimated Management Expense Ratio

The management expense ratio (MER) of the sum of fees and recoverable expenses of the real estate investment to the average value of the fund calculated on a daily basis.

Based on our calculations, the estimated average annual management expense ratio for the 4.25 years to December 2019 is 2.93percent

MER = (Fees of the fund + Recovered expenses of the fund) / (Average value of the fund calculated on a daily basis) x 100

Where:

Fees = all outgoing fees deducted or deductible directly from the fund in respect of the period covered by the management expense ratio, expressed as a fixed amount, calculated on a daily basis and includes any management fee, the annual trustee fee and any other fees deducted or deductible directly from the fund;

Recoverable expenses = all expenses recovered from or charged to the fund as a result of the expenses incurred by the operation of the fund expressed as a fixed amount but should not include expenses that would otherwise have been incurred by an individual investor, for example taxes; and

Average value of the REIT securities = the Net Asset Value of the trust, including net income value, less expenses on an accrued basis, for the period covered by the management expense ratio, calculated on a daily basis

Trustees Fees, Costs and Expenses

The REIT Manager shall pay the Trustee, by way of remuneration for its services, such sums as an Annual Fee as may from time to time be agreed with the REIT Manager, which will be disclosed to the Securities Holders in the annual report each year.

The Trustee's fees may be paid by instalments during the year.

The Trustee shall in addition to such remuneration be entitled to be paid by the REIT Manager on demand the amount of all its disbursements other than disbursements expressly required or authorised to be paid out of the REIT and other than disbursements incurred by it as a result of its own negligent, wrongful or unlawful conduct.

Such remuneration and disbursements shall be in addition to any sums the Trustee may be entitled to receive or retain pursuant to any other provision of this Deed, and shall be paid in priority to any other payment by the Trust.

The Trustee will be entitled to refrain from taking any action if there are insufficient funds in the trust to pay the Trustee's costs and expenses incurred in the taking of such action, and the REIT securities holders in general meeting fail to agree to pay the Trustee's costs and expenses.

REIT Manager's Fees, Costs and Expenses

The REIT Manager fees will be governed by the appointment contract for the REIT Manager. The agreement currently provides for an annual REIT Manager fee broken down as follows:

- Base fee of Kenya Shillings 30.36 million per annum with an annual increase in line with inflation[38]
- Fee of 1.5percent per annum on the average of the property and other non-cash assets portion of AUM of the REIT Scheme
- Fee of 0.5 percent per annum on the average of the cash and cash equivalents portion of AUM of the REIT Scheme

The remuneration of the REIT Manager may be reviewed from time to time by agreement with the Trustee, and in any event will be disclosed in the Annual Report.

The REIT Manager shall be remunerated in the amount and on the basis, and shall be reimbursed for the costs and expenses set out in the appointment contract for the REIT Manager.

The REIT Manager expects to appoint a Property Manager to complete some of the functions relating to management of properties specified in the Regulations. The costs of this Property Manager will be charged to the REIT Scheme in addition to the REIT manager's fees set out above. Where lease agreements allow, the costs of the Property Manager will be passed on to the tenants. Where lease agreements currently do not allow for such costs to be recovered from tenants as part of the service charge, the REIT Scheme will bear the Property Manager's fees. Such unrecovered fees are reflected in direct property operating expenses in the forecast financial statements.

Review of Expenses

The Trustee and the Auditor shall review all expenses charged to the fund and only allow such expenses which they reasonably determine are legitimate and in accordance with standard arm's length commercial rates generally prevailing in Kenya.

The table below sets out the forecast REIT management expenses for the accounting periods ended 31 December 2015 to 31 December 2019 on the basis of the assumptions set out in Section 9.

Table 23: Forecast REIT expenses 2015 – 2019

REIT MANAGEMENT EXPENSES For the period ended	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19
	KES m	KES m	KES m	KES m	KES m
Trustee fees	15.6	64.1	67.8	64.9	61.6
REIT Manager fees- minimum fees	7.6	31.9	33.5	35.2	36.9
REIT Manager fees- fees on AUM	18.6	128.7	177.2	167.4	155.4
Valuer fees	2.4	10.6	11.5	12.1	12.8
NSE annual listing fee	0.4	1.5	1.5	1.5	1.5
Auditor's fees	1.5	1.6	1.7	1.7	1.8
Registrar	0.2	0.3	0.3	0.3	0.3
Due diligence for pipeline properties	-	117.6	2.9	-	-
E&S Compliance and Monitoring	1.2	4.6	5.1	5.3	5.6
Total	**47.5**	**360.8**	**301.3**	**288.4**	**275.9**

[38] Annual CPI inflation assumed at 5% per annum for the period (2016-2019)

7.2 Distribution Policy & Factors Determining Distribution

Distribution of Income

The REIT manager shall only recommend and the Trustee may only make distributions to REIT securities holders from realized gains, realized income or from cash held in the fund which is surplus to the investment requirements of the trust.

The Trustee of the STANLIB Fahari REIT Scheme on the recommendation of the REIT manager shall, subject this Deed and the Regulations, distribute in each financial year, with the distribution being made by the Distribution Date, a minimum of eighty per centum (80percent) of the net after tax income, if any, of the fund from sources other than from realized capital gains on the disposal of real estate assets.

Net after tax income shall be calculated according to IFRS and tax standards applying in Kenya based on the assumption that, for calculation purposes only, the REIT is subject to the general income tax provisions applicable generally to trusts and the REIT is entitled to similar deductions and allowances, including depreciation.

The Trustee shall make the distribution of income on the basis proposed by the REIT manager after the Trustee has taken into consideration the following:

- income for the period;
- total returns for the period;
- liabilities and financial obligations;
- cash flow available for distribution;
- need to preserve and maintain the condition of the assets of the real estate investment trust and scheme and to provide for asset replacement;
- stability and sustainability of distribution of income;
- investment objective of the I-REIT;
- stated distribution policy of the I-REIT; and
- requirements of this Trust Deed and other scheme documents.

Where the distribution is proposed other than on an annual basis based on audited financial accounts, the Trustee may require an audit to be undertaken for the purpose making a distribution or paying a distribution in excess of the current income.

If the Trustee is of the opinion that the level of distribution recommended by the REIT manager is not in the interests of REIT Unitholders, the Trustee may call a meeting of REIT Unitholders for the purposes of approving, by an ordinary resolution, a lower but not a higher distribution.

The REIT manager shall, where the REIT manager does not recommend a distribution of at least the Eighty per centum (80 percent), provide the Trustee with a statement of-

- the reasons for proposing a lower distribution; and
- when that minimum distribution level of eighty per centum (80 percent) is likely to be restored.

Where there is a failure to make distribution as a consequence of the REIT Manager not proposing or REIT securities holders not voting to receive a distribution which is below the minimum eighty per centum (80 percent) level, the failure to make a distribution shall not result in a breach of the Act or these Regulations but may result in:

- the I-REIT ceasing to be classified as a real estate investment trust scheme for taxation purposes;
- subject to the scheme documents, the REIT securities holders having a cause of action against the Trustee or the REIT manager; and
- revocation of authorization by the Authority.

The REIT Manager may propose and the Trustee may pay a distribution in excess of the current income where the REIT manager, after consultation with the Trustee, certifies on reasonable grounds that-

- immediately after making such distribution, the I-REIT shall still be able to pay, from the assets of the fund, the liabilities incurred on behalf of the trust as and when they fall due and the projected liabilities for at least the next year; and
- the payment will not adversely impact on the capacity to maintain and preserve the assets.

The REIT manager shall-

- disclose to the Trustee, the basis of calculation of the distribution of income proposed under clause 23.1.8; and
- report any such proposal as part of the continuing disclosure obligations.

It shall be lawful for distributions to be proposed and paid at intervals more frequently than annually. The Trust Deed specifies that The Trustee shall make it a term of the agreement with the REIT Manager that, subject to availability of distributable funds, the REIT Manager shall use its best endeavours to recommend both an interim and a final distribution in each year.

Allocation

Distributions payable to Unitholders pursuant to Clause 23 of the Trust Deed shall be deemed to be distributions of Income of the Trust (including dividends), Net Realized Capital Gains of the Trust, Trust capital or other items in such amounts as the Trustee, in its sole discretion, determines, and shall be allocated to the Securities Holders in the same proportions as distributions received by the Securities Holders, subject to the discretion of the Trustee to adopt an allocation method which the Trustee considers to be more reasonable in the circumstances.

Payment and Method of Distribution

Distributions shall be made by cheque payable to or to the order of the Unitholder, by bank transfer, by mobile transfer or by such other manner of payment approved by the Trustee from time to time. The payment, if made by cheque, shall be conclusively deemed to have been made upon hand delivery of a cheque to the Securities Holder or to his/her agent duly authorized in writing or upon the mailing of a cheque by prepaid mail addressed to the Unitholder at his/her address as it appears on the Register unless the cheque is not paid on presentation, or in any other manner determined by the Trustee in its sole discretion.

In the case of joint registered Unitholder, any payment required hereunder to be made to a Unitholder shall be deemed to be required to be made to such Securities holders jointly and shall be paid by cheque, mobile transfer or bank draft but may also be paid in such other manner as the joint registered Securities holders or any one of the joint registered Securities holders has designated to the Trustee and the Trustee has accepted. For certainty, a Unitholder or any one of the joint Unitholders may designate and the Trustee may accept that any payment required to be made hereunder shall be made by deposit to an account of such Securities holder or to a joint account of such Securities holder and any other Person or in the case of joint registered Unitholder to an account of joint registered Securities holders or to an account of any one of the joint registered Securities holders. A cheque or bank draft shall, unless the joint registered Securities holders otherwise direct, be made payable to the order of all of the said joint registered Securities holders, and if more than one address appears on the books of the Trust in respect of such joint Unitholding, the cheque or bank draft or payment in other acceptable manner as aforesaid shall satisfy and discharge all liability of the Trustee and the Trust for the amount so required to be paid unless the cheque or bank draft is not paid on presentation at any place where it is by its terms payable.

The receipt by the registered Securities holder in another acceptable manner of any payment not mailed or paid in accordance with this Clause shall be a valid and binding discharge to the Trust and to the Trustee for any payment made in respect of the registered Units and if several Persons are registered as joint registered Securities holders or, in consequence of the death, bankruptcy or incapacity of a Securities holder, one or several Persons are entitled so to be registered in accordance with the Trust Deed, respectively, receipt of payment by any one of them shall be a valid and binding discharge to the Trust and to the Trustee for any such payment.

The Trustee may issue a replacement cheque if they are satisfied that the original cheque has not been received or has been lost or destroyed upon being furnished with such evidence of loss, indemnity or other document in connection therewith that they may in their sole discretion consider necessary.

No Securities holders will be entitled to recover by action or other legal process against the Trust any distribution that is represented by a cheque that has not been duly presented to the Trust's banker for payment or that otherwise remains unclaimed for a period of six years from the date on which such distribution was payable.

Distribution of Units

Where the Trustee determines that the Trust does not have available cash in an amount sufficient to make payment of the full amount of any distribution which has been declared to be payable on the due date for such payment, the payment may, at the option of the Trustee, include the issuance of additional Units (disregarding any fractions of Units), having a Fair Market Value as determined by the Trustee equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Trustee to be available for the payment of such distribution in the case of Units subject to the provisions of the REIT Regulations.

Income Tax Matters

In reporting income for income tax purposes the Trust shall claim the maximum amount available to it as deductions under the relevant law, unless the Trustee determines otherwise. Under the Income Tax Act, the REIT will not be subject to any income tax, or capital gains tax, other than the deduction of withholding taxes where withholding taxes are applicable. Income received by the Unitholders from the REIT will be deemed to have already been taxed and the Unitholders will not be expected to account for any further taxes. Unitholders will be required to account for capital gains taxes on the gain made from the sale of their Units or from the REIT's redemption of the Units as specified in the Income Tax Act.

Withholding Taxes

Subject to any applicable law, and unless otherwise determined by the Trustee, the Trust shall deduct or withhold from distributions payable to any Unitholder amounts required by law to be deducted or withheld from such Unitholder's distributions, and account for such deducted amounts to the relevant tax authorities.

The Kenya Revenue Authority has confirmed that tax exempt organizations shall not be subjected to Capital Gains Tax and it is expected that the REIT will, by the nature of its tax status, also not be subjected to the tax.

Distribution of Realized Capital Gains

The Trustee on the recommendation of the REIT Manager (at the discretion of the REIT Manager) may distribute realised capital gains.

In the alternative, any realised capital gains may be retained and invested in income producing real estate:

Provided that any realised capital gains which have not been invested within a period of two years from the date of realization shall be distributed to Unitholders within two months of the second anniversary of the realization.

Failure to make the minimum distribution shall not result in a breach of the Act or these REIT Regulations but may result in-

- the STANLIB Fahari I-REIT ceasing to be classified as a real estate investment trust scheme for taxation purposes;
- may result in the REIT Unitholders having a cause of action against the Trustee or the REIT Manager; and
- revocation of authorisation of the Scheme by the Authority

Distribution of realised capital gains will be done in the same manner as distribution of income once the REIT Manager has resolved to make a distribution.

7.3 Taxation

The Trust has been structured in compliance with the Capital Market Authority (Real Estate Investment Trust) (Collective Investment Scheme) Regulations, 2013. The Income Tax Act, at S.20, requires that such schemes as registered by the Capital Markets Authority would need to be registered by the Commissioner of Taxes for them to be exempted from Income Tax. The Trust will thus be seeking such registration immediately on authorization by the Capital Markets Authority.

Income Tax: Though the REIT is exempted from Income Tax under the provisions of S.20 of the Kenya Income Tax Act, the Trustees will prepare the accounts in accordance with IFRS provisions and will, where they deem necessary, include a hypothetical tax.

Withholding Taxes: Subject to any applicable law, and unless otherwise determined by the Trustee, the Trust shall deduct or withhold from distributions payable to any Securities holder amounts required by law to be deducted or withheld from such Securities holder's distributions, and account for such deducted amounts to the relevant tax authorities.

Value Added Tax: The Trust is not exempted from obligations under the Value Added Tax Act and will charge VAT where VAT is applicable. The Trustees will also determine all the VAT that is recoverable on the expenses of the Trust and shall include this in the determination of the VAT payable to the Kenya Revenue Authority.

The Trustee will, to the best of its endeavour, ensure that the Trust remains in compliance with such conditions as may be put in place by either the Capital Markets Authority or the Kenya Revenue Authority and shall undertake such shall make such endeavours as will be necessary to maintain the Trust's tax exemption status. Any changes in law or administration that would affect the tax status of the Trust will be communicated to all Unitholders at the earliest possible opportunity.

7.4 Transferability of REIT Securities, Listing and Redemption

Transferability

The Units are freely transferable, and the Trustee shall not impose any restriction on the transfer of Units. Subject to the Trust Deed, all transfers of the STANLIB Fahari REIT Scheme securities shall be subject to the Rules of the Securities Exchange on which the securities are listed from time to time. Notwithstanding the foregoing, no transfer of REIT Units shall be effective as against the Trustee or shall be in any way binding upon the Trustee until the transfer has been recorded on the Register and no transfer of a REIT Unit shall be recognized unless such transfer is of a whole REIT Unit.

Listing

Nairobi Securities Exchange has approved the admission of the REIT Units to the Official REITs List of the Unrestricted Main Investment Market Segment of the NSE and may be listed on such other securities exchanges as the Unitholders may resolve from time to time.

Right to Redemption

The REIT Scheme shall have the right, but not the obligation, to offer to purchase for cancellation at any time the whole or from time to time any part of the outstanding Units in issue, at a price per Unit and on a basis determined by the Trustee, subject to compliance with all applicable securities laws, instruments, regulations, rules, notices or policies or the rules or applicable policies of the securities exchange on which the REIT Scheme Securities are listed.

The REIT Scheme shall have the right, but not the obligation, to offer to redeem or partially redeem without cancellation at any time any part of the outstanding Units in issue, at a price per Unit and on a basis determined by the Trustee, subject to compliance with all applicable securities laws, instruments, regulations, rules, notices or policies or the rules or applicable policies of the securities exchange on which the REIT Securities are listed. In the event of partial redemption all Units in issue must be partially redeemed to an equal extent. Any fully redeemed Units not cancelled shall remain as unissued Units capable of being issued in future.

A Unitholders shall not have the right to request the Trustee to redeem its holding of REIT securities.

8 Pro forma Financial Information

The STANLIB Fahari I-REIT is a newly formed REIT that expects to acquire properties that have had an income stream. Consequently, as required by the REIT Regulations, this Prospectus sets out pro forma financial statements prepared on the assumption that the REIT had been in existence for the three years immediately preceding the date of the Prospectus.

The purpose of the pro forma financial statements is to illustrate the returns that would have been received if the real estate had been assets of the REIT for that period.

Consequently, the pro forma financial statements have been prepared based on IFRS and show the income and all outgoings and expenses of the real estate assets including, maintenance, capital works and depreciation or capital allowances and include estimates for fees and expenses that would have been payable for, for example, trustee's fees, REIT manager's fees, valuation costs and audit costs if the real estate assets had been assets of the REIT during that period. Further allowance has also been made be made for the any costs of the establishment of the REIT and for acquisition costs to be borne by the REIT.

The basic information for the preparation of the pro forma financial statements have been drawn from the audited financial statements and unaudited management accounts for the companies (the investee companies) that own the three Seed Properties for the three and a half years immediately preceding 30 June 2015 as summarised in the table below:

Table 24: Seed Properties

Investee Company	Financial statements used in preparation of pro forma financial statements
Bay Holdings Limited (owns the commercial property located in Industrial Area, Nairobi)	Audited financial statements for the years ended 31 December 2012, 2013 and 2014 and unaudited management financial statements for the six month period ended 30 June 2015.
Signature International Limited (owns Highway House)	Audited financial statements for the 18 month period ended 31 December 2012, and the years ended 31 December 2013 and 2014 and unaudited management accounts for the six month period ended 30 June 2015. Since Signature International Limited commenced operations in July 2011 and purchased Highway House in that period to 31 December 2011 with the property only becoming fully let in early 2012 – the proformas have made the implying assumption that reported rental income and expenses all relate to the 12 month period to 31 December 2012.
Greenspan Mall Limited (owns Greenspan Mall)	Audited financial statements for the years ended 31 December 2012, 2013 and 2014 and unaudited management accounts for the six month period ended 30 June 2015.

The primary assumptions underlying the preparation of the pro forma financial statements and adjustments made include the following:

1. **Initial purchase**: The REIT purchased 100 percent of the equity of Bay Holdings Limited, Signature International Limited and Greenspan Mall Limited (investment property and associated business) as a going concern on 1 January 2012. The estimated aggregate

purchase price for the equity stakes and business on a debt and cash free and working capital free basis (i.e. the value attributed to the underlying investment property) is based on the assumption that the investment property purchase price is equal to rental income reported in 2011 divided by an assumed capitalisation rate set out in the detailed proforma statements. The aggregate cash outflows include estimates for taxes payable on the acquisition (primarily stamp duty on equity values) and the cash necessary to purchase other associated equipment and working capital at book values reported as at 31 December 2011. For Signature International Limited and Greenspan Mall Limited, since the properties were not fully let in the year ended 2011, the initial purchase price has been based on rental income reported for 2012 discounted by an estimated rental escalation of 7.5percent.

2. **Income and expenses relating to property operations in the three and a half year period to 30 June 2015:** The rental and other income earned is based on the reported income in the financial statements of the investee companies. Non-recoverable property expenses are based on reported expenses in the financial statements adjusted as follows:

    a. **Eliminate expenses of a non-operating nature.** Some of the investee companies report significant expenses in the form of directors' fees or related party expenses that are financial in nature.

    b. **Reflect a fair value model:** Each of the investee companies uses the historical cost method to account for investment properties. As the REIT intends to use the fair value model, the expenses reported by the investee companies have been adjusted to eliminate depreciation and amortisation charges relating to the investment property and prepaid operating lease rentals.

    c. **Fair value gains on investment properties.** The pro forma financial statements include estimated fair value gains for each property because Fahari I-REIT intends to adopt the fair value model for accounting for investment properties as allowed by IAS 40. Period end fair values have been estimated using the reported rental income for the year divided by the blended average rental capitalisation rate set out in the proforma statements.

3. **Expenses relating to the REIT:** The underlying assumption is that the REIT would have commenced operations on 1 January 2012 having raised sufficient funds from Unitholders to purchase the properties, pay initial set up expenses and to complete actual capital expenditure incurred in the first year of operations. Consequently, the proformas set out estimates of initial REIT set up expenses (including the costs of raising the required funds) based on the contracted rates payable to service providers for the current proposed REIT set up and public offer process. Further, the pro forma statements include estimates of annual REIT expenses such as Trustee's fees, REIT manager's fees and other service providers' fees (including valuers and audit service providers and NSE listing fees). These fees are based on the rates contracted with service providers.

4. **Income taxes:** The underlying assumption is that profits from operations will be exempt from tax as the special purpose vehicles will be owned by a registered REIT.

5. **Distributions to Unitholders:** As required by REIT regulations, the assumption is that the REIT will distribute 80percent of its distributable profits reported each year. Distributable profits are reported profits less unrealised fair value gains.

6. **Capital expenditure**: Capital expenditures each year are based on reported capital expenditure in the investee company financial statements.

7. **Investment in net working capital:** Investment in working capital – primarily receivables in the form of rental and service charge debtors, prepayments and deposits and payables in

the form of trade creditors and rental deposits received are based on the amounts reported in the investee company financial statements.

8. **Cash, borrowings and financial income / expenses.** The underlying assumption is that the REIT does not incur any borrowing to purchase the properties. Consequently, at the end of each period, the REIT expects to have surplus cash that is assumed to earn an interest rate specified in the detailed pro forma financial statements.

The Issuer cautions prospective investors that, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Scheme's actual financial position or results. In particular, the Issuer cautions prospective investors that the actual impact on returns to Unitholders in future financial periods will depend on the income and costs that the Scheme achieves, the Eligible Assets that the Scheme is able to purchase, the level of borrowing it takes on, as well as the actual level of distributions that the Trustee declares. Thus, the actual results could differ materially from those anticipated in the proforma statements set out below.

8.1 Pro forma Condensed Consolidated Statement of Comprehensive Income

Table 25: Pro Forma Condensed Consolidated Statement of Comprehensive Income

STANLIB Fahari I-REIT
Proforma Condensed Consolidated Statement of Comprehensive Income
For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended	**Note**	**31-Dec-12 KES m**	**31-Dec-13 KES m**	**31-Dec-14 KES m**	**30-Jun-15 KES m**
Revenue					
Total income (rental, parking and other)	1	142	171	178	121
Net gain from fair value adjustments	2	106	291	45	166
Expenses	3				
Direct property operating expenses		(40)	(18)	(23)	(34)
Operating Profit		209	445	200	253
REIT related expenses	4				
Initial REIT set-up costs expensed		(150)	-	-	-
Trustee fees		(10)	(13)	(14)	(8)
REIT Manager's fee total		(55)	(58)	(59)	(30)
Other service providers' fees		(10)	(10)	(11)	(5)
REIT expenses		(226)	(82)	(83)	(43)
REIT operating profit		**(17)**	**363**	**117**	**210**
Finance Income	5	1	6	8	8
Finance expenses		-	-	-	-
Profit Before Tax		**(16)**	**369**	**125**	**218**
Income Tax	6	-	-	-	-
Profit After Tax		**(16)**	**369**	**125**	**218**
Other Comprehensive Income		-	-	-	1
Total Comprehensive Income attributable to Unitholders		**(16)**	**369**	**125**	**219**
Proposed Distribution to Unit holders	7	-	(62)	(64)	(42)

Notes

1 Assumes all Seed Properties were acquired on 1 Jan 2012 and Scheme was entitled to reported income.
2 Properties revalued each end year at a blended average capitalisation rate of 8.00%
3 Operating expenses assumed to equal reported expenses for each property adjusted to eliminate identified non-operating expenses such as directors remuneration
4 Proforma REIT related expenses estimated using the contracted rates for the capital raising and on-going operations of the REIT
5 Assumes that the REIT earns an annual interest rate of 10.0% on net REIT level cash balances during the year
6 Assumes the REIT's income is exempt from all income taxes
7 Assumes the minimum required distribution rate of 80% of reported profits less revaluation gains

8.2 Pro forma Consolidated Statement of Financial Position

Table 26: Pro forma Consolidated Statement of Financial Position

STANLIB Fahari I-REIT
Proforma Condensed Consolidated Statement of Financial Position
For illustrative purposes only based on a number of assumptions that may or may not eventuate

As at	**Note**	**31-Dec-12 KES m**	**31-Dec-13 KES m**	**31-Dec-14 KES m**	**30-Jun-15 KES m**
Assets					
Current assets					
Trade and other receivables		147	145	116	96
Cash and cash equivalents		1	54	57	76
		148	199	173	171
Non-current assets					
Investment Property	1	1,679	1,989	2,056	2,224
Other	2	39	36	33	31
		1,718	2,025	2,089	2,255
Total Assets		**1,866**	**2,224**	**2,262**	**2,426**
Liabilities					
Non-current liabilities					
REIT level long-term borrowing & other		-	-	-	-
		-	-	-	-
Current liabilities					
Trade payables & Rent deposits		47	46	28	29
Other payables		10	31	25	23
Short term bank loans		-	-	-	-
		57	77	53	52
Total Liabilities		**57**	**77**	**53**	**52**
Net assets		**1,809**	**2,147**	**2,209**	**2,374**
Equity					
Unit holder contributions	3	1,847	1,847	1,847	1,847
Retained profits and other reserves		(38)	300	362	527
Shareholders Funds		**1,809**	**2,147**	**2,209**	**2,374**

Notes

1 Assumes all Seed Properties were acquired on 1 Jan 2012 for an aggregate price of KES 1,572.8 m, that represents an initial property valuation rental capitalisation rate of 8.00% plus expenses and taxes. Further, assumes that investment properties are revalued at the end of each year at the same capitalisation rate.

2 Assumes that the Seed properties are acquired as going concerns and, hence, the Scheme acquires other assets such as furniture and equipment and working capital related to each property at reported book values.

3 Assumes that the Scheme is able to complete a public offer to raise an aggregate of KES 1,846.9 m, sufficient to pay for the properties, initial REIT set up expenses estimated at KES 172.3 m and first year capital expenditure on investment properties plus initial working capital of KES 220.8 m.

8.3 Pro Forma Condensed Consolidated Statement of Changes in Unitholders' Equity

Table 27: Pro Forma Condensed Consolidated Statement of Changes in Unitholders' Equity

STANLIB Fahari I-REIT

Proforma Condensed Consolidated Statement of Changes in Unitholders' Equity

For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended	Note	31-Dec-12 KES m	31-Dec-13 KES m	31-Dec-14 KES m	30-Jun-15 KES m
Issued and fully paid units at par value					
Balance brought forward		-	1,847	1,847	1,847
Gross proceeds received from public offer	1	1,847			
Balance carried forward		1,847	1,847	1,847	1,847
Retained earnings					
Balance brought forward		-	(38)	269	330
REIT issue expenses deducted from equity		(22)			
Total Comprehensive Income for the period		(16)	369	125	218
Dividends proposed for the period		-	(62)	(64)	(42)
Retained earnings carried forward		(38)	269	330	507
Proposed dividends					
Balance brought forward		-	-	31	32
Final dividend proposed for the year		-	62	64	42
Interim and final dividends paid in the year	2	-	(31)	(63)	(53)
Balance carried forward		**-**	**31**	**32**	**21**
Total equity attributable to Unitholders - period start		-	1,809	2,147	2,209
Total equity attributable to Unitholders - period end		1,809	2,147	2,209	2,374

Notes

1 Assumes that the Scheme is able to complete a public offer to raise an aggregate of KES 1,846.9 m, sufficient to pay for the properties, initial REIT set up expenses estimated at KES 172.3 m, first year capital expenditure (primarily on investment properties) of KES 131.1 m. and initial working capital of KES 89.7 m

2 Assumes interim dividends are equal to 50.0% of proposed dividends are paid in the year and the balance is paid as a final dividend in the following year

8.4 Pro forma Condensed Statement of Cashflows

Table 28: Pro forma Condensed Statement of Cashflows

STANLIB Fahari I-REIT
Proforma Condensed Statement of Cash Flows
For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended	**Note**	**31-Dec-12 KES m**	**31-Dec-13 KES m**	**31-Dec-14 KES m**	**30-Jun-15 KES m**
Cash flow from operations					
Profit before tax		(16)	369	125	218
Less: net gain from fair value adjustments		(106)	(291)	(45)	(166)
Add back depreciation		5	5	5	2
Add back interest expense		-	-	-	-
Cash operating profit		(117)	83	85	54
Changes in working capital		(90)	21	5	19
Cash flow from operations		**(206)**	**104**	**90**	**73**
Cash flow from investing					
Purchase of property and capex in the year	1	(1,573)	(19)	(22)	(2)
Purchase of furniture & equip & capex	2	(44)	(2)	(2)	(0)
Cash flow from investing activities		**(1,617)**	**(21)**	**(24)**	**(2)**
Cash flow from Financing					
Long-term bank loans & other		-	-	-	-
Dividends paid out		-	(31)	(63)	(53)
Interest paid		-	-	-	-
Cash raised from public offer to Unitholders	3	1,825	-	-	-
Cash flow from financing		**1,825**	**(31)**	**(63)**	**(53)**
Net cash generated / (used) in the period		**1**	**53**	**3**	**18**
Cash balance brought forward		-	1	54	57
Net cash generated / (used) in the period		1	53	3	18
Cash balance carried forward		1	54	57	76

Notes

1 Assumes all Seed Properties were acquired on 1 Jan 2012 for an aggregate price of KES 1,572.8 m, that represents an initial property valuation rental capitalisation rate of Transaction plus expenses and taxes. Further, capex includes amounts spent to improve investment properties - primarily Greenspan Mall

2 Assumes that the Seed properties are acquired as going concerns and, hence, the Scheme acquires other assets such as furniture and equipment and working capital related to each property at book values.

3 Assumes that the Scheme is able to complete a public offer to raise an aggregate of KES 1,846.9 m, sufficient to pay for the properties, initial REIT set up expenses estimated at KES 172.3 m and first year capital expenditure on investment properties KES 131.1 m, and initial working capital of KES 89.7 m.

8.5 Proforma Performance Indicators

Table 29: Proforma analysis of operating performance – aggregate for the Fahari I-REIT

STANLIB Fahari I-REIT

Proforma analysis of operating performance - aggregate for the REIT

For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended	Note		31-Dec-12	31-Dec-13	31-Dec-14	30-Jun-15	
			KES m	KES m	KES m	KES m	
Investment property value at start of period			1,451	1,679	1,989	2,056	
Capital expenditure			122	19	22	2	
Fair value gain			106	291	45	166	
Investment property value at end of period	1		1,679	1,989	2,056	2,224	
Year on year growth in operating income and expenses							
Year on year growth in revenues				20.4%	3.9%	35.7%	
Year on year growth in property expenses				-56.1%	29.1%	198.5%	
Year on year growth in REIT expenses (excluding set up)				8.9%	1.2%	4.4%	
Annualised Fair value gains as % of opening fair value				17.3%	2.3%	16.2%	
Annualised Income and expenses profile as % of opening fair value							*3.5-year avg.*
Total income (rental, parking and other)			9.8%	10.2%	8.9%	11.7%	*10.2%*
Unrecovered property operating expenses			-2.7%	-1.0%	-1.1%	-3.3%	*-2.1%*
REIT initial set up expenses			-10.4%	0.0%	0.0%	0.0%	*-2.6%*
Trustee fees			-0.7%	-0.8%	-0.7%	-0.7%	*-0.7%*
REIT manager fees			-3.8%	-3.5%	-2.9%	-2.9%	*-3.3%*
Other service providers' fees			-0.7%	-0.6%	-0.5%	-0.5%	*-0.6%*
REIT operating profit before fair value gains			**-8.5%**	**4.3%**	**3.6%**	**4.3%**	*0.9%*
Fair value gain			7.3%	17.3%	2.3%	16.2%	*10.8%*
REIT operating profit including fair value gains			**-1.2%**	**21.6%**	**5.9%**	**20.4%**	*11.7%*
Total Return to REIT investors assuming NAV at end period based on 8.0% cap rate							*Annualised*
		1-Jan-12	31-Dec-12	31-Dec-13	31-Dec-14	30-Jun-15	*Jan-12-Jun-15*
NAV attributable to REIT unit holders		1,847	1,809	2,147	2,209	2,374	
Change in NAV			(38)	338	62	165	
Gross dividend income to REIT unitholders			-	31	63	53	
Dividend yield as % of opening NAV			0.0%	1.7%	2.9%	2.4%	*2.3%*
Capital gain as % of opening NAV			-2.0%	18.7%	2.9%	7.5%	*8.2%*
Total return to unitholder in the year			-2.0%	20.4%	5.8%	9.9%	*10.5%*
Total Return to REIT investors assuming NAV on Jun-15 based on agreed purchase price for Seed Properties							*Annualised*
		1-Jan-12	31-Dec-12	31-Dec-13	31-Dec-14	30-Jun-15	*Jan-12-Jun-15*
NAV attributable to REIT unit holders		1,847	1,809	2,147	2,209	2,509.00	
Change in NAV			(38)	338	62	300	
Gross dividend income to REIT unitholders			0	31	63	53	
Dividend yield as % of opening NAV			0.0%	1.7%	2.9%	2.4%	*2.3%*
Capital gain as % of opening NAV			-2.0%	18.7%	2.9%	13.6%	*10.3%*
Total return to unitholder in the year			-2.0%	20.4%	5.8%	16.0%	*12.5%*

Note

1 Period end fair values of the investment properties are computed based on actual reported rental revenues for the period divided by the assumed capitalisation rate of 8.00%. In comparison to the proforma exit value as at 30 Jun 15, the forecast purchase price of the Seed Properties is KES 2,358.2 m.

9 Forecast Financial Information

9.1 Purpose and basis of the forecast financial statements

The STANLIB Fahari I-REIT intends to purchase the Seed Properties within six months of conclusion of the Offer as required by the REIT Regulations. Further, the Scheme intends, should circumstances allow, to purchase other Eligible Assets within two years of completion of the Offer and on a continuous basis thereafter. Whilst some of these potential Eligible Assets have been identified, the evaluation of the properties is at an early stage.

Should the Scheme be able to acquire these Eligible Assets, then this would have a material impact on the Scheme's financial position and earning potential compared to the position shown in the pro forma financial statements set out in the previous section. Consequently, the Issuer has prepared financial forecasts for the period between 1 October 2015 and 31 December 2019 to illustrate the potential impact of acquiring these additional properties.

The Issuer cautions prospective investors that, because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Scheme's actual financial position or results. In particular, the Issuer cautions prospective investors that the actual impact on returns to Unitholders in future financial periods will depend on the income and costs that the Scheme achieves, the Eligible Assets that the Scheme is able to purchase, the level of borrowing it takes on as well as the actual level of distributions that the Trustee's declare. Thus, the actual results could differ materially from those anticipated in the proforma statements set out below.

These forecast financial statements reflect the current views of the Issuer with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the REIT Scheme to be materially different from the future results, performance or achievements that may be expressed or implied by such financial forecasts.

Some of these factors are discussed in more detail under Risk Factors in Section 6. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected.

The table below sets out the key assumptions that underpin the financial forecast statements.

Table 30: Summary of key assumptions underlying forecast financial statements

STANLIB Fahari I-REIT

Summary of key assumptions underlying forecast financial statements

Base case - Aggregated mgt. assumptions

Ref

1 Investment properties acquired

Assume that the REIT is able to buy Seed Properties set out alongside on 1 Oct 15 and other Eligible Assets on diverse dates and for prices as set out in the table below. Property purchase price includes estimated taxes on acquisition.Further, forecast acquisition price plus stamp duties for other eligible properties is based on estimated prices at the forecast acquistiion date.

Seed Property	Bay	Sig Int	Greenspan	Total
Purch price (KES m)	213.1	108.1	2,060.6	2,381.8
Est Year 1 rental yield	8.4%	9.8%	8.1%	

Other properties	On 1 Apr 16	On 1 Oct 16	On 1 Jan 17	Total
Forecast purchase price at acquisition (KES m)	3,530.1	4,307.7	194.4	8,032.2

2 Funds raised from the Public Offer

Assume that the Scheme is able to complete a Public Offer on 1 Oct 15 to raise gross proceeds of KES 10,000 million to cover the elements set out below

Funds required to pay for	Seed Properties	Other properties	Initial set up costs	Total
KES m	2,381.8	8,032.2	321.0	10,735.0

3 Rental income earned

Rental income estimates from Seed Properties are based on an analysis of current lease schedules and escalation factors until expiry of the leases. On expiry, the REIT Manager has estimated market rents obtainable on re-letting after a 6 month vacancy period. The resulting key drivers of forecast rental income are as set out below.

Period ended	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**	**31-Dec-18**	**31-Dec-19**
Lettable area at period end (sq ft)	52,293	381,826	629,128	629,128	629,128
Occupancy %	92.94%	97.11%	96.95%	95.57%	96.95%
Annual rental yield KES per occupied sq ft	999	1,377	1,461	1,595	1,649

4 Fair value gains and period end fair value estimates

The REIT Manager has estimated the fair value of the REIT's properties at the end of the forecast period based on the forecast rental income for the following year divided by a forecast rental capitalisation rate for each property. The fair values of the investment properties at end of each period end are based on an straight line extrapolation between the initial purchase date of the property and the fair value at the end of the forecast period.

	31-Dec-19
Weighted average rent capitalisation rate at end of forecast period assumed:	8.03%

Implied fair value of properties as at	**31-Dec-15**	**31-Dec-16**	**31-Dec-17**	**31-Dec-18**	**31-Dec-19**
Opening fair value of investment propert	2,381.8	2,422.3	10,633.5	11,483.8	12,139.8
Purchases in the period	23.8	7,916.1	196.3	-	-
Fair value gains	16.6	295.1	654.0	656.0	656.0
Fair value at end of period	2,422.3	10,633.5	11,483.8	12,139.8	12,795.9
Average fair value for the period	2,402.0	6,527.9	11,058.6	11,811.8	12,467.8
Forecast rental income / average Fair Value		7.82%	8.06%	8.12%	8.07%

5 Property operating expenses

The REIT manager has prepared forecasts for unrecoverable property operating expenses including repairs and maintenance, reletting costs for each property. The average of these expenses as a percentage of opening fair value of the properties is as set out below.

Period ended	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19
Op expenses as % of opening fair value	0.15%	1.11%	0.43%	0.43%	0.43%

6 REIT expenses

The REIT manager has estimated the annual running costs of the REIT scheme based on the contracted rates with service providers. The details of the basis of annual service provider charges are set out below. Forecast REIT set up costs are as set out in Section 8.1.

Trustee fees		0.50%	of Assets under management
REIT Manager fees- minimum fees	KES m	30.36	annual fee rising with inflation
REIT Manager fees- fee on average property AUM		1.50%	of average property assets under management
REIT Manager fees -fees on average cash AUM		0.50%	of average cash assets under management
Valuer fees		0.10%	of FV of properties at each period end
Auditor's fees	KES m	1.5	per annual audit - increasing with inflation
Registrar	KES m	0.2	per year
Due diligence costs		1.5%	of FV of properties acquired in the period
E&S Compliance and Monitoring	KES m	0.5	annual fee rising with inflation

7 Finance Income

Assumes that the REIT will be able to earn interest equal to the 182-day Government of Kenya Treasury blll rate on average surplus funds available in the period . The forecast assumes an average rate of 11.93% per annum throughout the projection period. However, prospective investors should be aware that actual interest rates fluctuate and may differ significantly from this forecast rate.

8 Income tax

The base case assumption is that the REIT and its subsidiaries will be registered with CMA and KRA and, consequently, will not be subject to any income taxes on its operations

9 Distribution percentage

Assumes the minimum required distribution rate of 80% of reported profits excluding revaluation gains. Further, assumes that interim dividends of 50.0% of dividends proposed will be paid in the year with the balance paid as a final dividend in the following year.

10 Debtors and other receivables

Assumes that debtors and other recievables at the end of a period will amount to 45 days of rental income at the end of each reporting period.

11 Trade payables and rental deposits

Assumes that trade and other payables at the end of a period amount to 30 days of property operating expenses plus REIT running costs for that period. Further, assumes that rental deposits at the end of a period equal 90 days of rental income for the period.

9.2 Forecast Condensed Consolidated Statement of Comprehensive Income

Table 31: Forecast Condensed Consolidated Statement of Comprehensive Income

STANLIB Fahari I-REIT
Forecast Condensed Consolidated Statement of Comprehensive Income
For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended *Base case - Aggregated mgt. assumptions*	Ref	1-Oct-15 31-Dec-15 KES m	1-Jan-16 31-Dec-16 KES m	1-Jan-17 31-Dec-17 KES m	1-Jan-18 31-Dec-18 KES m	1-Jan-19 31-Dec-19 KES m
Revenue						
Total income (rental, parking and other)	3	49	511	891	959	1,006
Net gain from fair value adjustments	4	17	295	654	656	656
Expenses	5					
Direct property operating expenses		(1)	(27)	(46)	(50)	(52)
Operating Profit		64	779	1,499	1,566	1,610
REIT related expenses	6					
Initial REIT set-up costs expensed		(216)	-	-	-	-
Trustee fees		(12)	(51)	(55)	(58)	(62)
REIT Manager's fee total		(23)	(148)	(198)	(209)	(219)
Other service providers' fees		(6)	(136)	(23)	(21)	(22)
REIT expenses		(257)	(336)	(275)	(289)	(303)
REIT operating profit		**(193)**	**443**	**1,224**	**1,277**	**1,307**
Finance Income	7	227	491	-	12	30
Finance expenses		-	-	(6)	-	-
Profit Before Tax		**33**	**935**	**1,218**	**1,289**	**1,337**
Income Tax	8	-	-	-	-	-
Profit After Tax		**33**	**935**	**1,218**	**1,289**	**1,337**
Other Comprehensive Income		-	-	-	-	-
Total Comprehensive Income attributable to Unitholders		**33**	**935**	**1,218**	**1,289**	**1,337**
Proposed Distribution to Unit holders	9	(13)	(512)	(451)	(506)	(544)

9.3 Forecast Consolidated Statement of Financial Position

Table 32: Forecast Consolidated Statement of Financial Position

STANLIB Fahari I-REIT
Forecast Condensed Consolidated Statement of Financial Position
For illustrative purposes only based on a number of assumptions that may or may not eventuate

As at		**31-Dec-15**	**31-Dec-16**	**31-Dec-17**	**31-Dec-18**	**31-Dec-19**
Base case - Aggregated mgt. assumptions		**KES m**	**KES m**	**KES m**	**KES m**	**KES m**
Assets						
Current assets						
Trade and other receivables	10	24	63	110	118	124
Cash and cash equivalents		7,545	57	(17)	147	309
		7,569	120	93	265	433
Non-current assets						
Investment Property	2	2,422	10,633	11,484	12,140	12,796
Other		-	-	-	-	-
		2,422	10,633	11,484	12,140	12,796
Total Assets		**9,991**	**10,753**	**11,577**	**12,405**	**13,229**
Liabilities						
Non-current liabilities						
REIT level long-term borrowing & other		-	-	-	-	-
		-	-	-	-	-
Current liabilities						
Trade payables & Rent deposits	11	63	159	247	265	278
Other payables						
Short term bank loans						
		63	159	247	265	278
Total Liabilities		**63**	**159**	**247**	**265**	**278**
Net assets		**9,928**	**10,594**	**11,330**	**12,140**	**12,952**
Equity						
Unit holder contributions	2	10,000	10,000	10,000	10,000	10,000
Retained profits and other reserves		(72)	594	1,330	2,140	2,952
Shareholders Funds		**9,928**	**10,594**	**11,330**	**12,140**	**12,952**

9.4 Forecast Condensed Consolidated Statement of Changes in Unitholders' Equity

Table 33: Forecast Condensed Consolidated Statement of Changes in Unitholders' Equity

STANLIB Fahari I-REIT
Proforma Condensed Consolidated Statement of Changes in Unitholders' Equity
For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended		31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19
Base case - Aggregated mgt. assumptions		KES m	KES m	KES m	KES m	KES m
Issued and fully paid units at par value						
Balance brought forward		-	10,000	10,000	10,000	10,000
Gross proceeds received from public offer	2	10,000	-	-	-	-
Balance carried forward		10,000	10,000	10,000	10,000	10,000
Retained earnings and other reserves						
Balance brought forward		-	(85)	338	1,105	1,887
Public offer expenses deducted from equity		(105)	-	-	-	-
Total comprehensive income after tax		33	935	1,218	1,289	1,337
Dividends proposed for the year	9	(13)	(512)	(451)	(506)	(544)
Retained earnings carried forward		(85)	338	1,105	1,887	2,680
Proposed dividends						
Balance brought forward		-	13	256	226	253
Final dividend proposed for the year		13	512	451	506	544
Interim & final dividends paid in the year	9	-	(269)	(481)	(479)	(525)
Balance carried forward		**13**	**256**	**226**	**253**	**272**
Total equity attributable to Unitholders- start of period		-	9,928	10,594	11,330	12,140
Total equity attributable to Unitholders - end of period		9,928	10,594	11,330	12,140	12,952

9.5 Forecast Condensed Statement of Cash Flows

Table 34: Forecast Condensed Statement of Cash Flows

STANLIB Fahari I-REIT
Forecast Condensed Statement of Cash Flows
For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended		**31-Dec-15**	**31-Dec-16**	**31-Dec-17**	**31-Dec-18**	**31-Dec-19**
Base case - Aggregated mgt. assumptions		**KES m**	**KES m**	**KES m**	**KES m**	**KES m**
Cash flow from operations						
Profit before tax		33	935	1,218	1,289	1,337
Less: net gain from fair value adjustments		(17)	(295)	(654)	(656)	(656)
Add back depreciation		-	-	-	-	-
Add back interest expense		-	-	6	-	-
Cash operating profit		17	640	570	633	681
Changes in working capital		39	57	41	10	7
Income tax paid		-	-	-	-	-
Cash flow from operations		**56**	**697**	**610**	**642**	**688**
Cash flow from investing						
Purchase of property in the period	1	(2,382)	(7,838)	(194)	-	-
Remedial Capex		(24)	(78)	(2)	-	-
Purchase of furniture & equip & capex	2	-	-	-	-	-
Cash flow from investing activities		**(2,406)**	**(7,916)**	**(196)**	**-**	**-**
Cash flow from Financing						
Long-term bank loans & other		-	-	-	-	-
Dividends paid out		-	(269)	(481)	(479)	(525)
Interest paid		-	-	(6)	-	-
Cash raised from public offer to unitholders	3	9,895	-	-	-	-
Cash flow from financing		**9,895**	**(269)**	**(487)**	**(479)**	**(525)**
Net cash generated / (used) in the period		**7,545**	**(7,489)**	**(73)**	**164**	**162**
Cash balance brought forward		-	7,545	57	(17)	147
Net cash generated / (used) in the period		7,545	(7,489)	(73)	164	162
Cash balance carried forward		7,545	57	(17)	147	309

9.6 Forecast operating performance – aggregate for the REIT

Table 35: Forecast operating performance – aggregate for the REIT

STANLIB Fahari I-REIT

Forecast operating performance - aggregate for the REIT

For illustrative purposes only based on a number of assumptions that may or may not eventuate

For the period ended		31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	
Base case - Aggregated mgt. assumptions		KES m	KES m	KES m	KES m	KES m	
Investment property value at start of period		2,381.8	2,422.3	10,633.5	11,483.8	12,139.8	
Property purchases and capital expenditure		23.8	7,916.1	196.3	-	-	
Fair value gain		16.6	295.1	654.0	656.0	656.0	
Investment property value - period end	1	**2,422.3**	**10,633.5**	**11,483.8**	**12,139.8**	**12,795.9**	
Lettable area at start of period (sq ft)		-	52,293	381,826	629,128	629,128	
Added in the period		52,293	329,533	247,302	-	-	
Lettable area at end of period (sq ft)		**52,293**	**381,826**	**629,128**	**629,128**	**629,128**	
Occupancy percentage		92.94%	97.11%	96.95%	95.57%	96.95%	
Annual rent for occupied area (KES per sq ft p.a.)		999	1,377	1,461	1,595	1,649	
Year on year growth in operating income and expenses							
Year on year growth in yield per occupied sq ft			37.9%	6.1%	9.2%	3.4%	
Year on year growth in property expenses			1408.0%	70.9%	7.9%	4.9%	
Year on year growth in REIT expenses (excluding set up)			306.8%	-17.9%	4.8%	5.0%	
Fair value gains as % of opening fair value			12.2%	6.2%	5.7%	5.4%	
Income and expenses profile as % of opening fair value (annualised)							
Total income (rental, parking and other)		8.2%	21.1%	8.4%	8.4%	8.3%	
Unrecovered property operating expenses		-0.1%	-1.1%	-0.4%	-0.4%	-0.4%	
REIT initial set up expenses		-36.3%	0.0%	0.0%	0.0%	0.0%	
Trustee fees		-2.1%	-2.1%	-0.5%	-0.5%	-0.5%	
REIT manager fees		-3.9%	-6.1%	-1.9%	-1.8%	-1.8%	
Other service providers' fees		-1.0%	-5.6%	-0.2%	-0.2%	-0.2%	
REIT operating profit before fair value gains		**-35.2%**	**6.1%**	**5.4%**	**5.4%**	**5.4%**	
Fair value gain		2.8%	12.2%	6.2%	5.7%	5.4%	
REIT operating profit including fair value gains		**-32.4%**	**18.3%**	**11.5%**	**11.1%**	**10.8%**	
							Annualised
Total Return to REIT investors							Oct-15 to
	1-Oct-15	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19	Dec-19
NAV attributable to REIT unit holders	10,000	9,928	10,594	11,330	12,140	12,952	
Change in NAV		(72)	665	736	810	811	
Gross dividend income to REIT unitholders		-	269	481	479	525	
Dividend yield as % of opening NAV		0.0%	2.7%	4.5%	4.2%	4.3%	4.1%
Capital gain as % of opening NAV		-0.7%	6.7%	7.0%	7.2%	6.7%	6.9%
Total return to unitholders in the period		-0.7%	9.4%	11.5%	11.4%	11.0%	11.1%

9.7 Sensitivity analysis

As set out earlier, these forecast financial statements reflect the current views of the Issuer with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the REIT Scheme to be materially different from the future results, performance or achievements that may be expressed or implied by such financial forecasts.

Some of these factors are discussed in more detail under Risk Factors in Section 6. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Prospectus as anticipated, believed, estimated or expected.

Sensitivity analysis tables have been set out below that set out the changes to forecast financial information of specified changes to some of the underlying assumptions to help potential investors appreciate the impact of uncertainty in respect of these key underlying assumptions.

STANLIB Fahari I-REIT

Forecast Sensitivity table - change to forecast rental yield

	!	Forecast rental yield minus 5%	Base case assumption	Forecast rental yield plus 5%	!
Rental income for year ended 31 Dec 16	-5%	485.0	510.5	536.0	5%
Rental income for year ended 31 Dec 19	-5%	955.4	1,005.7	1,056.0	5%
Total Comp Income for year ended 31 Dec 16	-46%	505.0	934.6	1,364.2	46%
Total Comp Income for year ended 31 Dec 19	-6%	1,262.4	1,336.6	1,410.8	6%
Fair value of Investment Properties 31 Dec 19	-5%	12,156.1	12,795.9	13,435.6	5%
Annualised total unitholder return - 4.25 years	-16%	9.2%	11.1%	12.9%	16%

STANLIB Fahari I-REIT

Forecast Sensitivity table - change to occupancy levels

	!	Forecast occupancy level minus 5%	Base case assumption	Forecast occupancy level plus 5% (to max 100%)	!
Rental income for year ended 31 Dec 16	-5%	484.2	510.5	525.7	3%
Rental income for year ended 31 Dec 19	-5%	953.8	1,005.7	1,037.3	3%
Total Comp Income for year ended 31 Dec 16	-47%	497.9	934.6	1,131.0	21%
Total Comp Income for year ended 31 Dec 19	-5%	1,269.2	1,336.6	1,201.0	-10%
Fair value of Investment Properties 31 Dec 19	-5%	12,135.9	12,795.9	13,198.5	3%
Annualised total unitholder return - 4.25 years	-17%	9.2%	11.1%	12.2%	11%

STANLIB Fahari I-REIT

Forecast Sensitivity table - change to direct property operating costs

	!	Forecast property opex increased by 10%	Base case assumption	Forecast property opex reduced by 10%	!
Rental income for year ended 31 Dec 16	0%	510.5	510.5	510.5	0%
Rental income for year ended 31 Dec 19	0%	1,005.7	1,005.7	1,005.7	0%
Total Comp Income for year ended 31 Dec 16	-0.3%	932.0	934.6	937.3	0.3%
Total Comp Income for year ended 31 Dec 19	-0.4%	1,331.4	1,336.6	1,341.8	0.4%
Fair value of Investment Properties 31 Dec 19	0.0%	12,795.9	12,795.9	12,795.9	0.0%
Annualised total unitholder return - 4.25 years	-0.4%	11.0%	11.1%	11.1%	0.4%

STANLIB Fahari I-REIT

Forecast Sensitivity table - change to annual REIT expenses

	!	Forecast REIT expenses increased by 10%	Base case assumption	Forecast REIT expenses reduced by 10%	!
Rental income for year ended 31 Dec 16	0%	510.5	510.5	510.5	0%
Rental income for year ended 31 Dec 19	0%	1,005.7	1,005.7	1,005.7	0%
Total Comp Income for year ended 31 Dec 16	-4%	901.1	934.6	968.2	4%
Total Comp Income for year ended 31 Dec 19	-2%	1,306.3	1,336.6	1,366.9	2%
Fair value of Investment Properties 31 Dec 19	0%	12,795.9	12,795.9	12,795.9	0%
Annualised total unitholder return - 4.25 years	-3%	10.8%	11.1%	11.4%	3%

STANLIB Fahari I-REIT

Forecast Sensitivity table - change to exit cap rate

	!	Assume cap rate is base case plus 50 basis points	Base case weighted average exit cap rate of 8.03%	Assume cap rate is base case minus 50 basis points	!
Rental income for year ended 31 Dec 16	0%	510.5	510.5	510.5	0%
Rental income for year ended 31 Dec 19	0%	1,005.7	1,005.7	1,005.7	0%
Total Comp Income for year ended 31 Dec 16	-12%	820.2	934.6	1,064.3	14%
Total Comp Income for year ended 31 Dec 19	-15%	1,139.3	1,336.6	1,560.2	17%
Fair value of Investment Properties 31 Dec 19	-6%	12,045.8	12,795.9	13,645.8	7%
Annualised total unitholder return - 4.25 years	-15%	9.4%	11.1%	13.0%	17%

STANLIB Fahari I-REIT
Forecast Sensitivity table - change in tax scenarios

	!	SPVs pay income tax for entire period	Base case - no income tax on REIT & SPVs	SPVs pay income tax till Dec-16	!
Rental income for year ended 31 Dec 16	0%	510.5	510.5	510.5	0%
Rental income for year ended 31 Dec 19	0%	1,005.7	1,005.7	1,005.7	0%
Total Comp Income for year ended 31 Dec 16	-16%	789.5	934.6	789.5	-16%
Total Comp Inccome for year ended 31 Dec 19	-21%	1,050.5	1,336.6	1,336.6	0%
Fair value of Investment Properties 31 Dec 19	0%	12,795.9	12,795.9	12,795.9	0%
Annualised total unitholder return - 4.25 years	-21%	8.8%	11.1%	10.7%	-3%

STANLIB Fahari I-REIT
Forecast Sensitivity table - delays in acquiring additional properties

		Base case i.e. purchase additional properties worth KES 8,032m	Scenario 1: purchase additional properties worth KES 7,838m	Scenario 2: purchase additional properties worth KES 3,530m	Scenario 3: purchase additional properties worth KES 2,576m	Scenario 4: purchase no additonal properties
Rental income for year ended 31 Dec 16	KES m	510.5	510.5	423.8	371.2	218.9
Rental income for year ended 31 Dec 19	KES m	1,005.7	979.0	569.0	477.7	257.0
Total Comp Income for year ended 31 Dec 16	KES m	1,212.1	1,132.1	1,114.5	1,106.6	981.9
Total Comp Inccome for year ended 31 Dec 19	KES m	1,689.8	1,319.4	785.8	666.3	112.7
Fair value of Investment Properties 31 Dec 19	KES m	12,795.9	12,493.0	7,324.9	6,144.8	497.7
Cash returned to Unitholders on 30 June 2017	KES m	-	2,661.1	6,994.6	7,966.5	12,560.5

10 Statutory and General Information

10.1 Authorisations

The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of the Units including Board of Directors resolution dated May 2015 to establish the STANLIB Fahari I-REIT.

10.2 Registration

STANLIB Fahari I-REIT was authorised by the CMA on 30 September 2015.

10.3 Approvals

10.3.1 Capital Markets Authority

This Prospectus has been delivered to the CMA, and approval has been granted to offer the Units for subscription and sale in Kenya.

10.3.2 Listing of the Units on the Nairobi Securities Exchange

The Issuer has obtained authorisation of the NSE to list the Units on the Unrestricted Main Investment Market Segment of the NSE.

10.3.3 Dematerialised Security

The Units, pursuant to the Regulations, are issued in dematerialised form only.

10.4 Meetings of REIT Holders

The Trustee shall convene an annual general meeting of the REIT Unitholders within three months after the relevant accounting reference date of the REIT Scheme. Not less than 21 days written notice, inclusive of the date in which the notice is deemed to be served, and the day of the meeting, shall be given to the Unitholders of the general meeting. This provision shall not apply to the notice of an adjourned meeting. The failure by a Unitholder to receive notice shall not invalidate the proceedings at any meeting.

The Trustee, the REIT Manager or Unitholders, as the case may be, may convene an extra-ordinary meeting of Unitholders at any time but not later than six weeks after receipt of a requisition. A requisition shall:

- state the objects of the meeting;
- be dated;
- be signed by a majority in number of all Unitholders who, at that date, are registered as the Unitholders representing not less than one – tenth in value of all of the Units in the REIT Scheme funds then in issue; and

- be delivered to the REIT Manager.

Items Requiring a Special Resolution

- Appointment of a new Trustee on resignation of the immediate former trustee;
- The removal and replacement of the Trustee unless an order of the Court has been issued for the same;
- The approval of special circumstances under which the REIT Manager may, with the approval of the CMA, remove a Trustee without need to revert to the Unitholders;
- If an investment in real estate has not been completed within 180 days of the close of the initial offer, a special resolution will be required to determine whether:
  - the period for registration should be extended and the period of extension; or
  - all monies paid into the fund together with any interest or earnings should be refunded within fourteen days of the date of the meeting; and
  - what other action should be taken by the Trustee or REIT Manager.
- Winding up of the REIT Scheme;
- The alteration of Scheme Documents.

Matters required to be put to vote by REIT Unitholders

- The imposition of an obligation to Unitholders to provide additional funds necessary to enable the Trustee to pay any costs and expenses necessary in connection with the REIT Scheme assets;
- The acquisition of real estate at a price which exceeds the price in the valuation report by more than 10 percent;
- The disposal of real estate at a price lower than 90 percent of the value assessed in the valuation report;
- The entry, by the Trustee into a contract for the disposal of an asset where such disposal exceed 50 percent of the total asset value of the REIT Scheme;
- Borrowing or the entry by the Trustee into a financing arrangement of amounts greater than 35 percent but not more than 40 percent of the total asset value, for a temporary purpose for a term not exceeding six months;
- The approval of a lower distribution than that proposed by the REIT Manager;
- The alteration of Scheme Documents;
- The approval of any proposed material increase in fees or change in the method of calculating the fees charged by the REIT manager, if the same is not deemed fair and reasonable by the Trustee;
- Removal, Appointment and re-appointment of the REIT Manager by the Unitholders;
- Removal of the Auditor (Trustee may act on its own instance too)

- Additional acquisitions or disposals if:
  - the proposed acquisition or disposal is from/to a person who is not the promoter or connected person and the total consideration represents more than 15 percent of the latest published net asset value;
  - the proposed acquisition or disposal is from/to the promoter or a connected person and the total consideration represents more than 5 percent of the latest published net asset value
- Removal of the Valuer, otherwise than by effluxion of time;
- Connected party transactions where the supply of goods or services is not subjected to an open bidding process and the value of the contract when aggregated with all other transactions conducted with connected persons relating to the provision of goods and services in the immediately preceding twelve months exceeds or would exceed 15 percent of the amount spent on connected party provided goods and services; and
- Approval of the issue of additional REIT securities to persons other than existing Unitholders or in a manner other than on pro rata basis to existing Unit holders.

Voting Rights

A Unitholder that is entitled to attend and vote at a meeting of the REIT Scheme is also entitled to appoint another person to attend and vote in his place whether such a person is a Unitholder or not.

The instrument appointing a proxy shall be in writing under the hand of the appointer or his attorney duly authorised in writing, or, if the appointer is a corporation, under the hand of an officer or attorney duly authorised. A proxy need not be a Unitholder. An instrument appointing a proxy shall be in the usual common form or such form as may be submitted with the notice convening the meeting.

Where REIT Units are issued to a promoter, the REIT Manager or any other associated or connected party to finance the funding of an unscheduled cost overrun on a development or construction, such REIT Units during the time that they are held by the promoter, REIT Manager or a connected person or associated party shall not be entitled to voting rights in respect of such additional REIT Units but may be entitled to participate in any distribution in respect of such REIT securities.

10.5 Material Contracts

The Trustee and the REIT Manager have entered into an Agreement dated 1October 2015 for the provision of REIT Management services by the REIT Manager to the I-REIT.

The REIT Manager has entered into a contract with JHI Property Services Limited, a property manager, dated 8 October 2015 for the provision of Property Management services to the REIT.

The Promoter is party on behalf of the Trustee and the REIT Scheme to the following contracts, each of which will be novated to the Trustee:

- Share Purchase Agreements to acquire the entire issued share capital of
  - Bay Holdings Limited
  - Greenspan Mall Limited

- Signature International Limited

- Service Contracts with the following persons:
  - Tysons Limited – for the provision of valuation services
  - CED – for the provision of structural engineering services
  - CDSC Registrars Limited – for the provision of unit registrar services
- License agreement for the use of the trade name

10.6 Consents

The following have given their consent to being named in the Prospectus in the form and context in which the names appear:

Name	Role
STANLIB Kenya Limited	Promoter, Issuer and the REIT Manager
The Co-operative Bank of Kenya Limited	Trustee
CfC Stanbic Bank Limited	Lead Transaction Adviser and Receiving Bank
SBG Securities Limited	Lead Transaction Adviser, Lead Placing Agent and Sponsoring Stockbroker
Mboya Wangong'u & Waiyaki	Transaction Legal Advisers

The following have given and not withdraw their consents to the issue of this Prospectus and the inclusion of their respective reports in the form and context in which they appear:

Name	Role
KPMG, Certified Public Accountants - Kenya	Reporting Accountant and REIT auditor
JHI Property Services Limited	Property Manager
LDK and CED	Structural Engineer
Tyson's Limited	Valuer

10.7 Details of encumbrances, easements or restrictions

As at the date of this Prospectus, and as expected on the completion date of the agreement to acquire the SPVs, there were no encumbrances or restrictions (save for normal planning and zoning restrictions) to the use of any of the Seed Properties to be vested in the Scheme.

11 Documents Available for Inspection

Upon giving fourteen days' written notice to the Trustee, copies of the following documents will be available for inspection on any Business Day at the offices of the Trustee or the REIT Manager, from the date of the approval of the Prospectus by the Authority for a period of not less than three years and after the three year period the same will be available for inspection in a digital format for the life of the trust:

a) the Trust Deed;

b) each contract disclosed in the Prospectus, including:

- agreement with the REIT Manager
- agreement with the Property Manager
- and in the case of a contract not reduced to writing, a memorandum setting out the parties, date and full particulars;

c) all valuation reports obtained in respect of the real estate assets;

d) structural engineer reports;

e) legal opinions;

f) expert reports;

g) audited financial statements for the Trustee and REIT Manager for whichever is the later of the three years prior to the date of approval of the Prospectus or from the date of formation of the entity;

h) all reports, letters, opinions or other documents and statements by any expert, any part of which is extracted in or summarized in or referred to in the Prospectus and where an extract or summary is included the corresponding full report shall be made available for inspection;

i) signed and dated consents given by any experts and copies of any withdrawals of consents;

j) copies of any court orders or other documents relating to court actions commenced against the Trustee or the REIT Manager in the previous three years relating respectively, to the conduct of their duties as a trustee or REIT Manager;

k) any letters with any parties whether enforceable or not;

l) Approvals from the CMA and NSE; and

m) Copy of the approved Prospectus.

Subsequently, the aforementioned documents shall remain available with the Trustee for inspection for a period of eight years from the date of approval of the Prospectus by the Authority.

It is noted that all experts' reports have been signed by the expert and dated not more than 90 days prior to the date of publication of this Prospectus. Where reports have been signed more than 90 days prior to the date of publication of this Prospectus, the expert has confirmed in writing that the opinion is unchanged and is still relevant. Additionally, it is confirmed that experts' opinions do not include disclaimers that are so wide that the report is of little or no value to Prospective Investors in REIT securities.

APPENDIX A
PART A, B & C

PART A: Application Form for Units

Serial Number: **00001**

STANLIB FAHARI I-REIT

APPLICATION FORM

(THIS APPLICATION FORM IS NOT FOR SALE)

Prospective Investors should read the Prospectus before completing this form. A copy of the Prospectus can be obtained from any of the Authorized Selling Agents listed in the Prospectus.

Offer for Subscription for units with a par value of KShs 20 at an Offer Price of KShs 20 per Unit

OFFER OPENS: 22nd October 2015
OFFER CLOSES: 12th November 2015

Please refer to the Terms and Conditions of Application for Units in the Prospectus as well as the instructions for completion of the Application Form, as set out, before completing the same. Terms used herein shall be deemed to be as defined in the Prospectus dated 19th October 2015.
The Board of Directors of STANLIB Kenya Limited ("the Directors") shall reject any application, in whole or in part, if instructions as set out in the Prospectus and this Application Form are not complied with.

APPLICANT'S STATEMENT

By signing the Application Form overleaf I/We the applicant(s) therein state that:-

- I/We have full legal capacity to contract and, having read the Prospectus, hereby irrevocably apply for and request you to accept my/our application for the under mentioned number of Units in STANLIB Fahari I-REIT, or any lesser number that may, in your sole discretion, be allotted to me/ us subject to the terms of the Trust Deed of STANLIB Fahari I-REIT
- I/We authorise STANLIB Fahari I-REIT to enter my/ our name in the register of members of STANLIB Fahari I-REIT as the holder(s) of Units ("Unitholders") sold to me/us and to credit my CDSC account with the Units allocated to me/us and remit any refunds due to me/us via Electronic Funds Transfer or Cheque in accordance with the terms and conditions contained in the Prospectus.
- I/ We authorise the Registrar to send my/ our Securities Pledge Form directly to the CDSC and the financing bank where I/We have borrowed money to apply for these Units.
- In consideration of your agreeing to accept this Application Form, I/we agree that, this application shall be irrevocable and shall constitute a contract which shall become binding on me/us upon dispatch by post or hand delivery.

GENERAL INSTRUCTIONS ON COMPLETION OF THE APPLICATION FORM

1. Please complete the Application Form in capital letters using black/blue ink. Ensure each letter is written clearly within each of the boxes provided. Incorrectly completed Application Forms will be rejected.
2. When completing this Application Form please bear in mind that Units may not be applied for in the name(s) of a trust that has not been incorporated or a deceased's estate. Trustees of unincorporated trusts, individual partners or executors may apply for Units in their own name(s). Registered or incorporated trusts may apply in the registered or incorporated name. Limited liability partnerships may apply in their registered names.
3. The full signature of the Applicant(s) or Authorised Selling Agent must authenticate any alteration to the Application Form (other than deletion of alternatives). The Authorised Selling Agent must sign against the company's official stamp.
4. Banker's cheque payments must be made payable in favour of "STANLIB FAHARI I-REIT ACCOUNT- (Application Form serial number)" and crossed "Account Payee Only".
5. Your Application Form must be received in its entirety, duly signed and accompanied with the necessary bankers cheque, cash, EFT confirmation, Letter of Undertaking or an irrevocable on demand bank guarantee. Personal cheques or cash will not be accepted by the Receiving Bank directly.
6. The completed Application Form may be mailed or hand delivered to the Authorised Selling Agents and must be received by the Authorised Selling Agent no later than 5:00pm on 12th November 2015.
7. If your Application Form is received by the Authorised Selling Agent after 5:00pm on 12th November it will be declined and the form together with the accompanying payment will be returned as per the terms and conditions of the Offer in the Prospectus.
8. Applications can only be made through Authorised Selling Agents, the Lead Transaction Adviser, the Receiving Bank and the Trustee as listed in the Prospectus.
9. The allocation process has been outlined in the Prospectus. No person can make any promises contrary to the allocation criteria.

PART A: Application Form for Units

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Print Only Within Boxes

GOOD | S | T | A |

BAD S T A

STANLIB FAHARI I-REIT
Public Offer Application Form

PLEASE COMPLETE IN CAPITAL/ BLOCK LETTERS USING BLACK/BLUE INK

A. CDSC ACCOUNT NUMBER (MANDATORY)

CDA Code | Account Number (No leading zeros) | (LI/LC/FI/FC)

B. APPLICATION & PAYMENT DETAILS

Number of Units applied

Multiply by price per Unit (KShs)

Amount Payable (KShs) (add KShs 30 for CDSC)

Please Tick Where Applicable

Payment through Agent ☐ **Direct to Issuer payments** EFT/ RTGS ☐ IBG ☐ LETTER OF UNDERTAKING ☐ BANKER'S CHEQUE ☐

Cheque Number/ RTGS/ EFT/ Ref number

Bank Name (Abbreviated) | Branch Name

C. WHERE PURCHASE IS FINANCED (OPTIONAL)

☐ Tick if financed

Pledge form Serial Number

Financing Bank (Abbreviated) | Branch Name

D. APPLICANT DETAILS

(i) Application Status: (Tick your status as applicable below)

Applicant Type: Retail Investor ☐ STANLIB Employees/Director ☐ QII E.A. ☐ Foreign Institutional Investors ☐

Residence: East African Resident ☐ Non Resident ☐ **Citizenship:** Kenyan ☐ Other East Africans ☐ International ☐

(ii) Primary Applicant Details: (Names as per National ID/Passport)

Surname (Last Name) | First Name and Other Names (Leave space between names)

ID/ Passport Number (Certified copy of ID/ Passport must be attached) | Country of Issue

(iii) Joint Applicant's Details: (Names as per National ID/Passport)

Surname (Last Name) | First Name and Other Names (Leave space between names)

ID/ Passport Number (Certified copy of ID/ Passport must be attached) | Country of Issue

(iv) Company name / QII / Corporate (As per Certificate of Registration/ Incorporation) A certified copy of the certificate must be attached

Registration / Incorporation Number | Country of Registration / Incorporation

☐ Tick here if applicant is exempt from withholding tax and attached a copy of exemption certificate

For Nominee Applicants Only (Tick the status as applicable below)

Citizenship of Beneficial Unitholder ☐ Kenyan ☐ Other East Africans ☐ International

Nominee Account Name

Nominee Reference Number (Mandatory)

PART A: Application Form for Units

Focused Investing
STANLIB

(v) Full Mailing Address and Contact Details for All Applicants

P.O. Box

Postal Code

Street Address

City/Town

Country

Telephone Number (Landline) International Format

Mobile Number (International Format)

Email Address (Personal) **Mandatory**

Fax Number (International Format)

E. RECEIPT OF REFUND AND FUTURE DISTRIBUTIONS

1. Send refund if any via ☐ Cheque through the authorized selling agent ☐ Electronic funds Transfer to the bank below

2. Send future distributions through ☐ Cheque in the mail ☐ Electronic funds Transfer to the bank below (as per CDSC payment details)

Please provide Bank details for EFT/SWIFT Transfers
(Bank details must be confirmed either by attaching a voided cheque or completing a bank mandate form)

Name of Bank (abbreviated)

Name of Branch

Account Number

Swift Code

Country

F. SIGNATURES : (COMPULSORY FOR ALL APPLICANTS)

Signature 1

Signature 2

Company Seal / Stamp

Date (DD/MM/YYYY) e.g. 27/07/2012

G. SELLING AGENTS ONLY

Agent code

Authorised Selling Agents Stamp

FOR OFFICIAL USE ONLY

SELLING AGENT'S NAME

H. INVESTOR'S RECEIPT

Serial No:

Name (Separate Names by one box)

Number of Units

Amount Paid (KShs)

CDA Code

Account Number (No leading zeros)

(LI/LC/FI/FC)

Selling Agent's Name

Stamp

Date

PART A: Application Form for Units

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STANLIB

DETAILED INSTRUCTIONS ON COMPLETION OF THE APPLICATION FORM: (Please also read general instructions front page)

A. An Applicant must have a CDSC Account inorder to apply.

B. The minimum number of Units that can be applied for is 1,000 Units and thereafter in multiples of 100. Enter the number of Units you wish to purchase in boxes provided. Enter the total value of these Units in the boxes provided. Remember to abide by the minimum number of Units you must apply for, as well as the incremental number.
If your Authorised Selling Agent is making payment on your behalf, please tick the box for payment through agent. You need **NOT** fill in the remaining details under section "B".
If your payment is direct to the Issuer, the Authorised Selling Agent will place a tick in the appropriate mode of payment box labeled Bankers Cheque, EFT/ RTGS, Irrevocable Bank guarantee and Letter of Undertaking.

The name of the bank, branch and cheque number or EFT/ RTGS reference number must be provided if the payment is direct to the Issuer.

C. If your purchase of Units is being financed by a bank, please complete this part by ticking the box and entering the pledge form serial number financing bank's name and branch name.
The Securities Pledge form and refund payment due, will be sent directly to the CDSC and financing bank respectively.

D. (i) You are required to tick 3 boxes under the heading "Applicant Status"
• Applicant Type: Tick the appropriate box that describes the type of applicant.
• Residency Status: If you are a legal full time RESIDENT of East Africa, irrespective of your citizenship, tick the Box labeled "East African Resident", otherwise, tick the Non Resident box
• Citizenship: Tick the box that defines your citizenship.

(ii) If you are applying for Units as an individual (i.e. you are not a Corporate Investor), please fill out the details listed under the words "Primary Applicant's Details" Wherever possible, please ensure you enter your National ID Number, failing which please enter your Passport Number and country of issue.

(iii) If you wish to include your spouse, relative or friend as a joint applicant on this form, please fill his / her details in the appropriate spaces under the heading "Joint Applicants Details", Please note:
• ONLY ONE joint applicant is allowed.
• The joint applicant CANNOT be a Corporate Investor.
• Please ensure the CDSC account is similarly joint.
Wherever possible, please ensure you enter the joint applicant's Kenyan National ID Number, failing which, please enter his (her) Passport Number and country of issue. At least ONE is mandatory.

(iv) If you are applying as a Company, QII or Nominee applicant, please fill out all details required in this section. Details for this section may be obtained from the Entity's Certificate of Registration / Incorporation. Please attach a photocopy of the certificate of Registration / Incorporation and the License if you are a QII.
Nominee applications from bona fide registered nominee corporates will be accepted provided there is a unique account name/number provided for each application. For the avoidance of doubt, Nominee Accounts must be held for the benefit of a 3rd party eligible for applying for Units in their own right. Any QII or Applicant with a withholding-tax exemption MUST ATTACH A COPY OF THE CERTIFICATE of Exemption.

(v) ALL APPLICANTS MUST COMPLETE THIS SECTION. ONLY ONE ADDRESS MAY BE ENTERED.

Please enter your FULL MAILING ADDRESS, including, where applicable, P.O. Box, Postal Code and Zip Code and the City and Country. A Street Address is optional provided a valid mailing address is included . This address will be used for correspondence relevant to your unitholding, and it is vital that details herein are correct and accurate, please also provide us with your landline telephone Contact, mobile number and e-mail address.

E. RECEIPT OF REFUND

Receipt of Refund:

(1) All residents will be refunded by EFT or Cheque for the Units not allotted. Please fill out your bank information in the boxes provided. Please note that the bank details must be confirmed by either attaching a blank cheque that is clearly marked cancelled or provide a letter or bank mandate form from the bank confirming the bank details.

(2) Any refunds paid back to EAC Nationals outside of Kenya (with the exception of QII's that submit bank guarantees) and Foreign Applicants will be by swift transfer in Kenya Shillings, at the cost of the respective Applicant.

F. ALL APPLICANTS MUST COMPLETE THIS SECTION.

Please read the instructions below carefully:

Primary Applicants must sign in the box labeled 'Signature 1' and Joint Applicants if any, must sign in the box labeled 'Signat ure 2'

Corporate Investors Applications must be signed by two Directors/ officials or one Director and a Company Secretary. Where the applicant is a Company registered under the Company's Act the Company seal/stamp must be affixed in the space provided.

Applications signed by thumbprint, must have a thumbprint witnessed. The witness must sign next to the thumbprint and write down his/her full names and ID Number.

PART B: Form Of Irrevocable Bank Guarantee

[To be sent via Authenticated Swift]

TO:

STANLIB Kenya Limited
Liberty House, 1st Floor
Nyerere Road
P.O. Box 30550 – 00100
Nairobi, Kenya
Tel: +254 20 3268569
Email: customercare.kenya@stanlib.com

Date: [Insert Date]

Dear Sirs,

STANLIB FAHARI I-REIT PUBLIC OFFER: GUARANTEE IN RESPECT OF PAYMENT FOR ALLOCATION OF UNITS TO [APPLICANT'S FULL NAME]

Whereas *[APPLICANT'S FULL NAME]* of *[APPLICANT'S ADDRESS]* (the "Applicant" or in the case of more than one "Applicants") has by the Application Form No. *[INSERT NUMBER]* made an application to purchase *[*] [NUMBER OF UNITS]* (the "Units") pursuant to the public Offer (the "Application") as set out in the prospectus dated 19 October 2015 (the "Prospectus"). Unless otherwise stipulated herein, capitalized terms used in this document shall have the meaning given to such terms in the Prospectus.

AND WHEREAS it has been stipulated in the Prospectus that the Applicant shall furnish STANLIB Kenya Limited (the "Issuer" or "Promoter") with an irrevocable on demand bank guarantee for the full value payable for the Applicant's Units (the "Irrevocable Bank Guarantee").

We, the undersigned for and on behalf of *[INSERT NAME OF BANK]* (the "Bank"), at the request of the Applicant and in consideration of the Issuer allocating to the Applicant, Units (or such lesser number of Units as the Company shall in its sole and absolute discretion determine), hereby unconditionally and irrevocably undertake to pay to the Issuer promptly on the first written demand, such sum as may be demanded by the Issuer up to a maximum of KES *[*] [INSERT MAXIMUM AMOUNT OF GUARANTEE IN FIGURES AND WORDS]* ("Maximum Liability Amount").

The Issuer's demand on the Irrevocable Bank Guarantee is also acceptable if transmitted to the Bank in full by an authenticated SWIFT. This Irrevocable Bank Guarantee shall remain in full force and effect up to an including [INSERT DATE] (the "Expiry Date") and the first written demand (whether by authenticated SWIFT or otherwise) from the Company (or the Receiving Bank on behalf of the Issuer) should be presented to the Bank before the Expiry Date. This Irrevocable Bank Guarantee is personal to the Issuer and may not be transferred or assigned in favour of any other person.

The Bank's liability under this Irrevocable Bank Guarantee is limited to the payment of the Maximum Liability Amount. No variations to the terms and/or conditions on this Irrevocable Bank Guarantee are permitted without prior written agreement of all the contracting parties who are legally bound thereby. This guarantee is subject to International Chamber of Commerce Uniform Rules for Demand Guarantees (URDG) 2010 Revision, ICC Publication No 758.

Signed
Bank Signatory

PART C: Form Of Letter Of Undertaking

[ON LETTERHEAD OF CUSTODIAN/QUALIFIED INSTITUTIONAL INVESTOR]

TO:

STANLIB Kenya Limited
Liberty House, 1st Floor
Nyerere Road
P.O. Box 30550 – 00100
Nairobi, Kenya
Tel: +254 20 3268569
Email: customercare.kenya@stanlib.com

Date: [*]

Dear Sirs,

UNDERTAKING IN RESPECT OF PAYMENT ON ALLOCATION OF UNITS TO *[INSERT NAME OF APPLICANT]*

WHEREAS *[APPLICANT'S FULL NAME]* of *[APPLICANT'S ADDRESS]* (the "Applicant" or in the case of more than one "Applicants") has by the Application Form No. [INSERT NUMBER] made an application to purchase *[*] [NUMBER OF UNITS]* (the "Units") in the STANLIB Fahari I-REIT pursuant to the public Offer (the "Application") as set out in the prospectus dated 19 October 2015 (the "Prospectus"). Unless otherwise stipulated herein, capitalized terms used in this document shall have the meaning given to such terms in the Prospectus.

NOW in consideration of STANLIB Kenya Limited (the "Issuer" or "Promoter") having agreed at our request to permit payment by us of the subscription price for such number of the Units which we have applied for and are allotted to us on the terms set forth in Section 2.12: *Allocation Policy* of the Prospectus AND in consideration of you allotting to us the number of Units we have applied for or such lesser number as you shall in your absolute discretion determine, we hereby undertake to pay you without cavil or argument, forthwith upon your first written notice specifying how many of the Units have been provisionally allotted to us, such sum not exceeding Kenya Shillings *[*] [INSERT AMOUNT IN WORDS AND FIGURES]* corresponding to the subscription price of such number of the Units as you shall have provisionally allotted to us inclusive of any CDS expenses and net of all bank charges.

Should such payment not be made within two business days following the deemed service of such notice then the Issuer shall be entitled without further notice to either: treat our application as having been repudiated and cancel the provisional allotment to us and re-allocate the provisionally allotted Units on such terms and conditions as it shall think fit without prejudice to any rights to damages for such repudiation, or to allow us further time for payment on such terms and conditions as it shall think fit in which event we shall pay default interest on all sums outstanding at the rate per annum of Kenya Bankers Reference Rate plus 5% calculated on daily balances and compounded monthly.

Any notice to be served on us shall be in writing and shall be deemed to have been properly served on us if delivered by hand or sent by fax or email to us at address specified in the Application Form.

Any notice shall be deemed to have been received, if delivered by hand, at the time of delivery or, if sent by fax, on the completion of transmission or if by email receipt of a confirmed delivery notice.

This undertaking shall be governed and construed in accordance with the laws of Kenya and we irrevocably submit to the non-exclusive jurisdiction of the Courts of Kenya. If we are not domiciled in Kenya and in addition to any other permitted means of service, we hereby irrevocably appoint the Authorised Selling Agent submitting our Application for Units as our agent for the receipt of any legal process.

IN WITNESS WHEREOF THIS LETTER OF UNDERTAKING HAS BEEN EXECUTED BY US THIS ________ DAY OF ______________ 2015.

Signed by
[Authorised signatory]

APPENDIX B

mboya wangong'u & waiyaki

Lex Chambers,
Maji Mazuri Road,
off James Gichuru Road,
Lavington,
P. O. Box 74041 - 00200,
Nairobi, Kenya.
Dropping Zone No. 214,
Revlon Professional Plaza.

ADVOCATES
COMMISSIONERS FOR OATHS
NOTARIES PUBLIC
COMPANY SECRETARIES
PATENT & TRADEMARK AGENTS

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+254 739 631 261
Fax: +254 20 4348 351
advocate@lexgroupafrica.com
www.lexgroupafrica.com

Our Ref: S069/006/M/2013/P **Your Ref:**

19th October, 2015

THE CO-OPERATIVE BANK OF KENYA LIMITED
REIT TRUSTEE
FAHARI PROPERTY INCOME FUND
COOPERATIVE BANK BUILDING
HAILE SELLASIE AVENUE
NAIROBI

FOR THE ATTENTION OF MS. LYDIA MUCHIRI

Dear Sirs,

LEGAL OPINION ON THE ISSUE OF UP TO 625,000,000 REIT UNITS IN THE STANLIB FAHARI I-REIT

We act as legal advisers to the Trustee of the **STANLIB FAHARI I-REIT ("the STANLIB FAHARI I-REIT")**, in relation to the setting up of the said REIT by Stanlib Kenya Limited (**"the Promoter"**) and the offer of REIT Securities of the STANLIB FAHARI I-REIT to the Public pursuant to the Prospectus (**"the Prospectus"**) to which this Opinion is annexed.

This Opinion is issued pursuant to Part 17 of the Fourth Schedule to the *Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013* (**"the Regulations"**) and the *Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002* (**"the Listing Regulations"**).

We are Advocates of the High Court of Kenya, practicing and qualified as such to practice in Kenya, and to advise upon the laws of Kenya.

This Legal Opinion (**"this Opinion"**) is given in relation to the establishment and offer to the public of units in the STANLIB FAHARI I-REIT (**"Offer"**) by the Promoter.

1. PRELIMINARY MATTERS

1.1. Unless (a) otherwise stated; or (b) the context otherwise requires, words and terms defined in the Prospectus bear the same meanings in this Opinion.

1.2. This Opinion is limited to Kenyan Law as applied in the Courts of Kenya as of the date hereof and to matters of fact prevailing as of the date of this Opinion.

2. ASSUMPTIONS AND DOCUMENTS REVIEWED

2.1. For the purposes of this Opinion, we have made the following assumptions:

2.1.1. all information contained in the Prospectus and all information provided to us by the Promoter and the REIT manager and their respective officers and advisers is true, accurate and up to date;

2.1.2. the authenticity and completeness of all documents submitted to us as originals or copies, the genuineness of all signatures, the conformity to originals of all copies, and the accuracy of any translations;

2.1.3. representations made to us by officers and agents of the REIT Manager and the Promoter are true in all material respects.

2.2. For the purposes of this Opinion, we have examined originals or copies certified to our satisfaction of the following documents:

2.2.1. Memorandum and Articles of Association of STANLIB Kenya Limited, as both Promoter and REIT Manager, in force as at the date of this Opinion;

2.2.2. Memorandum and Articles of Association of the Co-operative Bank of Kenya Limited (**"the REIT Trustee"**) in force as at the date of this Opinion;

2.2.3. The Annual Returns for the last three years for the REIT Manager, the Promoter and the REIT Trustee;

2.2.4. The Licence to Conduct Business as a REIT Manager (No. 082) issued to the REIT Manager and dated 27th March 2014;

2.2.5. The Licence to Conduct Business as a REIT Trustee (No. 089) issued to the REIT Trustee and dated 26th June 2014;

2.2.6. The STANLIB FAHARI I-REIT Trust Deed dated 30th September 2015;

2.2.7. Contracts between the REIT Manager or the REIT Trustee and service providers to the REIT and in particular the contract with the Valuer, the Property Manager and the Structural Engineer;

2.2.8. The REIT Management Agreement between the REIT Trustee and the REIT Manager dated 1st October 2015 ("the RMA");

2.2.9. The Original Title Documents and search results in respect of the following properties:

- L.R. No. 209/4125 measuring 0.665 of an acre for a term of 99 years from 1st January 1949 and registered as Title Number I.R 93022;
- L.R. No. 37/157 (Original Number L.R. No. 37/54/18) measuring 0.1089 of an acre with a term of 99 years from 1st July 1956, and registered as Title Number I.R 22130;
- Nairobi/Block 82/8759 (No.s F1, F2,F3,F4 & F5) measuring and measuring approximately 38,493 Square Metres for a term of 99 years less 7 days from 1st September 2007.

(together **"the Properties"**)

2.2.10. Where the Properties are owned by special purpose companies (**"the SPVs"**), the constitution documents of those companies together with their statutory records;

2.2.11. The Agreements for the Sale and/or Transfer of the Properties or the entire issued share capital in each of the SPVs as follows:

- The Agreement for Sale of Shares in Bay Holdings Limited between Imaran Real Estate Limited, Yogesh Tejash Patel, Bhupendra Manilal Mandaliya (as Vendors), Stanlib Kenya Limited (as Purchaser on behalf of the STANLIB Fahari I-REIT) and Bay Holdings Limited dated 7th April 2015;
- The Agreement for Sale of Shares in Signature International Limited between Epton Properties Limited and Aly Popat (as Vendors), Stanlib Kenya Limited (as Purchaser on behalf of the STANLIB Fahari I-REIT) and Signature International Limited dated 8th April 2015; and
- The Share Sale and Purchase Agreement between Kavit Shah, Shirish Liladhar Hadha Shah, Rohit Maganlal Shah, Modway Investments Limited, Premchand Virpal Shah, Nilesh Dayalji Shah, Vijay Jayantilal Shah, Kaushik Liladhar Shah, Vimal Liladhar Shah, Nitin Velji Shah & Daksha Nitin Shah, Mansukhlal Premchand Savla & Nayna Mansukh Savla (as Vendors), Stanlib Kenya Limited (as Purchaser on behalf of the STANLIB Fahari I-REIT) and Greenspan Mall Limited in respect of shares in Greenspan Mall Limited dated 1st July 2015

(together **"the Purchase Agreements"**);

2.2.12. The leases and licenses entered into by the registered proprietors of the Properties and their tenants and Licensees (**"the Leases and Licenses"**);

2.2.13. Any material contracts entered on behalf of the REIT Trustee;

2.2.14. Such other records and documents as we have considered necessary or appropriate for the purposes of this Opinion in respect of the REIT Promoter, the REIT Manager and the REIT Trustee.

3. OPINION

Based upon and subject to (1) the foregoing; (2) the reservations set out below; and (3) to any matters not disclosed to us, we are of the Opinion that:

3.1. DECLARATION OF THE REIT TRUST

The Trust Deed establishing the STANLIB FAHARI I-REIT was duly executed on the 30th day of September 2015 and is legal, valid and binding on the Promoter and the Trustee, and the REIT Scheme is duly established as a common law unincorporated trust in accordance with the law and is duly authorized as an Income Real Estate Investment Trust.

3.2. LICENSING AND APPOINTMENT OF THE REIT MANAGER AND TRUSTEE

3.2.1. The REIT Trustee is duly incorporated under the laws of Kenya and licensed to carry on the business of a REIT Trustee and is duly appointed to be the REIT Trustee of the STANLIB FAHARI I-REIT.

3.2.2. The REIT Manager is duly incorporated under the laws of Kenya and licensed to carry on the business of a REIT Manager and is duly appointed to be the REIT Manager of the STANLIB FAHARI I-REIT.

3.2.3. The RMA is legally valid, binding and enforceable.

3.3. THE PROPERTIES AND ASSETS

3.3.1. The Titles to the Properties are vested as follows:

- L.R. No. 209/4125 is vested in Bay Holdings Limited (C.111404)
- L.R. No. 37/157 is vested in Signature International Limited (CPR/2011/42628)
- Nairobi/Block 82/8759 (No.s F1, F2, F3, F4 & F5) is vested in Greenspan Mall Limited (CPR/2009/11997)

3.3.2. That the Properties are free from all encumbrances or, where this is not the case, are under and pursuant to the Purchase Agreements, required to be free from all encumbrances as at the Transfer/Completion Date.

3.3.3. That the Purchase Agreements (by which properties will be acquired by and be transferred to the STANLIB FAHARI I-REIT and held by the REIT Trustee following the approval of the STANLIB FAHARI I-REIT) are valid, binding and enforceable and are conditional on the issuance of Approval of the REIT by the Capital Markets Authority.

3.4. LEASES

The Leases are duly and validly executed, registered and in full force and effect as at the date hereof or, where this is not the case, are required by the Purchase Agreements to be so executed, registered and in full force and effect with the intent that at least 80% of each of the Properties will be occupied by commercial tenants as at the date of completion of each Purchase Agreement.

3.5. COMPLIANCE

The disclosure made in the Prospectus is in compliance with the Regulations and the Listing Regulations in respect of an Income REIT.

3.6. LICENSES AND CONSENTS

3.6.1. All authorizations, approvals, consents, licenses, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or in Kenya required in connection with the Properties of the REIT have been obtained in proper form, and are in full force and effect.

3.6.2. All authorizations, approvals, consents, licenses, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or in Kenya required in connection with the carrying on of the business of REIT Manager and REIT Trustee by the REIT Manager and the REIT Trustee respectively have been obtained in proper form, and are in full force and effect.

3.7. AUTHORIZED AND ISSUED REIT UNITS

3.7.1. The authorized REIT Units of the Trust as at the date hereof are unlimited, and have a nominal value of Kenya Shillings Twenty (KShs 20/=) per Unit.

3.7.2. There are no issued REIT units of the Trust as of the date hereof.

3.7.3. No persons are subject to the Lock-In set out in the Regulations because the Promoter is not intending to transfer any of its properties to the REIT in exchange for Units in the I-REIT.

3.7.4. Liability of any unitholders in the REIT will be limited to any amount not paid on the Unit.

3.7.5. The Units in the Stanlib Fahari I-REIT will be freely transferable subject only to compliance with the Trading Rules of the Nairobi Securities Exchange Limited.

3.8. OWNERSHIP OF ASSETS

3.8.1. At the date hereof, the REIT does not own any assets or properties.

3.8.2. At the date hereof, the REIT has contracted to acquire the assets described hereinbelow, subject only to the fulfilment of the conditions precedent set out in the Purchase Agreements:

- All issued shares in Bay Holdings Limited the registered proprietor of L.R. No. 209/4125
- All issued shares in Signature International Limited the registered proprietor of L.R. No. 37/157
- All issued shares in Greenspan Mall Limited the registered proprietor of Nairobi/Block 82/8759 (No.s F1, F2,F3,F4 & F5)

3.8.3. It is a condition of the Purchase Agreements that there will be no encumbrances over any of the REIT assets at Completion.

4. MATERIAL MATTERS

We note the following material matters:

4.1. Material Litigation

The REIT and the Properties are not, to the best of our knowledge after due and careful inquiry, subject or party to any material litigation and none is threatened.

4.2. Material Contracts

Save for contracts entered into by the Promoter for purposes of and in the ordinary course of setting up the REIT, the REIT has not entered into any material contracts which are not disclosed in the Prospectus. As at the date of this Opinion, the REIT is not in breach of any material contractual obligations.

4.3. Material Borrowings

The REIT has not made any borrowings as at the date hereof.

4.4. **Other Material Matters**

To the best of our knowledge, there are no other material items not mentioned in the Prospectus of which we are aware with regard to the legal status of the REIT and the Offer contemplated in the Prospectus.

5. CONSENT

We consent to the inclusion of this Opinion in the Prospectus to be issued for the Offer in the form and context in which it appears. We confirm that we have given and, as at the date of issue of the Prospectus, have not withdrawn our consent to the inclusion of our Legal Opinion, being this Opinion, in the Prospectus.

6. REGISTRATION AND APPROVALS

The Prospectus does not require to be registered in any registry, but does require the approval of the Capital Markets Authority which approval has been obtained.

The Listing of the REIT Securities of the STANLIB FAHARI I-REIT requires the approval of the Nairobi Securities Exchange ('**NSE**") pursuant to the NSE Listing Manual, which approval has been duly obtained.

7. RESERVATIONS

7.1. We express no opinion as to any document other than the material documents expressly referred to in this Opinion.

7.2. We express no opinion as to any law other than Kenyan law in force, and as interpreted, at the date of this Opinion.

7.3. We express no opinion as to any matter not stated herein.

Yours faithfully,
MBOYA WANGONG'U & WAIYAKI

GLADYS MBOYA
pw/nk

cc. THE DIRECTORS,
STANLIB KENYA LIMITED
LIBERTY HOUSE, 1st FLOOR,
NYERERE ROAD
P. O. Box 30550-00100
NAIROBI

APPENDIX C

STANLIB Fahari I-REIT

Reporting Accountants' Report

KPMG Kenya
October 2015
This report contains 39 pages
Ref: S/165/01/mg/dk

Contents

1 Accountants' report

The Board of Directors
STANLIB Kenya Limited
Liberty House, First Floor
Nyerere Road
Nairobi

Dear Sirs

Independent practitioners' assurance report on the compilation of consolidated proforma financial information for STANLIB Fahari I-REIT for the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and for the six months period ended 30 June 2015

We have completed our assurance engagement to report on the compilation of the consolidated proforma financial information of **STANLIB Fahari I-REIT** (the "I-REIT") prepared by STANLIB Kenya Limited (the "Company"). The proforma consolidated financial information consists of the proforma consolidated statement of financial position, the proforma consolidated statement of profit or loss and other comprehensive income for the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and for the six months period ended 30 June 2015 and proforma consolidated statement of cash flows for the periods then ended. The applicable criteria on the basis of which the Directors of the Company have compiled the proforma financial information are specified in the Capital Markets (CMA) Act Cap 485A (The Capital Markets Real Estate Investment Trust) (Collective Investment Schemes) Regulations, 2013 (hereafter referred to as the "Regulations").

The proforma financial information compiled is to be used for seeking approval on the STANLIB Fahari I-REIT from the Capital Markets Authority. As part of this process, information about the financial position and financial performance has been extracted by the Directors of the Company from the audited financial statements and management accounts for each of the companies that own the Seed Properties for each of the years ended 31 December 2012, 31 December 2013, 31 December 2014 and for the six months period ended 30 June 2015. For the years audited, the opinions were unqualified.

Practitioners' responsibility

Our responsibility is to express an opinion about whether the proforma financial information has been compiled, in all material respects, by the Directors of the Company on the basis specified by the Regulations.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Proforma Financial Information Included in the Reporting Accountants Report*, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors of the Company have compiled, in all material respects, the proforma financial information on the basis specified in the Regulations.

Independent practitioners' assurance report on the compilation of proforma financial information for STANLIB Fahari I-REIT (the "I-REIT") for the three years ended 31 December 2012, 31 December 2013, 31 December 2014 and for the six months period ended 30 June 2015 (Continued)

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the proforma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the proforma financial information.

The purpose of proforma financial information included in the Reporting Accountants Report is to be used for seeking approval from the Capital Markets Authority on the STANLIB Fahari I-REIT. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at the end of the period/years would have been as presented.

A reasonable assurance engagement to report on whether the proforma financial information has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by Directors of the Company in the compilation of the proforma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related proforma adjustments give appropriate effect to those criteria; and
- The proforma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgment, having regard to our understanding of the nature of the I-REIT, the event or transaction in respect of which the proforma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the proforma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the proforma financial information has been compiled, in all material respects, on the basis stated.

Consent

We consent to the inclusion of this report in the Information Memorandum in support of the proposed STANLIB Fahari I-REIT to be issued on or around 19 October 2015 in the form and context in which it appears.

The Engagement Partner responsible for the examination procedures resulting in this practitioners' *assurance report is CPA Jacob Gathecha – P/1610.*

KPMG Kenya

Date: 19 October 2015

1.1 Proforma consolidated statement of profit or loss and other comprehensive income

The proforma consolidated statements of profit or loss and other comprehensive income for the financial years ending 31 December 2012, 31 December 2013, 31 December 2014 and for the six months period ended 30 June 2015 are stated below as follows:

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

For the period ended		**31.12.2012**	**31.12.2013**	**31.12.2014**	**30.06.2015**
	Note	**KES m**	**KES m**	**KES m**	**KES m**
Revenue					
Real estate rental income	4(a)	142	171	178	121
Direct property operating expenses		(40)	(18)	(23)	(34)
Net rental and related income		102	153	155	87
Net gain from fair value adjustments	4(b)	106	291	45	166
Expenses	4(c)				
Initial I-REIT set-up costs expensed		(150)	-	-	-
Trustee fees		(10)	(13)	(14)	(8)
I-REIT Manager's fee total		(55)	(58)	(59)	(30)
Other service providers' fees		(10)	(10)	(10)	(5)
Total I-REIT expenses	4(d)	(225)	(81)	(83)	(43)
Net operating profit before net finance income		**(17)**	**363**	**117**	**210**
Finance income	4(e)	1	6	8	9
Profit before tax		**(16)**	**369**	**125**	**219**
Income tax	4(f)	-	-	-	-
Profit after tax		**(16)**	**369**	**125**	**219**
Other comprehensive income		-	-	-	-
Total comprehensive income attributable to Unitholders		**(16)**	**369**	**125**	**219**
Proposed distribution to Unitholders	4(g)	-	(62)	(64)	(42)

The proforma financial information is to be read in conjunction with the assumptions forming part of this report as set out in Section 4.

1.2 Proforma consolidated statement of financial position

The proforma consolidated statements of financial position at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 are stated below as follows:

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

	Note	31.12.2012 KES m	31.12.2013 KES m	31.12.2014 KES m	30.06.2015 KES m
ASSETS					
Current assets					
Trade and other receivables		147	145	116	96
Cash and cash equivalents		1	54	57	76
		148	199	173	172
Non-current assets					
Investment property	4(h)	1,679	1,989	2,056	2,224
Other assets	4(i)	39	36	33	30
		1,718	2,025	2,089	2,254
TOTAL ASSETS		**1,866**	**2,224**	**2,262**	**2,426**
LIABILITIES					
Current liabilities					
Trade payables and rent deposits		47	46	28	29
Other payables		10	31	25	23
Total liabilities		**57**	**77**	**53**	**52**
NET ASSETS		**1,809**	**2,147**	**2,209**	**2,374**
Equity					
Unitholder contributions	4(j)	1,847	1,847	1,847	1,847
Retained profits and other reserves		(38)	300	362	527
UNITHOLDERS' FUNDS		**1,809**	**2,147**	**2,209**	**2,374**

This proforma financial information was approved by the Board of Directors of the Issuer on 19 October 2015 and was signed on their behalf by:

Director

Director

The proforma financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 4.

1.3 Proforma consolidated statements of changes in unitholders' equity

The proforma consolidated statements of changes in equity at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 are stated below as follows:

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

	Note	Unitholders contribution KES m	Retained earnings KES m	Proposed dividends KES m	Total KES m
At 1 January 2012		-	-	-	-
Transactions with owners					
Gross proceeds received from public offer	4(j)	1,847	-	-	1,847
Total comprehensive income for the period					
Loss for the period		-	(16)	-	(16)
I-REIT issue expenses deducted from equity		-	(22)	-	(22)
At 31 December 2012		**1,847**	**(38)**	**-**	**1,809**
At 1 January 2013		1,847	(38)	-	1,809
Transactions with owners					
Interim and final 2013 dividends		-	(62)	62	-
Interim 2013 dividend paid	4(k)			(31)	(31)
Total comprehensive income for the year					
Profit for the year		-	369	-	369
At 31 December 2013		**1,847**	**269**	**31**	**2,147**

The proforma financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 4.

1.3 Proforma consolidated statements of changes in unitholders' equity (continued)

The proforma consolidated statements of changes in equity at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 are stated below as follows:

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

	Note	Unitholders contribution KES m	Retained earnings KES m	Proposed dividends KES m	Total KES m
At 1 January 2014		1,847	269	31	2,147
Transactions with owners					
Interim and final 2014 dividends		-	(64)	64	-
Interim 2014 and final 2013 dividend paid	4(k)			(63)	(63)
Total comprehensive income for the period					
Profit for the period		-	125	-	125
At 31 December 2014		**1,847**	**330**	**32**	**2,209**
At 1 January 2015		1,847	330	32	2,209
Transactions with owners					
Interim 2015 dividends		-	(42)	42	-
Interim 2015 and final 2014 dividend paid	4(k)			(54)	(54)
Total comprehensive income for the year					
Profit for the year		-	219	-	219
At 30 June 2015		**1,847**	**507**	**20**	**2,374**

The proforma financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 4.

1.4 Proforma consolidated statement of cash flows

The proforma consolidated statements of cash flows at 31 December 2012, 31 December 2013, 31 December 2014 and 30 June 2015 are stated below as follows:

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

For the period ended	**Note**	**31.12.2012 KES m**	**31.12.2013 KES m**	**31.12.2014 KES m**	**30.06.2015 KES m**
Cash flow from operations					
Profit before tax		(16)	369	125	219
Less: net valuation gain on investment property		(106)	(291)	(45)	(166)
Add back depreciation		5	5	5	3
Cash operating profit		(117)	83	85	56
Changes in working capital		(90)	22	5	19
Cash flow from operations		**(207)**	**105**	**90**	**75**
Cash flow from investing					
Purchase of property and capex in the year	4(h)	(1,573)	(19)	(22)	(2)
Purchase of furniture & equip & capex	4(i)	(44)	(2)	(2)	-
Cash flow from investing activities		**(1,617)**	**(21)**	**(24)**	**(2)**
Cash flow from Financing					
Dividends paid out		-	(31)	(63)	(54)
Cash raised from public offer to Unitholders	4(j)	1,825	-	-	-
Cash flow from financing		**1,825**	**(31)**	**(63)**	**(54)**
Net cash generated / (used) in the period		**1**	**53**	**3**	**19**
Cash balance brought forward		-	1	54	57
Net cash generated / (used) in the period		1	53	3	19
Cash balance carried forward		1	54	57	76

The proforma financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 4.

2 Notes to the financial information

2.1 Reporting entity

The I-REIT scheme which is hereby constituted shall be known as the STANLIB Fahari I-REIT. Its address shall be:

Liberty House, First Floor
Nyerere Road
PO Box 30550 - 00100
Nairobi

The STANLIB Fahari I-REIT scheme shall be an Income Real Estate Investment Trust scheme, or I-REIT scheme. The I-REIT scheme is an unincorporated common law trust. The I-REIT scheme will be a closed ended fund. The primary objective of the I-REIT scheme is to provide unit-holders with stable cash distributions from investment in a diversified portfolio of income generating real estate properties and to improve and maximise unit value through the ongoing management of the I-REIT scheme assets, future acquisitions and the development of additional income producing real estate properties.

2.2 Basis of preparation

2.2.1 Statement of compliance

The financial information has been prepared in accordance with International Financial Reporting Standards (IFRSs) and The Capital Markets Act Cap 485A (The Capital Markets Real Estate Investment Trust) (Collective Investment Schemes) Regulations, 2013.

2.2.2 Basis of measurement

The prospective financial statements have been prepared on a prospective basis. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

2.2.3 Functional and presentation currency

These financial information is presented in Kenya Shillings millions (KES 'm), which is also the I-REIT's functional currency.

2.2.4 Use of estimates and judgements

In preparing this financial information, management has made judgements, estimates and assumptions that affect the application of the I-REIT's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about the assumptions and estimation uncertainties that have a significant risk resulting in a material adjustment in the financial information is included in note 3.

Measurement of fair values

A number of the I-REIT's accounting policies and disclosures require the measurement of fair values for both the financial and non-financial assets and liabilities.

2.2 Basis of preparation (Continued)

2.2.4 Use of estimates and judgements (continued)

Measurement of fair values (continued)

When measuring the fair value of an asset or a liability, the I-REIT uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on inputs used in the valuation techniques as follows:

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* inputs other that quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- *Level 3:* inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

The I-REIT recognises transfers between levels if the fair value hierarchy at the end of the reporting period during which the change has occurred.

2.3 Significant accounting policies

2.3.1 Rental income

Revenue from rental income is recognised on a straight line basis over the period of the various leases. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and rebates.

2.3.2 Investment properties

Buildings, or part of a building, (freehold or held under a finance lease) and land (freehold or held under an operating lease) held for long term rental yields and/or capital appreciation are classified as investment property under non-current assets. Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any change or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

2.3.3 Finance income and expenses

Finance income comprises income on funds invested that are recognised in profit or loss. Interest income is recognised on an accrual basis.

Finance expenses comprise interest expense on borrowings that are recognised in profit or loss. Finance expenses are accounted for on an effective interest basis.

2.3.4 Expenses

All expenses are accounted for on an accrual basis.

2.3 Significant accounting policies (Continued)

2.3.5 Distribution/dividends to Unitholders

Distribution to Unitholders are recognised in the statement of profit or loss and other comprehensive income as dividends when they are authorised and no longer at the discretion of the I-REIT.

2.3.6 Foreign currency transactions

In preparing the financial information of the I-REIT, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Gains and losses on exchange are dealt with in the profit or loss.

2.3.7 Taxation

The I-REIT's income is not subject to tax as it has been granted exemption by statute. Therefore no provision for current tax or deferred tax is made in the financial information.

2.3.8 Financial instruments

(a) Recognition

A financial instrument is a contract that gives rise to both a financial asset of one enterprise and a financial liability of another enterprise. The I-REIT recognises loans and receivables on the date when they are originated. These assets are initially recognised at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method.

(b) Classification and measurement

The I-REIT classifies its financial assets into loans and receivables while financial liabilities are classified into other financial liabilities. Management determines the appropriate classification of its financial instruments at the time of purchase and re-evaluates its portfolio on a regular basis to ensure that all financial assets are appropriately classified.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that the I-REIT intends to sell in the short-term or that it has designated as at fair value through profit or loss or available for sale. Loans and receivables comprise loans and advances to customers, term deposits, other receivables, cash and bank balances and balances due from group companies.

2.3 Significant accounting policies (Continued)

2.3.8 Financial instruments (continued)

(b) Classification and measurement (continued)

These are measured at amortised cost using the effective interest method, less any impairment losses.

Other financial liabilities

Other financial liabilities are measured at amortised cost using the effective interest method. Other financial liabilities include customer collateral deposits, other payables, borrowings and balances due to related parties.

(c) De-recognition

A financial asset is derecognised when the I-REIT loses control over the contractual rights that comprise that asset. This occurs when the rights are realised, expire or are surrendered. A financial liability is derecognised when it is extinguished, cancelled or expires.

(d) Offsetting of financial assets and liabilities

Financial assets and liabilities are offset and the net amount reported on the statement of financial position when there is a legally enforceable right to set-off the recognised amount and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(e) Fair value of financial assets and liabilities

Fair value of financial assets and financial liabilities is the price that would be received to sell an asset or paid to transfer a liability respectively in an orderly transaction between market participants at the measurement date.

2.3.9 Identification and measurement of impairment of financial assets

At each reporting date the I-REIT assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the future cash flows on the asset than can be estimated reliably.

The I-REIT considers evidence of impairment by grouping similar assets together. The I-REIT determines impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

In assessing impairment for a group of assets, the I-REIT uses a historical loss rate and the net exposure on loans and advances to determine impairment loss on the group at each reporting date. The historical loss rate is derived using the historical default trends, timing of recoveries and the amount of loss incurred, adjusted for management's judgement based on current economic and credit conditions at the reporting date. The net exposure on loans and advances is the gross amount of loans and advances less the security deposit paid in cash by the borrower.

Impairment losses on grouped assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, the impairment loss is reversed through profit or loss.

2.3 Significant accounting policies (Continued)

2.3.10 Identification and measurement of impairment of non-financial assets

The carrying amounts of the non-financial assets, other than deferred tax asset, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the assets' recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

2.3.11 Property and equipment

(i) Recognition and measurement

Items of property and equipment are measured at historical cost less accumulated depreciation and impairment losses.

Cost includes expenditure that are directly attributable to the acquisition of the asset.

(ii) Subsequent cost

The cost of replacing a component of an item of property or equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the I-REIT and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss.

(iii) Depreciation

Depreciation is charged to the profit or loss on a straight line basis over the estimated useful lives of each item of property and equipment.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

(iv) Disposal of property and equipment

Gain and losses on disposal of an item of property and equipment are determined by comparing the proceeds from the disposal with the carrying amount of the property and equipment and are recognised net in profit or loss.

2.3.12 Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents include short term liquid investments which are readily convertible to known amounts of cash and which were within three months to maturity when acquired less bank overdraft.

2.3.13 Related party transactions

The I-REIT discloses the nature, volume and amounts outstanding at the end of each financial year from transactions with related parties, which include transactions with the trustees and the I-REIT Manager.

2.3 Significant accounting policies (Continued)

2.3.14 Unitholders' contributions

Unitholders contributions are classified in equity and are recognised as the proceeds received, net of direct issue costs. Incremental costs directly attributable to the issue of Units, net of any tax effects, are recognised as a reduction from equity.

2.3.15 New and amended standards and interpretations in issue but not yet effective

New standard or amendments	Effective for annual periods beginning on or after
• Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	1 January 2016
• Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	1 January 2016
• Amendments to IAS 41 - Bearer Plants (Amendments to IAS 16 and IAS 41)	1 January 2016
• Amendments to IAS 16 and IAS 38 – Clarification of Acceptable Methods of Depreciations and Amortisation	1 January 2016
• Equity Method in Separate Financial Statements (Amendments to IAS 27)	1 January 2016
• IFRS 14 Regulatory Deferral Accounts	1 January 2016
• Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)	1 January 2016
• Disclosure Initiative (Amendments to IAS 1)	1 January 2016
• IFRS 15 Revenue from Contracts with Customers	1 January 2017
• IFRS 9 Financial Instruments (2014)	1 January 2018

All standards and interpretations will be adopted at their effective date (except for those Standards and Interpretations that are not applicable to the entity).

(i) Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)

The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of a business is key to determining the extent of the gain to be recognised

The amendments will be effective from annual periods commencing on or after 1 January 2016.

The adoption of this standard is not expected to have a significant impact on the financial statements of the I-REIT.

2.3 Significant accounting policies (Continued)

2.3.15 New and amended standards and interpretations in issue but not yet effective (continued)

(ii) Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)

The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interest in the joint operation will not be remeasured.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of this standard is not expected to have a significant impact on the financial statements of the I-REIT.

(iii) Amendments to IAS 41- Bearer Plants (Amendments to IAS 16 and IAS 41)

The amendments to IAS 16 *Property, Plant and Equipment* and IAS 41 *Agriculture* require a bearer plant (which is a living plant used solely to grow produce over several periods) to be accounted for as property, plant and equipment in accordance with IAS 16 *Property, Plant and Equipment* instead of IAS 41 *Agriculture*. The produce growing on bearer plants will remain within the scope of IAS 41.

The new requirements are effective from 1 January 2016, with earlier adoption permitted.

The adoption of this standard is not expected to have a significant impact on the financial statements of the I-REIT.

(iv) Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)

The amendments to IAS 16 *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

The amendments to IAS 38 *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016 and early adoption is permitted.

The adoption of this standard is not expected to have a significant impact on the financial statements of the I-REIT.

(v) Equity Method in Separate Financial Statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures but also for subsidiaries

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016 with early adoption permitted.

The adoption of this standard is not expected to have a significant impact on the financial statements of the I-REIT.

2.3 Significant accounting policies (Continued)

2.3.15 New and amended standards and interpretations in issue but not yet effective (continued)

(vi) IFRS 14 Regulatory Deferral Accounts

IFRS 14 provides guidance on accounting for regulatory deferral account balances by first-time adopters of IFRS. To apply this standard, the entity has to be rate-regulated i.e. the establishment of prices that can be charged to its customers for goods and services is subject to oversight and/or approval by an authorised body.

The standard is effective for financial reporting years beginning on or after 1 January 2016 with early adoption is permitted.

The adoption of this standard is not expected to have a significant impact on the financial statements of the I-REIT.

(vii) Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

The amendment to IFRS 10 *Consolidated Financial Statements* clarifies which subsidiaries of an investment entity are consolidated instead of being measured at fair value through profit and loss. The amendment also modifies the condition in the general consolidation exemption that requires an entity's parent or ultimate parent to prepare consolidated financial statements. The amendment clarifies that this condition is also met where the ultimate parent or any intermediary parent of a parent entity measures subsidiaries at fair value through profit or loss in accordance with IFRS 10 and not only where the ultimate parent or intermediate parent consolidates its subsidiaries.

The amendment to IFRS 12 *Disclosure of Interests in Other Entities* requires an entity that prepares financial statements in which all its subsidiaries are measured at fair value through profit or loss in accordance with IFRS 10 to make disclosures required by IFRS 12 relating to investment entities.

The amendment to IAS 28 *Investments in Associates and Joint Ventures* modifies the conditions where an entity need not apply the equity method to its investments in associates or joint ventures to align these to the amended IFRS 10 conditions for not presenting consolidated financial statements. The amendments introduce relief when applying the equity method which permits a non-investment entity investor in an associate or joint venture that is an investment entity to retain the fair value through profit or loss measurement applied by the associate or joint venture. To its subsidiaries.

The amendments apply retrospectively for annual periods beginning on or after 1 January 2016, with early application permitted.

The adoption of this standard is not expected to have a significant impact on the financial statements of the I-REIT.

2.3 Significant accounting policies (Continued)

2.3.15 New and amended standards and interpretations in issue but not yet effective (continued)

(viii) Disclosure Initiative (Amendments to IAS 1)

The amendments provide additional guidance on the application of materiality and aggregation when preparing financial statements.

The amendments apply for annual periods beginning on or after 1 January 2016 and early application is permitted. Management is assessing the potential impact on its financial statements resulting from the application of IAS 1.

(ix) IFRS 15 Revenue from Contracts with Customers

This standard replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The standard specifies how and when an IFRS reporter will recognise revenue as well as requiring such entities to provide users of financial statements with more informative, relevant disclosures. The standard provides a single, principles based five-step model to be applied to all contracts with customers in recognising revenue being: Identify the contract(s) with a customer; Identify the performance obligations in the contract; Determine the transaction price; Allocate the transaction price to the performance obligations in the contract; and recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption is permitted. Management is assessing the potential impact on its financial statements resulting from the application of IFRS 15.

(x) IFRS 9: Financial Instruments (2014)

On 24 July 2014 the IASB issued the final IFRS 9 *Financial Instruments* Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*.

This standard introduces changes in the measurement bases of the financial assets to amortised cost, fair value through other comprehensive income or fair value through profit or loss. Even though these measurement categories are similar to IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS 9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected credit loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted.

Management is assessing the potential impact on its financial statements resulting from the application of IFRS 9.

3 Investment property

Measurement of fair value

The fair value measurement for the investment properties has been categorised as a Level 3 fair value based on the inputs to the valuation technique used.

Valuation techniques and significant unobservable inputs

The following table shows the valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique	Significant unobservable inputs	Inter-relationships between unobservable inputs and fair value measurements
(a) Investment property		The estimated fair values would increase / (decrease) if;
Capitalisation rate model: The valuation model considers the annual net rental incomes to be generated from the properties taking into account expected rental growth, occupancy rates and other costs not paid by tenants. The fair value is then derived using a reasonable capitalization rate.	1. Expected market rental growth – 5% - 8% 2. Occupancy rates (66% -100%) 3. Capitalisation rate (8%)	1. Expected rental growth were higher /(lower) 2. Occupancy rates were higher / (lower) 3. Capitalisation rate was lower / (higher)

4 Assumptions and adjustments made to the proforma financial information

In preparing the proforma financial information, the following assumptions are used:

(a) All Seed Properties were acquired on 1 January 2012 and the I-REIT was entitled to reported income.

(b) Properties revalued each end year at a blended average capitalisation rate of 8.00%.

(c) Operating expenses assumed to equal reported expenses for each property adjusted to eliminate identified non-operating expenses such as directors' remuneration.

(d) Proforma I-REIT related expenses estimated using the contracted rates for the capital raising and on-going operations of the I-REIT.

(e) That the I-REIT earns an annual interest rate of 10.0% on net REIT level cash balances during the year.

(f) That the I-REIT's income is exempt from all income taxes.

(g) Assume a minimum required distribution rate of 80% of reported profits less revaluation gains.

(h) All Seed Properties were acquired on 1 January 2012 for an aggregate price of KES 1,572.8m that represents an initial property valuation rental capitalisation rate of 8.00% plus expenses and taxes. Assumes that capital expenditure includes amounts spent to improve investment properties – primarily Greenspan – and further assumes that investment properties are revalued at the end of each year at the same capitalisation rate.

(i) The Seed properties are acquired as going concerns and, hence, the I-REIT acquires other assets such as furniture and equipment and working capital related to each property at reported book values.

(j) The Scheme is able to complete a public offer to raise an aggregate of KES 1,846.9 m, sufficient to pay for the properties, initial I-REIT set up expenses estimated at KES 172.3 m and first year capital expenditure on investment properties of KES 131.1 m and initial working capital of KES 89.7 m.

(k) That the interim dividends equal to 50% of proposed dividends are paid in the year and the balance paid as a final dividend in the final year.

(l) Management have effected the above adjustments in coming up with the financial information. In addition to the above and as required by part 22E of the Regulations appropriate eliminations have been effected relating to the non-operating expenses, finance costs and such other operational costs that would not otherwise not have been incurred by the I-REIT.

5 Projected financial information

The Board of Directors
STANLIB Kenya Limited
1st Floor, Liberty House
Nyerere Road
Nairobi

Dear Sirs

Independent auditors' report on the examination of the projected financial information included in the Reporting Accountants' Report for STANLIB Fahari I-REIT (the " I-REIT")

We have completed our assurance engagement to report on the examination of the projected financial information of the **STANLIB Fahari I-REIT** (the "STANLIB Fahari I-REIT") prepared by the Directors of STANLIB Kenya Limited ("the Company"). This consists of the projected statement of profit or loss and other comprehensive income for the three month period ended 31 December 2015 and for each of the four years ending 31 December 2016, 31 December 2017, 31 December 2018, 31 December 2019 and proforma statement of cash flows for each of the periods then ended, and a summary of the underlying assumptions. The applicable criteria on the basis of which the Directors of the Company have compiled the projected financial information are specified in the Capital Markets Act Cap 485A (The Capital Markets Real Estate Investment Trust) (Collective Investment Schemes) Regulations, 2013 (hereafter referred to as "the Regulations").

Directors' responsibility for the financial information

The Directors are responsible for the forecast including the assumptions set out in Note 6 on which it is based. The projected cash flows has been prepared in relation to the STANLIB Fahari I-REIT, using a set of assumptions that include hypothetical assumptions about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that the projected financial information is not used for purposes other than that described.

Auditors' responsibility

Our responsibility is to express an opinion about whether the projected cash flow has been prepared, in all material respects, by the directors of the Company on the basis specified in the Regulations and in accordance with International Financial Reporting Standards.

We conducted our engagement in accordance with the International Standard on Assurance Engagements 3400 – The Examination of Prospective Financial Information ("ISAE 3400") to Report on the Prospective Financial Information Included in the Reporting Accountants Report, issued by the International Auditing and Assurance Standards Board. This standard requires that the auditor comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of the company have prepared, in all material respects, the prospective financial information on the basis specified in the Regulations and in accordance with International Financial Reporting Standards.

Independent auditors' report on the examination of the projected financial information included in the Reporting Accountants' Report for STANLIB Fahari I-REIT (the " I-REIT") (Continued)

Opinion

We have examined the prospective financial information in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the forecast. Further, in our opinion the forecast is properly prepared on the basis of the assumptions and is presented in accordance with the International Financial Reporting Standards and the Regulations for the three months period ended 31 December 2015 and for each of the years ending 31 December 2016, 31 December 2017, 31 December 2018 and 31 December 2019.

Actual results are likely to be different from the forecast since anticipated events frequently do not occur as expected and the variation may be material.

Consent

We consent to the inclusion of this report in the Information Memorandum in support of the proposed STANLIB Fahari I-REIT to be issued on or around 19 October 2015 in the form and context in which it appears.

The Engagement Partner responsible for the examination procedures resulting in this practitioners' assurance report is CPA Jacob Gathecha – P/1610.

KPMG Kenya

Date: 19 October 2015

5.1 Projected statement of profit or loss and other comprehensive income

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

Base case - Aggregated management assumptions

For the period ended		**1-Oct-15 31-Dec-15**	**1-Jan-16 31-Dec-16**	**1-Jan-17 31-Dec-17**	**1-Jan-18 31-Dec-18**	**1-Jan-19 31-Dec-19**
Base case - Aggregated mgt. assumptions	**Note**	**KES m**	**KES m**	**KES m**	**KES m**	**KES m**
Revenue						
Real estate rental income	6.3	49	511	891	959	1,006
Direct property operating expenses		(1)	(27)	(46)	(50)	(52)
Net rental and related income		48	484	845	909	954
Net valuation gain on investment property	6.4	17	295	654	656	656
Expenses	6.5 & 6.6					
Initial I-REIT set-up costs expensed		(217)	-	-	-	-
Trustee fees		(12)	(51)	(55)	(58)	(62)
I-REIT Manager's fee total		(23)	(148)	(198)	(209)	(219)
Other service providers' fees		(7)	(136)	(22)	(21)	(22)
Total I-REIT expenses		(259)	(335)	(275)	(288)	(303)
Net operating profit before net finance income		**(194)**	**444**	**1,224**	**1,277**	**1,307**
Net finance income/expense	6.7	227	491	(6)	12	30
Profit before tax		**33**	**935**	**1,218**	**1,289**	**1,337**
Income tax	6.8	-	-	-	-	-
Profit after tax		**33**	**935**	**1,218**	**1,289**	**1,337**
Other comprehensive income		-	-	-	-	-
Total comprehensive income attributable to Unitholders		**33**	**935**	**1,218**	**1,289**	**1,337**
Proposed distribution to Unitholders	**6.9**	**13**	**512**	**451**	**506**	**544**

The projected financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 6.

5.2 Projected statement of financial position

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

Base case - Aggregated management assumptions

As at 31 December	**Note**	**2015 KES m**	**2016 KES m**	**2017 KES m**	**2018 KES m**	**2019 KES m**
ASSETS						
Current assets						
Trade and other receivables	6.10	24	63	110	118	124
Cash and cash equivalents		7,545	57	(17)	147	309
		7,569	120	93	265	433
Non-current assets						
Investment property	6.1	2,422	10,633	11,484	12,140	12,796
TOTAL ASSETS		**9,991**	**10,753**	**11,577**	**12,405**	**13,229**
LIABILITIES						
Current liabilities						
Trade payables and rent deposits	6.11	63	159	246	264	276
NET ASSETS		**9,928**	**10,594**	**11,331**	**12,141**	**12,953**
Equity						
Unitholder contributions	6.2	10,000	10,000	10,000	10,000	10,000
Retained profits and other reserves		(72)	594	1,331	2,141	2,953
UNITHOLDERS' EQUITY		**9,928**	**10,594**	**11,331**	**12,141**	**12,953**

The projected financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 6.

5.3 Projected statement of changes in unitholders' equity

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

Base case - Aggregated management assumptions	Notes	Unitholders capital KES m	Retained earnings KES m	Proposed Dividends KES m	Total KES m
At 1 October 2015		-	-	-	-
Transactions with owners					
Gross proceeds received from public offer	6.2	10,000	-	-	10,000
Public offer expenses deducted from equity		-	(105)	-	(105)
Proposed dividend	6.9	-	(13)	13	-
Total comprehensive income for the period					
Profit for the period		-	33	-	33
At 31 December 2015		**10,000**	**(85)**	**13**	**9,928**
At 1 January 2016		10,000	(85)	13	9,928
Transactions with owners					
Proposed dividend	6.9	-	(512)	512	-
Interim 2016 and final 2015 dividends paid	6.9	-	-	(269)	(269)
Total comprehensive income for the year					
Profit for the year		-	935	-	935
At 31 December 2016		**10,000**	**338**	**256**	**10,594**

The projected financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 6.

5.3 Projected statement of changes in unitholders' equity (continued)

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

Base case - Aggregated management assumptions	**Notes**	**Unitholders capital KES m**	**Retained earnings KES m**	**Proposed Dividends KES m**	**Total KES m**
At 1 January 2017		10,000	338	256	10,594
Transactions with owners					
Proposed dividend	6.9	-	(451)	451	-
Interim 2017 and final 2016 dividends paid	6.9	-	-	(481)	(481)
Total comprehensive income for the period					
Profit for the period		-	1,218	-	1,218
At 31 December 2017		**10,000**	**1,105**	**226**	**11,331**
At 1 January 2018		10,000	1,105	226	11,331
Transactions with owners					
Proposed dividend	6.9	-	(506)	506	-
Interim 2018 and final 2017 dividends paid	6.9	-	-	(479)	(479)
Total comprehensive income for the year					
Profit for the year		-	1,289	-	1,289
At 31 December 2018		**10,000**	**1,888**	**253**	**12,141**

The projected financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 6.

5.3 Projected statement of changes in unitholders' equity (continued)

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

Base case - Aggregated management assumptions	Notes	Unitholders capital KES m	Retained earnings KES m	Proposed Dividends KES m	Total KES m
At 1 January 2019		10,000	1,888	253	12,141
Transactions with owners					
Proposed dividend	6.9	-	(544)	544	-
Interim 2019 and final 2018 dividends paid	6.9	-	-	(525)	(525)
Total comprehensive income for the year					
Profit for the year		-	1,337	-	1,337
At 31 December 2019		**10,000**	**2,681**	**272**	**12,953**

The projected financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 6.

5.4 Projected statement of cash flows

For illustrative purposes only based on a number of assumptions that may or may not eventuate.

Base case - Aggregated management assumptions	Note	2015 KES m	2016 KES m	2017 KES m	2018 KES m	2019 KES m
Cash flow from operations						
Profit before tax		33	935	1,218	1,289	1,337
Less: net gain from fair value adjustments		(17)	(295)	(654)	(656)	(656)
Add back depreciation		-	-	-	-	-
Add back interest expense		-	-	6	-	-
Cash operating profit		16	640	570	633	681
Changes in working capital		39	57	40	10	6
Income tax paid		-	-	-	-	-
Cash flow from operations		**55**	**697**	**610**	**643**	**687**
Cash flow from investing						
Purchase of property, equipment and capex	6.1	(2,405)	(7,916)	(197)	-	-
Cash flow from investing activities		**(2,405)**	**(7,916)**	**(197)**	**-**	**-**
Cash flow from financing						
Dividends paid out		-	(269)	(481)	(479)	(525)
Interest paid		-	-	(6)	-	-
Cash raised from public offer to Unitholders	6.2	9,895	-	-	-	-
Cash flow from financing		**9,895**	**(269)**	**(487)**	**(479)**	**(525)**
Net cash generated / (used) in the period		**7,545**	**(7,488)**	**(74)**	**164**	**162**
Cash balance brought forward		-	7,545	57	(17)	147
Net cash generated / (used) in the period		7,545	(7,488)	(74)	164	162
Cash balance carried forward		7,545	57	(17)	147	309

The projected financial information is to be read in conjunction with the assumptions forming part of this report as set out in section 6.

6 Assumptions used in deriving the projected financial information

6.1 Investment properties acquired

That the I-REIT is able to buy Seed Properties set out below on 1 October 15 and other eligible assets on diverse dates and for prices as set out in the table below. Property purchase price includes estimated taxes on acquisition. Further, forecast acquisition price plus stamp duties for other eligible properties is based on estimated prices at the forecast acquisition date.

Seed Property	**Bay Holdings Industrial Area**	**Signature International Limited**	**The Greenspan Shopping Mall**	**Total**
Purchase price (KES m)	213.1	108.1	2,060.6	2,381.8
Estimated Year 1 rental yield	8.4%	9.8%	8.1%	
Other properties	**On 1 April 2016**	**On 1 October 2016**	**On 1 January 2017**	**Total**
Forecast purchase price at acquisition (KES m)	3,530.1	4,307.7	194.4	8,032.2

6.2 Funds raised from the public offer

That the I-REIT is able to complete a Public Offer on 1 October 2015 to raise gross proceeds of KES 10,000m sufficient (together with forecast cash flows for the first year of operation) to cover the elements set out below:

Funds required to pay for	**Seed Properties**	**Other properties**	**Initial set up costs**	**Total**
KES m	2,381.8	8,032.2	321.0	**10,735.0**

6.3 Rental income earned

Rental income estimates from Seed Properties are based on an analysis of current lease schedules and escalation factors until expiry of the leases. On expiry, the I-REIT Manager has estimated market rents obtainable on re-letting after a 6 month vacancy period.

Period ended	**2015**	**2016**	**2017**	**2018**	**2019**
Lettable area at period end (sq ft)	52,293	381,826	629,128	629,128	629,128
Occupancy %	92.94%	97.11%	96.95%	95.57%	96.95%
Annual rental yield (KES per occupied sq ft)	999	1,377	1,461	1,595	1,649

6. Assumptions used in deriving the projected financial information (continued)

6.4 Fair value gains and period end fair value estimates

The I-REIT Manager has estimated the fair value of the I-REIT's properties at the end of the forecast period based on the forecast "fully-let" rental income for the final period divided by a forecast rental capitalisation rate for each property. The fair values of the investment properties at end of each period are based on a straight line extrapolation between the initial purchase date of the property and the fair value at the end of the forecast period.

	2019
Weighted average rent capitalisation rate at end of forecast period assumed	8.03%

Implied fair value of properties (KES m)	2015	2016	2017	2018	2019
Opening fair value of investment properties	2,381.8	2,422.3	10,633.5	11,438.8	12,139.8
Purchases in the period	23.8	7,916.1	196.3	-	-
Fair value gains	16.6	295.1	654.0	656.0	656.0
Fair value at end of period	2,422.3	10,633.5	11,438.8	12,139.8	12,795.9
Average fair value for the period	2,402.0	6,527.9	11,058.6	11,811.8	12,467.8
Forecast rental income / average fair value (%)	-	7.82%	8.06%	8.12%	8.07%

6.5 Property operating expenses

The I-REIT Manager has prepared forecasts for unrecoverable property operating expenses including repairs and maintenance, re-letting costs for each property. The average of these expenses as a percentage of opening fair value of the properties is as set out below:

Period ended	2015	2016	2017	2018	2019
Operating expenses as a percentage of opening fair value	0.15%	1.11%	0.43%	0.43%	0.43%

6. Assumptions used in deriving the projected financial information (continued)

6.6 I-REIT expenses

The I-REIT Manager has estimated the annual running costs of the I-REIT scheme based on the contracted rates with service providers. The details of the basis of annual service provider charges are set out below:

Trustee fees	0.50%	of assets under management (AUM)
REIT Manager's fee		
• I-REIT Manager fees – base fee	KES'm 30.4	annual fee rising with inflation
• I-REIT Manager fees – fee on average property AUM	1.50%	of average property assets and other non-cash assets under management
• I-REIT Manager fees – fee on average cash AUM	0.50%	of average cash assets under management
Valuer fees	0.10%	of fair value of properties at each period end
Auditors' fees	KES'm 1.5	per annual audit - increasing with inflation
Registrar	KES'm 0.2	per year
Due diligence costs	1.5%	of fair value of properties acquired in the period
Environmental compliance and monitoring costs (E&S)	KES'm 0.5	annual fee rising with inflation

6.7 Finance income

Assumes that the I-REIT will be able to earn interest equal to the 182-day Government of Kenya Treasury bill rate on average surplus funds available in the period. The forecast assumes an average rate of 11.93% per annum throughout the projection period. However, prospective investors should be aware that actual interest rates fluctuate and may differ significantly from this forecast rate.

6.8 Income tax

The base case assumption is that the I-REIT will be registered with CMA and Kenya Revenue Authority (KRA) and, consequently, will not be subject to any income taxes on its operations.

6.9 Distribution percentage

Assumes the minimum required distribution rate of 80% of reported profits excluding revaluation gains. Further, assumes that interim dividends of 50% of dividends proposed will be paid in the year with the balance paid as a final dividends in the following year.

6.10 Debtors and other receivables

Assumes that debtors and other receivables at the end of a period will amount to 45 days of rental income at the end of each reporting period.

6. Assumptions used in deriving the projected financial information (continued)

6.11 Trade payables and rental deposits

Assumes that trade and other payables at the end of a period amount to 30 days of property operating expenses plus I-REIT running costs for that period. Further, assumes that rental deposits at the end of a period equal 90 days of rental income for the period.

7 Sensitivities on projected financial information

7.1 Forecast sensitivity table - change to forecast rental yield

	% change	Forecast rental yield minus 5% KES m	Base case assumption KES m	Forecast rental yield plus 5% KES m	% change
Rental income for year ended 31 December 2016	-5%	485	511	536	5%
Rental income for year ended 31 December 2019	-5%	955	1,006	1,056	5%
Total Comprehensive Income for year ended 31 December 2016	-46%	505	935	1,364	46%
Total Comprehensive Income for year ended 31 December 2019	-6%	1,262	1,337	1,411	6%
Fair value of Investment Properties 31 December 2019	-5%	12,156	12,796	13,436	5%
Annualised total Unitholder return – 4.25 years	-16.0%	9.2%	11.1%	12.9%	16.0%

7. Sensitivities on projected financial information (continued)

7.2 Forecast sensitivity table - change to occupancy levels

	% change	Forecast occupancy level minus 5 percentage points	Base case assumption	Forecast occupancy level plus 5 percentage points (to max 100%)	% change
		KES m	KES m	KES m	
Rental income for year ended 31 December 2016	-5%	484	511	526	3%
Rental income for year ended 31 December 2019	-5%	954	1,006	1,037	3%
Total Comprehensive Income for year ended 31 December 2016	-47%	498	935	1,131	21%
Total Comprehensive Income for year ended 31 December 2019	-5%	1,269	1,337	1,201	-10%
Fair value of Investment Properties 31 December 2019	-5%	12,136	12,796	13,199	3%
Annualised total Unitholder return – 4.25 years	-17.0%	9.2%	11.1%	12.2%	11.0%

7. Sensitivities on projected financial information (continued)

7.3 Forecast sensitivity table - change to property operating costs

	% change	Forecast property operating costs increased by 10%	Base case assumption	Forecast property operating costs reduced by 10%	% change
		KES m	KES m	KES m	
Rental income for year ended 31 December 2016	0%	511	511	511	0%
Rental income for year ended 31 December 2019	0%	1,006	1,006	1,006	0%
Total Comprehensive Income for year ended 31 December 2016	-0.3%	932	935	937	0.3%
Total Comprehensive Income for year ended 31 December 2019	-0.4%	1,331	1,337	1,342	0.4%
Fair value of Investment Properties 31 December 2019	0.0%	12,796	12,796	12,796	0.0%
Annualised total Unitholder return – 4.25 years	-0.4%	11.0%	11.1%	11.1%	0.4%

7. Sensitivities on projected financial information (continued)

7.4 Forecast sensitivity table - change to annual I-REIT expenses

	% change	Forecast REIT expenses increased by 10% KES m	Base case assumption KES m	Forecast REIT expenses reduced by 10% KES m	% change
Rental income for year ended 31 December 2016	0%	511	511	511	0%
Rental income for year ended 31 December 2019	0%	1,006	1,006	1,006	0%
Total Comprehensive Income for year ended 31 December 2016	-4%	901	935	968	4%
Total Comprehensive Income for year ended 31 December 2019	-2%	1,306	1,337	1,367	2%
Fair value of Investment Properties 31 December 2019	0%	12,796	12,796	12,796	0%
Annualised total Unitholder return – 4.25 years	-3.0%	10.8%	11.1%	11.4%	3.0%

7. Sensitivities on projected financial information (continued)

7.5 Forecast sensitivity table - change to exit cap rate

	% change	Assume cap rate is base case plus 50 basis points KES m	Base case weighted average exit cap rate of 8.03% KES m	Assume cap rate is base case minus 50 basis points KES m	% change
Rental income for year ended 31 December 2016	0%	511	511	511	0%
Rental income for year ended 31 December 2019	0%	1,006	1,006	1,006	0%
Total Comprehensive Income for year ended 31 December 2016	-12%	820	935	1,064	14%
Total Comprehensive Income for year ended 31 December 2019	-15%	1,139	1,337	1,560	17%
Fair value of Investment Properties 31 December 2019	-6%	12,046	12,796	13,646	7%
Annualised total Unitholder return – 4.25 years	-15.0%	9.4%	11.1%	13.0%	17.0%

7. Sensitivities on projected financial information (continued)

7.6 Forecast sensitivity table - change in tax scenarios

	% change	Special purpose vehicles pay income tax for entire period KES m	Base case - no income tax on I-REIT and Special Purpose Vehicles KES m	Special purpose vehicles pay income tax until December 2016 KES m	% change
Rental income for year ended 31 December 2016	0%	511	511	511	0%
Rental income for year ended 31 December 2019	0%	1,006	1,006	1,006	0%
Total Comprehensive Income for year ended 31 December 2016	-16%	790	935	790	-16%
Total Comprehensive Income for year ended 31 December 2019	-21%	1,051	1,337	1,337	0%
Fair value of Investment Properties 31 December 2019	-0%	12,796	12,796	12,796	0%
Annualised total Unitholder return – 4.25 years	-21.0%	8.8%	11.1%	10.7%	-3.0%

7. Sensitivities on projected financial information analysis (continued)

7.7 Forecast sensitivity table - delays in acquiring additional properties

	Base case i.e. purchase additional properties worth KES 8,032m	Scenario 1 i.e. purchase additional properties worth KES 7,8385m	Scenario 2 i.e. purchase additional properties worth KES 3,530m	Scenario 3 i.e. purchase additional properties worth KES 2,576m	Scenario 4 i.e. purchase no additional properties
Rental income for year ended 31 December 2016	511	511	424	371	219
Rental income for year ended 31 December 2019	1,006	979	569	478	257
Total Comprehensive Income for year ended 31 December 2016	935	933	915	908	899
Total Comprehensive Income for year ended 31 December 2019	1,337	1,300	766	647	378
Fair value of Investment Properties 31 December 2019	12,796	12,493	7,325	6,145	3,072
Cash returned to Unitholders on 30 June 2017	-	55.7	4,389	5,361	7,977

APPENDIX D

STANLIB KENYA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

Table of Contents

STANLIB Kenya Limited
Directors' Report
For the year ended 31 December 2014

The directors submit their report together with the audited financial statements for the year ended 31 December 2014, which disclose the state of affairs of STANLIB Kenya Limited ("the Company").

PRINCIPAL ACTIVITIES

The Company is licensed to operate as a Fund Manager by the Capital Markets Authority and Retirement Benefits Authority.

RESULTS AND DIVIDEND

The net profit for the year of Shs 68,558,000 (2013: Shs 246,008,000) has been added to retained earnings. The directors do not recommend the payment of a dividend (2013: Nil).

DIRECTORS

The directors who held office during the year and to the date of this report were:

Claire Mwangi	Chairperson
Thabo Dloti*	Chairman until resignation on 15 May 2014
James Muratha	(Executive Director)
Mike du Toit*	
John Mackie*	
Peter Waiyaki	
Seelan Gobalsamy*	(Appointed 13 November 2014)
Ben Kodisang*	(Appointed 13 November 2014)

* South African

AUDITOR

The Company's auditor, PricewaterhouseCoopers, continues in office in accordance with the provisions of Section 159(2) of the Companies Act.

By order of the Board

Caroline Kioni

SECRETARY

_____March 2015

The Kenyan Companies Act requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of its profit or loss for that year. It also requires the directors to ensure that the company maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the company. The directors are also responsible for safeguarding the assets of the company.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatements whether due to fraud or error. They also accept responsibility for:

(i) Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
(ii) Selecting and applying appropriate accounting policies; and
(iii) Making accounting estimates and judgments that are reasonable in the circumstances.

The Directors are of the opinion that the financial statements give a true and fair view of the financial position of the company at 31 December 2014 and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act.

Nothing has come to the attention of the Directors to indicate that the company will not remain a going concern for at least the next twelve months from the date of this statement.

The financial statements were approved by the board of directors on ______________ 2015 and signed on its behalf by:

Director **Director**

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF STANLIB KENYA LIMITED

Report on the financial statements

We have audited the accompanying financial statements of STANLIB Kenya Limited (the "Company") set out on pages 5 to 27. These financial statements comprise the statement of financial position at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and with the requirements of the Companies Act and for such internal control, as the directors determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform our audit to obtain reasonable assurance that the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor"s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity"s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity"s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the accompanying financial statements give a true and fair view of the Company"s financial position at 31 December 2014 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the Kenyan Companies Act.

pwc

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF STANLIB KENYA LIMITED (CONTINUED)

Report on other legal requirements

As required by the Kenyan Companies Act, we report to you, based on our audit, that:

i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) in our opinion proper books of account have been kept by the company, so far as appears from our examination of those books; and

iii) the company's statement of financial position and statement of comprehensive income are in agreement with the books of account.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Kang'e Saiti – P/No 1652.

Certified Public Accountants
Nairobi.

31 March 2015

Statement of comprehensive income

	Notes	Year ended 31 December 2014 Shs'000	2013 Shs'000
Revenue	5	737,731	742,479
Other income	6	21,085	48,322
Fees and commissions expense		(256,339)	(111,386)
Employee benefits expense	7	(217,215)	(187,339)
Operating lease rentals		(8,395)	(8,412)
Other expenses	8	(167,287)	(130,682)
Operating profit		109,580	352,982
Finance costs	9	343	-
Profit before income tax		109,237	352,982
Income tax expense	10	(40,679)	(106,974)
Profit for the year		68,558	246,008
Other comprehensive income, net of tax			
Items that will be reclassifiable to profit or loss			
Exchange differences on translation of foreign operations		9,154	3,785
Total comprehensive income for the year		77,712	249,793

Statement of financial position

	Notes	As at 31 December 2014 Shs '000	2013 Shs '000
EQUITY			
Share capital	11	61,440	61,440
Retained earnings		904,158	835,600
Foreign currency translation reserve		(17,658)	(26,776)
Total equity		947,940	870,264
REPRESENTED BY			
Non-current assets			
Vehicles and equipment	12	34,039	26,655
Deferred income tax	13	13,682	16,931
		47,721	43,586
Current assets			
Investments in unit trusts at FVTPL	19(v)	168,170	403,646
Other investments at FVTPL	20	29,017	29,435
Receivables and prepayments	14	779,626	511,950
Current income tax		48,722	-
Cash and cash equivalents	15	77,829	41,340
		1,103,364	986,371
Current liabilities			
Payables and accrued expenses	17	203,145	151,739
Current income tax		-	7,954
		203,145	159,693
Net current assets		900,219	826,678
Net assets		947,940	870,264

The financial statements on pages 5 to 27 were approved for issue by the Board of Directors on ____________________ 2015 and signed on its behalf by:

Director   Director

Statement of changes in equity

	Share capital	Foreign currency translation reserve	Retained earnings	Total
	Shs'000	Shs'000	Shs '000	Shs'000
Balance at 1 January 2013	61,440	(30,561)	589,592	620,471
Profit for the year	-	-	246,008	246,008
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	-	3,785	-	3,785
Total comprehensive income for the year	-	3,785	246,008	249,793
Balance at 31 December 2013	61,440	(26,776)	835,600	870,264
Balance at 1 January 2014	61,440	(26,776)	835,600	870,264
Profit for the year	-	-	68,558	68,558
Other comprehensive income, net of tax				
Exchange differences on translation of foreign operations	-	9,154	-	9,154
Total comprehensive income for the year	-	9,154	68,558	77,712
Balance at 31 December 2014	61,440	(17,622)	904,158	947,976

Statement of cash flows

	Notes	Year ended 31 December 2014 Shs'000	2013 Shs'000
Cash flows from operating activities			
Cash (used in)/generated from operations	18	(123,027)	40,845
Income tax paid		(99,649)	(100,872)
Net cash used in operating activities		(222,676)	(60,027)
Cash flows from investing activities			
Proceeds from disposal of unit trusts/		255,000	39,960
Net movement in other investments		418	-
Purchase of vehicles and equipment		(12,605)	(9,512)
Proceeds from disposal of vehicles and equipment		615	
Interest received		15,737	22,190
Net cash generated from investing activities		259,165	52,638
Net increase/(decrease) in cash and cash equivalents		36,489	(7,389)
Movement in cash and cash equivalents			
Cash and cash equivalents at start of year		41,340	48,729
Increase/(decrease)		36,489	(7,389)
Cash and cash equivalents at end of year	1	77,829	41,340

Notes

1 General information

STANLIB Kenya Limited is incorporated in Kenya under the Companies Act as a limited liability Company and is domiciled in Kenya. The address of its principal place of business is:

Liberty House
1st Floor
Mamlaka Road
P.O Box 30550
Nairobi

For the Kenyan Companies Act reporting purposes, the balance sheet is represented by the statement of financial position and profit and loss account by the statement of comprehensive income in these financial statements.

2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(a) Basis of preparation

The financial statements are prepared in compliance with International Financial Reporting Standards (IFRS). The measurement basis applied is the historical cost basis, except where otherwise stated in the accounting policies below. The financial statements are presented in Kenya Shillings (Shs), rounded to the nearest thousand.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions. It also requires management to exercise its judgement in the process of applying the Company‟s accounting policies. The areas involving a higher degree of judgement or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Changes in accounting policy and disclosures

(i) Adoption of new and revised standards

All new and revised standards and interpretations that have become effective for the first time in the financial year beginning 1 January 2014 have been adopted by the company. Of those, the following have had an effect on the company‟s financial statements:

- Amendment to IAS 32, „Financial instruments: Presentation‟ on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have a significant effect on the Company financial statements.
- Amendments to IAS 36, „Impairment of assets‟, on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13.

Notes (continued)

2 Summary of significant accounting policies

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) Adoption of new and revised standards (continued)

- IFRIC 21, „Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 „Provisions". The interpretation addresses what the obligating event is that gives rise to pay a levy and when a liability should be recognised. The Company is not currently subjected to significant levies so the impact on the Company is not material.

- Amendment to IAS 39, „Financial instruments: Recognition and measurement" on the novation of derivatives and the continuation of hedge accounting. This amendment considers legislative changes to „over-the-counter" derivatives and the establishment of central counterparties. Under IAS 39 novation of derivatives to central counterparties would result in discontinuance of hedge accounting. The amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument meets specified criteria. The company has applied the amendment and there has been no impact on the company financial statements as a result.

Other standards, amendments and interpretations which are effective for the financial year beginning on 1 January 2014 are not material to the Company.

(ii) New and revised standards and interpretations which have been issued but are not yet effective

The Company has not applied the following revised standards and interpretations that have been published but are not yet effective for the year beginning 1 January 2014.

- IFRS 9, „Financial instruments", addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity"s business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. IFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the „hedged ratio" to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Company is yet to assess IFRS 9"s full impact.

Notes (continued)

2 Summary of significant accounting policies

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) New and revised standards and interpretations which have been issued but are not yet effective (continued)

- IFRS 15, „Revenue from contracts with customers" deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity"s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 „Revenue" and IAS 11 „Construction contracts" and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Company is yet to assess the impact of IFRS 15.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

(b) Functional currency and translation of foreign currency

(i) Functional and presentation currency

Items included in the financial are measured using the currency of the primary economic environment in which the entity operates („the functional currency"). The financial statements are presented in Kenya shillings which is the Company"s functional currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency of the respective entity using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of comprehensive income within „finance income or cost". All other foreign exchange gains and losses are presented in the statement of comprehensive income within „other income" or „other expenses".

(c) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Company"s activities. Revenue is shown net of value-added tax (VAT), rebates and discounts.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Company and when specific criteria have been met for each of the Company"s activities as described below. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Notes (continued)

2 Summary of significant accounting policies (continued)

(c) Revenue recognition (continued)

Revenue is recognised as follows:

(i) Sales of services are recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(ii) Interest income is recognised on a time proportion basis using the effective interest method.

(d) Vehicles and equipment

Vehicles and equipment are initially recorded at cost and subsequently stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset‟s carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive income during the financial period in which they are incurred.

Depreciation on vehicles and equipment is calculated using the straight line method to write down their cost to their residual values over their estimated useful lives, as follows:

Computers and printers	3 years
Office equipment	15 years
Furniture, fixtures and fittings	15 years
Motor vehicles	5 years

The assets‟ residual values and useful lives are reviewed, and adjusted if appropriate, at each financial reporting date.

Vehicles and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset‟s carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset‟s fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each financial reporting date. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are included in the statement of comprehensive income.

(e) Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. A provision for impairment of receivables is established when there is objective evidence that the Company will not be able to collect all the amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the statement of comprehensive income.

Notes (continued)

2 Summary of significant accounting policies (continued)

(f) Payables

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(g) Share capital

Ordinary shares are classified as „share capital‟ in equity.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or less from the contract dates.

(i) Investments

Investments are classified into the „financial assets at fair value through profit or loss‟ category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management.

Investments are initially recognised at fair value and transaction costs are expensed in profit or loss. Subsequent gains and losses arising from changes in the fair value of the investments are included in profit or loss in the period in which they arise.

Investments are derecognised when the rights to receive cash flows from them have expired or where they have been transferred and the Company has also transferred substantially all risks and rewards of ownership.

Interest income from the investment is included within other income in the statement of comprehensive income.

(j) Employee benefits

(i) Retirement benefit obligations

The Company operates defined contribution retirement benefit schemes for its employees. The Company and all its employees also contribute to the appropriate National Social Security Fund, which are defined contribution scheme.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The assets of all schemes are held in separate trustee administered funds, which are funded by contributions from both the Company and employees.

The Company‟s contributions to the defined contribution schemes are recognised as an employee benefit expense when they fall due. The Company has no further payment obligations once the contributions have been paid.

Notes (continued)

2 Summary of significant accounting policies (continued)

(j) Employee benefits (continued)

(ii) Other entitlements

Employee entitlements to long service awards are recognised when they accrue to employees. A provision is made for the estimated liability for such entitlements as a result of services rendered by employees up to the statement of financial position date.

The estimated monetary liability for employees" accrued annual leave entitlement at the statement of financial position date is recognised as an expense accrual.

The Company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the Company"s shareholders after certain adjustments. The Company recognises a provision where contractually obliged or where there is past practice that has created a constructive obligation.

(k) Income tax

(i) Current income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in the statement of comprehensive income except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity respectively.

Current income tax is the amount of income tax payable on the taxable profit for the year determined in accordance with the relevant tax legislation. The current income tax charge is calculated on the basis of the tax enacted or substantively enacted at the financial reporting date.

(ii) Deferred income tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the financial reporting date and are expected to apply when the related deferred income tax liability is settled or the related deferred income tax asset is realised.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Notes (continued)

3 Accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expected of future events that are believed to be reasonable under the circumstances.

(i) Accounting estimates and assumptions

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Receivables

Estimates are made by the directors in determining the recoverable amount of impaired receivables.

Vehicles and equipment

Estimates are made by the directors in determining depreciation rates for vehicles and equipment. The rates used are set out in Note 2(d) above.

(ii) Judgments in applying the entity"s accounting policies

In the process of applying the Company"s accounting policies, management has made judgements in determining:

- the classification of financial assets and leases; and
- whether assets are impaired.

4 Financial risk management

The Company is a registered fund manager. The main functions of the Company are: to accept funds from pension funds and private entities and to invest and manage these funds. The Company"s operations are mainly carried out in Kenya and Uganda. A management fee is charged to the clients for the service offered. Financial risks arising from management of these funds are not borne by the Company.

The financial risks arising from the Company"s operations include; credit risk and the effects of changes in, foreign currency exchange rates and interest rates. The Company"s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on its financial performance, but the Company does not hedge any risks.

Risk management is carried out by the finance department and investment managers. Investment managers review the market trends and information available to evaluate the potential exposures. They then arrive at strategies to mitigate against market risks. The Finance department is responsible for managing credit risk by ensuring that the billings are done on a timely basis and as per the agreement with the client and that collection is made on a timely basis.

Market risk

(i) Foreign exchange risk

The Company operates a branch in Uganda and manages funds primarily denominated in Kenya Shilling, Uganda Shillings, South African Rand, US Dollars, Euro and GBP. It is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar, Uganda Shilling, the South African Rand, Euro and GBP.

Notes (continued)

4 Financial risk management (continued)

(i) Foreign exchange risk (continued)

The Company considers currency risk exposure on its operations to be low due to the small size of the investments held in foreign currency. Management fees are billed in Kenya shillings and Uganda shillings.

At 31 December 2014, if the functional currency had weakened/strengthened by 1.2% (2013: 0.1%) against the US dollar with all other variables held constant, pre-tax profit for the year would have been Shs 917,000 (2013: Shs 10,900) higher/lower, mainly as a result of US dollar denominated trade receivables and bank balances.

At 31 December 2014, if the functional currency had weakened/strengthened by 6% (2013: 2%) against the Euro with all other variables held constant, there would have been no movement in the pre-tax for the year (2013: Shs 32,000) lower/higher, since there were no Euro denominated trade receivables or payables at the end of 2014

At 31 December 2014, if the functional currency had weakened/strengthened by 2% (2013: 7%) against the South African Rand with all other variables held constant, pre-tax profit for the year would have been Shs 129,000 (2013: Shs 466,000) higher/lower, mainly as a result of South African Rand denominated trade receivables, payables and bank balances.

At 31 December 2014, if the functional currency had weakened/strengthened by 2% (2013: 2%) against the Sterling Pound with all other variables held constant, , there would have been no movement in the pre-tax for the year (2013: Shs 10,500) lower/higher, since there were no Sterling Pound denominated trade receivables or payables at the end of 2014

At 31 December 2014, if the functional currency had weakened/strengthened by 2% (2013: 2%) against the Uganda Shilling with all other variables held constant, pre-tax profit for the year would have been Shs 1,752,000 (2013: Shs 984,000) lower/higher, mainly as a result of Uganda shilling denominated trade receivables, payables and bank balances.

Since the currency exposure does not arise from trading activities the Company does not manage foreign exchange risk arising from future commercial activity but only revalues the assets and liabilities at the prevailing exchange rates at the end of the year.

(ii) Price risk

The Company holds financial instruments subject to price risk. These are investments in the STANLIB Equity Fund, Money Market Fund, Fixed Income Fund and CfC Simba Fund. However, given the size of our investment in these Funds, the price risk is therefore not significant.

(ii) Cash flow and fair value interest rate risk

The Company"s only interest bearing assets are investments in unit trusts and fixed deposits which are at variable and fixed rate respectively. At 31 December 2014, an increase/decrease of 100 basis points (2013: 100 basis points) in interest rates would have resulted in an increase/decrease in the pre tax profit of Shs 102,000 (2013: Shs 93,000).

Notes continued

4 Financial risk management (continued)

Credit risk

Credit risk arises from cash held in bank, fixed deposits, investment in unit trusts, and trade and other receivables. As part of the credit risk management system, the Company maintains an approved list of deposit takers that the Company transacts with. The list is approved by the credit committee, which reviews the credit quality of the approved deposit takers and other proposed institutions on a quarterly basis. The finance department is responsible for managing credit risk by ensuring that the billings are done on a timely basis and as per the agreement with the client and that collection is made on a timely basis.

The Company does not have any significant concentrations of credit risk.

The amount that best represents the Company"s maximum exposure to credit risk at 31 December 2014 and 31 December 2013 is made up as follows:

	2014 Shs'000	2013 Shs'000
Investment in unit trusts	168,170	403,646
Cash in bank	72,695	36,391
Other investments	29,017	29,435
Short term bank deposits (Note 15)	4,949	4,949
Trade receivables (Note 14)	156,976	122,913
Amounts due from related parties (Note 19)	36,937	19,189
Accrued revenue	316,348	268,981
Other receivables	250,217	98,723
	1,035,309	984,227

No collateral is held for any of the above assets. All receivables that are neither past due or impaired are within their approved credit limits, and no receivables have had their terms renegotiated.

None of the above assets are past due or impaired except for the following amounts in trade receivables and amounts due from related parties:

	2014 Shs'000	2013 Shs'000
Past due but not impaired:		
- 31 to 60 days	175,782	58,601
- 61 to 90 days	11,346	7,895
- 91 days and over	6,785	66,388
Total past due but not impaired	193,913	132,884
Carrying value of impaired	4,531	3,872

Notes (continued)

4 Financial risk management (continued)

Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities.

The table below analyses the Company"s financial assets and liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the financial reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

At 31 December 2014:	Between 0 and 3 months Shs'000	Between 3 and 12 months Shs'000	Total Shs '000
Liabilities			
- Payables and accrued expenses	203,145	-	203,145
At 31 December 2013:			
Liabilities			
- Payables and accrued expenses	151,739	-	151,739

Capital management

The Company"s objectives when managing capital are to safeguard the Company"s ability to continue as a going concern in order to provide returns to shareholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new capital or sell assets to reduce debt.

The Company"s capital and reserves of Shs 947,976,000 (2013: Shs 870,264,000) is well above the required statutory requirement by the Capital Markets Authority (CMA) of Shs 10 million. The Company has also operated above the minimum working capital requirement by CMA being the higher of 10% of minimum statutory capital and three times average monthly expenses of Shs 162,309,000 (2013: Shs 109,360,000) by Shs 785,667,000 (2013: Shs. 717,319,000).

During the year 2014, and like in previous years, the Company did not source any borrowings. Shareholders" funds have been utilised in meeting the short and long-term finance needs of the Company. The directors have not proposed a dividend for 2014 (2013: Nil).

Notes (continued)

4 Financial risk management (continued)

Fair value estimation

Effective 1 January 2009, the Company adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

The following table presents the Company"s assets that are measured at fair value at 31 December 2014 and 31 December 2013.

At 31 December 2014	**Level 1 Shs'000**	**Level 2 Shs'000**	**Level 3 Shs'000**
Unit trusts and other investments			
Stanbic Money Market Fund	-	83,171	-
Stanbic Equity Fund	-	37,819	-
CfC Simba Fund	-	37,086	-
Stanbic Fixed Income Fund	-	10,094	-
Other investments	-	-	29,017
	-	168,170	29,017
At 31 December 2013			
Unit trusts and other investments			
Stanbic Money Market Fund	-	324,275	-
Stanbic Equity Fund	-	33,203	-
CfC Simba Fund	-	35,280	-
Stanbic Fixed Income Fund	-	10,888	-
Other investments	-	-	29,435
	-	403,646	29,435

Notes (continued)

5 Revenue	2014 Shs'000	2013 Shs'000
Management fees	737,731	742,479

The revenue above is earned from the management client portfolios. Shs. 97,939,000 (2013: Shs. 262,377,000) of the total revenue was earned from the management of the Bank of South Sudan and Government of South Sudan portfolios.

	2014 Shs'000	2013 Shs'000
6 Other income		
Interest income	15,737	22,190
Fair value gain on investments at FVTPL	4,861	13,113
Trustee training fees	182	1,296
Gain/(loss) on disposal of vehicles and equipment	305	(542)
Off shore fees	-	907
Income recovered from overpaid SMMF rebates in 2012	-	11,358
	21,085	48,322
7 Employee benefits expense		
The following items are included within employee benefits expense:		
Salaries and wages	204,091	175,833
Retirement benefit costs:		
- Defined contribution scheme	13,027	11,440
- National Social Security Fund	97	66
	217,215	187,339
8 Other expenses		
Travel and accommodation	32,383	19,364
Group management fees	43,117	36,957
Insurance costs	2,395	2,628
Marketing costs	16,997	25,023
Communication costs	6,381	3,438
Depreciation on vehicles and equipment (Note 12)	4,814	3,795
Auditor"s remuneration	2,308	2,100
Repairs and maintenance	891	1,007
Miscellaneous costs	57,921	36,370
	167,207	130,682

Included in miscellaneous costs are expenses in relation to the following cost lines; transfer pricing charges, subscriptions, computer expenses, recruitment expenses, printing and stationery and office administration costs.

Notes (continued)

9 Finance costs	2014 Shs'000	2013 Shs'000
Interest charges on bank accounts	343	-

10 Income tax expense

Current income tax charge	37,427	110,154
Deferred income tax credit (Note 13)	3,249	(3,180)
Effect of translation differences	3	-
Income tax expense	40,679	106,974

The tax on the Company"s profit before income tax differs from the theoretical amount that would arise using the statutory income tax rate as follows:

	2014 Shs'000	2013 Shs'000
Profit before income tax	109,237	352,982
Tax calculated at the statutory income tax rate of 30% (2013: 30%)	32,771	105,895
Tax effect of:		
- Expenses not deductible for tax purposes	7,908	1,079
Income tax expense	40,679	106,974

11 Share capital

	Number of shares (Thousands)	Ordinary shares Shs'000
Balance as at 1 January 2013, 31 December 2013 and 31 December 2014	3,072	61,440

The total authorised number of ordinary shares is 3,072,000 with a par value of Shs 20 per share. All issued shares are issued and fully paid.

Notes (continued)

12 Vehicles and equipment

	Computers and printers	Office equipment	Motor vehicle	Furniture, fixtures and fittings	Total
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
At 1 January 2013					
Cost	10,796	6,683	1,100	25,851	44,430
Accumulated depreciation	(8,356)	(1,773)	(733)	(6,913)	(17,775)
Net book amount	2,440	4,910	367	18,938	26,655
Year ended 31 December 2013					
Opening net book amount	1,649	3,980	587	15,106	21,322
Additions	2,363	1,958	-	5,191	9,512
Disposals	(44)	(542)	-	-	(586)
Depreciation charge	(1,648)	(425)	(220)	(1,502)	(3,795)
Foreign currency differences	120	(61)	-	143	202
Closing net book amount	2,440	4,910	367	18,938	26,655
At 31 December 2013					
Cost	10,796	6,683	1,100	25,851	44,430
Accumulated depreciation	(8,356)	(1,773)	(733)	(6,913)	(17,775)
Net book amount	2,440	4,910	367	18,938	26,655
Year ended 31 December 2014					
Opening net book amount	2,440	4,910	367	18,938	26,655
Additions	5,197	317	2,634	4,457	12,605
Disposals	-	(54)	(257)	-	(311)
Depreciation charge	(1,809)	(464)	(635)	(1,906)	(4,814)
Foreign currency differences	24	(4)	-	(115)	(95)
Closing net book amount	5,852	4,705	1,266	21,373	34,039
Cost	15,993	6,940	2,634	30,308	55,875
Accumulated depreciation	(10,141)	(2,236)	(525)	(8,935)	(21,836)
Net book amount	5,852	4,705	2,109	21,373	34,039

Notes (continued)

13 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2012: 30%). The movement on the deferred income tax account is as follows:

	2014 Shs'000	2013 Shs'000	2011 Shs'000
At start of year	16,931	13,751	
(Debit)/Credit to statement of comprehensive income (Note 10)	(3,249)	3,180	
At end of year	13,682	16,931	11,638

Deferred income tax assets and liabilities and deferred income tax (charge)/credit in the statement of comprehensive income (SOCI) are attributable to the following items:

Year ended 31 December 2014	**1.1.2014 Shs'000**	**(Charged) to SOCI Shs'000**	**31.12.2014 Shs'000**
Deferred income tax liabilities			
Vehicles and equipment:			
- On historical cost basis	(1,413)	(299)	(1,712)
Deferred income tax assets			
Provisions	18,344	(2,950)	15,394
Net deferred income tax asset	16,931	(3,249)	13,682

Year ended 31 December 2013	**1.1.2013 Shs'000**	**Credited/ (charged) to SOCI Shs'000**	**31.12.2013 Shs'000**
Deferred income tax liabilities			
Vehicles and equipment:			
- On historical cost basis	(1,444)	(99)	(1,413)
Deferred income tax assets			
Provisions	15,065	3,279	18,344
Net deferred income tax asset	13,751	3,180	16,931

Notes (continued)

14 Receivables and prepayments

	2014 Shs'000	2013 Shs'000
Trade receivables	156,976	122,913
Provision for impairment losses	(4,531)	(3,872)
	152,445	119,041
Accrued revenue	316,348	268,981
Amounts due from related parties (Note 19)	36,937	19,189
Other receivables	250,217	98,723
Prepayments	23,679	6,016
	779,626	511,950

Movements on the provision for impairment of trade receivables are as follows:

	2014 Shs'000	2013 Shs'000
At start of year	3,872	3,872
Provision in the year	659	-
Amounts written-off during the year	-	-
At end of year	4,531	3,872

In the directors" opinion, the carrying amounts of the above receivables and prepayments approximate to their fair values as the impact of any discounting is not significant.

15 Cash and cash equivalents

	2014 Shs'000	2013 Shs'000
Cash at bank and in hand	72,880	36,391
Short term bank deposits	4,949	4,949
	77,829	41,340

The balances disclosed above comprise the cash and cash equivalents included in the statement of cash flows. The weighted average effective interest rate on short-term bank deposits at the year-end was 6.61% (2013: 9.30%).

All our cash balances apart from cash in hand are held with CfC Stanbic Bank in Kenya and Stanbic Bank Uganda Limited who are related entities

Notes (continued)

16. Commitments

Operating lease commitments

The company leases its offices under a non-cancellable operating lease. The future aggregate minimum lease payments under the operating lease are as follows:

	2014 Shs'000	2013 Shs'000
Not later than 1 year	-	5,314
Later than 1 year and not later than 5 years	-	-
	-	5,314

17 Payables and accrued expenses

Amounts due to related companies (Note 19)	35,004	11,487
Accrued expenses	155,206	133,456
Other payables	12,935	6,796
	203,145	151,739

18 Cash generated from operations

Reconciliation of profit before income tax to cash generated from operations:

	2014 Shs'000	2013 Shs'000
Profit before income tax	109,237	352,982
Adjustments for:		
Depreciation (Note 12)	4,814	3,795
(Gain)/loss on disposal of vehicles and equipment	(305)	542
Effect of exchange rate movements on vehicles and equipment	95	(202)
Interest income (Note 6)	(15,737)	(22,190)
Fair value gain on investments (Note 6)	(4,861)	(13,113)
Changes in working capital		
– Receivables and prepayments	(267,676)	(184,948)
– Payables and accrued expenses	51,406	(96,021)
Cash generated from operations	(123,027)	40,845

Notes (continued)

19 Related party transactions

The Company is controlled by STANLIB Wealth Management Limited incorporated in the Republic of South Africa. The ultimate parent of the Company is Standard Bank Group Limited, incorporated in the Republic of South Africa. There are other companies that are related to STANLIB Kenya Limited through common shareholdings or common directorships.

The following transactions were carried out with related parties:

i) Management fees

	2014 Shs'000	2013 Shs'000
STANLIB Wealth Management Limited	19,757	19,538
CfC Life Assurance Limited	19,853	17,419
	39,610	36,957

ii) Key management compensation

Key management includes directors (executive and non-executive) and members of senior management. The compensation paid or payable to key management for employee services is shown below:

	2014 Shs '000	2013 Shs '000
Salaries and other short-term employment benefits	70,712	41,803

iii) Directors' remuneration

Other emoluments (included in key management compensation above)	26,714	17,097

iv) Outstanding balances arising from transactions with related parties

	2014 Shs'000	2013 Shs'000
Payables		
STANLIB Wealth Management Limited	12,597	10,418
CfC Life Assurance Limited	5,377	257
STANLIB Collective Investment Schemes Limited	504	812
STANLIB Asset Management Limited	16,526	-
	35,004	11,487

Notes (continued)

19 Related party transactions (continued)

iv) Outstanding balances arising from transactions with related parties (continued)

Receivables

	2014 Shs'000	2013 Shs'000
CfC Life Assurance Limited	14,718	5, 734
Heritage Insurance Company Kenya Limited	9,795	2,268
STANLIB Money Market Fund	4,978	7,701
CfC Stanbic Staff retirement Benefits Scheme	7,418	3,450
STANLIB Fixed Income Fund	28	36
	36,937	19,189

No provisions for impairment losses have been required in 2014 and 2013 for any related party receivables.

v) Investments in related parties

	2014 Shs'000	2013 Shs'000
STANLIB Money Market Fund	83,171	324,275
STANLIB Fixed Income Fund	10,094	10,888
STANLIB Equity Fund	37,819	33,203
STANLIB Balanced Fund	37,086	35,280
	168,170	403,646

20 Other investments

Investment in Bayport promissory note	29,017	20,566
Investment in Hima deal	-	8,869
	29,017	29,435

21 Client funds

In the normal course of business, the Company holds in trust property on behalf of clients in their capacity as fund managers, which do not form part of the assets and liabilities of the Company, and are therefore not incorporated in these financial statements.

	2014 Shs'000	2013 Shs'000
Balances held on behalf of clients and not included in these financial statements	124,940,398	116,213,931

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APPENDIX E

THE CO-OPERATIVE BANK OF KENYA LIMITED

The Board of Directors of The Co-operative Bank of Kenya Limited is pleased to announce the Audited results of the Group and the Bank for the Period ended 31 December 2014

I BALANCE SHEET

		GROUP		BANK	
		31-Dec-14 KSHS.'000 Audited	31-Dec-13 KSHS.'000 Audited	31-Dec-14 KSHS.'000 Audited	31-Dec-13 KSHS.'000 Audited
A	**ASSETS**				
1	Cash (local and foreign)	9,455,086	9,196,193	8,970,240	8,908,316
2	Balances due from Central Bank Of Kenya	14,880,245	11,516,976	13,954,693	10,388,172
3	Kenya Government and other securities held for dealing purposes	30,009	30,009	30,009	30,009
4	Financial Assets at fair value through profit and loss	559	557	501	501
5	. a.a Investment Securities: Held to Maturity- Kenya Government Securities	24,643,526	13,983,393	24,460,192	13,820,482
	a.b Investment Securities: Held to Maturity- Other Securities	-	45,000	-	-
	b.a Investment Securities: Available for Sale - Kenya Government Securities	16,068,108	19,560,640	15,960,083	19,560,640
	b.b Investment Securities: Available for Sale-Other Securities	5,072,361	5,746,273	5,072,361	5,746,273
6	Deposits and balances due from local banking institutions	7,847,333	2,968,294	7,845,769	3,003,578
7	Deposits and balances due from banking institutions abroad	4,963,526	7,072,622	4,969,092	7,053,215
8	Tax recoverable	-	97,029	-	99,631
9	Loans and advances to customers (net)	179,486,355	137,087,227	178,978,586	137,051,537
10	Balances due from banking institutions in the group	207,361	-	207,361	109,379
11	Investments in associates	1,907,722	1,688,888	755,118	755,118
12	Investments in subsidiary companies	-	-	1,806,449	1,748,494
13	Investment in joint ventures	-	-	-	-
14	Investment in properties	-	-	-	-
15	Property, plant and equipment	10,078,698	11,447,430	9,253,832	10,641,897
16	Prepaid lease rentals	37,570	38,180	37,570	38,180
17	Intangible assets	1,712,901	1,616,772	1,363,209	1,094,514
18	Deferred tax asset	618,629	66,658	609,156	56,113
19	Retirement benefit asset	-	-	-	-
20	Other assets	8,386,078	9,053,219	8,414,876	8,768,434
21	**TOTAL ASSETS**	**285,396,067**	**231,215,359**	**282,689,098**	**228,874,484**
B	**LIABILITIES**				
22	Balances due to Central Bank Of Kenya	-	-	-	-
23	Customer deposits	217,698,323	175,425,121	216,174,313	174,776,225
24	Deposits and balances due to local banking institutions	3,159,444	5,462,337	3,159,444	5,462,337
25	Deposits and balances due to banking institutions abroad	-	-	82,282	-
26	Other money market deposits	-	-	-	-
27	Borrowed funds	18,269,487	10,252,392	18,269,487	10,252,392
28	Balances due to banking institutions in the group	-	-	-	-
29	Tax payable	149,821	-	129,171	-
30	Dividends payable	-	-	-	-
31	Deferred tax liability	-	-	-	-
32	Retirement benefit liability	-	-	-	-
33	Other liabilities	2,706,082	2,937,252	2,523,282	2,731,485
34	**TOTAL LIABILITIES**	**241,983,157**	**194,077,101**	**240,337,979**	**193,222,439**
C	**SHAREHOLDERS' FUNDS**				
35	Paid up/Assigned capital	4,889,317	4,190,844	4,889,317	4,190,844
36	Share premium/(discount)	2,889,789	3,588,262	2,889,789	3,588,262
37	Revaluation reserve	439,517	460,752	403,407	407,035
38	Retained earnings/ Accumulated losses	32,206,653	26,409,433	31,264,373	25,354,077
39	Statutory Loan Loss Reserve	718,421	718,026	717,844	717,844
40	Other Reserves	(793,356)	(1,243,357)	(794,062)	(1,255,707)
41	Proposed dividends	2,444,658	2,095,422	2,444,658	2,095,422
42	Capital grants	535,792	554,268	535,792	554,268
43	**TOTAL SHAREHOLDERS' FUNDS**	**43,330,791**	**36,773,649**	**42,351,119**	**35,652,045**
43.1	Non-Controlling Interest	82,118	364,608	-	-
44	TOTAL LIABILITIES & SHAREHOLDERS' FUNDS	285,396,067	231,215,359	282,689,098	228,874,484

II PROFIT AND LOSS ACCOUNTS

		GROUP		BANK	
		31-Dec-14 KSHS.'000	31-Dec-13 KSHS.'000 Audited	31-Dec-14 KSHS.'000	31-Dec-13 KSHS.'000 Audited
1.0	**INTEREST INCOME**				
1.1	Loans and advances	24,713,355	20,045,346	24,669,606	20,044,538
1.2	Government securities	4,331,262	4,126,061	4,309,901	4,107,495
1.3	Deposits and placements with banking Institutions	307,394	370,318	287,900	358,889
1.1	Other Interest Income	-	-	-	-
1.5	**Total Interest Income**	**29,352,011**	**24,541,725**	**29,267,406**	**24,510,922**
2.0	**INTEREST EXPENSE**				
2.1	Customer deposits	5,957,719	5,103,060	5,957,045	5,103,054
2.2	Deposits and placements from banking institutions	215,306	146,220	206,410	146,220
2.3	Other Interest Expenses	1,903,128	666,535	1,903,128	666,535
2.4	**Total Interest Expenses**	**8,076,154**	**5,915,815**	**8,066,583**	**5,915,809**
3	**NET INTEREST INCOME/(LOSS)**	**21,275,858**	**18,625,910**	**21,200,823**	**18,595,113**
4	**NON- OPERATING INCOME**				
4.1	Fees and commissions on loans and advances	2,148,888	1,935,527	2,148,888	1,935,527
4.2	Other Fees and commissions	6,565,180	5,225,451	5,933,931	4,894,638
4.3	Foreign exchange trading income/(loss)	1,417,692	1,471,977	1,201,739	1,443,649
4.4	Dividend income	5,958	53,551	258,101	53,551
4.5	Other income	672,187	577,386	639,416	625,615
4.6	**Total Non-interest income**	**10,809,905**	**9,263,893**	**10,182,074**	**8,952,980**
5.0	**TOTAL OPERATING INCOME**	**32,085,762**	**27,889,803**	**31,382,898**	**27,548,093**
6.0	**OTHER OPERATING EXPENSES**				
6.1	Loan loss provision	1,175,598	778,157	1,133,519	773,291
6.2	Staff costs	8,438,158	8,013,780	8,060,096	7,825,352
6.3	Directors' emoluments	161,129	131,734	116,235	110,274
6.4	Rentals charges	1,304,859	1,123,891	1,102,060	1,062,895
6.5	Depreciation charge on property and equipment	1,953,657	1,528,961	1,840,599	1,514,249
6.6	Armortisation charges	342,444	178,812	304,166	176,176
6.7	Other operating expenses	6,722,174	5,627,393	6,311,493	5,380,400
6.8	Total other operating expenses	20,098,019	17,382,727	18,868,168	16,842,637
7	Profit/(Loss) before tax and exceptional items	11,987,743	10,507,075	12,514,729	10,705,457
8	Exceptional items-Early Retirement Costs	(1,342,509)	-	(1,342,509)	-
8	Exceptional items-Share of profit of associate	270,976	365,368	-	-
9	Profit/(Loss) before tax	10,916,210	10,872,444	11,172,221	10,705,457
10	Current tax	3,453,288	1,996,713	3,373,937	1,958,092
11	Deferred tax	(552,075)	(232,454)	(553,043)	(231,826)
12	**Profit/(loss) after tax and exceptional items**	**8,014,997**	**9,108,185**	**8,351,326**	**8,979,191**

	GROUP		BANK	
13.0 OTHER COMPREHENSIVE INCOME				
13.1 Gains/(Losses) from translating the financial statements of foreign operations	30,384	1,060	-	-
13.2 Fair value changes in available-for-sale financial assets	450,002	(178,378)	461,646	(178,221)
13.3 Revaluation Surplus on property, Plant and Equipment	-	-	-	-
13.4 Share of other comprehensive income of associates	-	20,713	-	-
13.5 Income tax relating to components of other comprehensive income	-	-	-	-
14 OTHER COMPREHENSIVE INCOME NET OF TAX	**480,386**	**(156,605)**	**461,646**	**(178,221)**
15 TOTAL COMPREHENSIVE INCOME	**8,495,382**	**8,951,580**	**8,812,972**	**8,800,970**
Basic Earnings per share	1.64	2.17	1.71	2.14
Diluted Earnings per share	1.64	1.86	1.71	1.84
Dividend per share	0.50	0.50	0.50	0.50

III OTHER DISCLOSURES

	GROUP		BANK	
	31-Dec-14 KSHS.'000 Audited	31-Dec-13 KSHS.'000 Audited	31-Dec-14 KSHS.'000 Audited	31-Dec-13 KSHS.'000 Audited
1 NON PERFORMING LOANS AND ADVANCES				
a) Gross non-performing loans and advances	7,982,045	6,103,463	7,982,045	6,103,463
Less				
b) Interest in suspense	312,261	676,978	312,261	676,978
c) Total Non-performing loans and advances (a-b)	7,669,784	5,426,485	7,669,784	5,426,485
Less				
d) Loan loss provisions	2,079,636	2,366,972	2,079,636	2,366,972
e) Net Non performing loans (c-d)	5,590,148	3,059,513	5,590,148	3,059,513
f) Discounted Value of Securities	5,590,148	3,059,513	5,590,148	3,059,513
g) Net NPLs Exposure (e-f)	-	-	-	-
2 Insider loans and advances				
a) Directors, shareholders and associates	232,807	158,416	232,807	158,416
b) Employees	6,602,831	6,305,246	6,602,831	6,305,246
c) Total insider loans, advances and other facilities	6,835,638	6,463,662	6,835,638	6,463,662
3 Off-Balance Sheet Items				
a) Letters of credit,guarantees, acceptances	14,110,553	16,971,431	14,110,553	16,971,431
b) Forwards, swaps and options	5,815,401	3,865,180	5,815,401	3,865,180
c) Other contingent liabilities	-	-	-	-
d) Total contingent liabilities	19,925,954	20,836,611	19,925,954	20,836,611
Capital strength				
a) Core capital			37,461,620	32,122,842
b) Minimum Statutory Capital			1,000,000	1,000,000
c) Excess/(deficiency)			36,461,620	31,122,842
d) Supplementary capital			18,072,839	11,071,995
e) Total capital			55,534,459	43,194,837
f) Total risk weighted assets			256,510,900	205,151,872
g) Core capital/total deposit liabilities			17.1%	18.2%
h) Minimum Statutory Ratio			10.5%	10.5%
i) Excess/(deficiency)			6.6%	7.7%
j) Core capital/total risk weighted assets			14.6%	15.7%
k) Minimum Statutory Ratio			10.5%	10.5%
l) Excess/(deficiency)(j-k)			4.1%	5.2%
m) Total capital/total risk weighted assets			21.6%	21.1%
n) Minimum Statutory Ratio			14.5%	14.5%
o) Excess/(deficiency)(m-n)			7.1%	6.6%
5 Liquidity				
a) Liquidity Ratio			33.8%	32.6%
b) Minimum Statutory Ratio			20.0%	20.0%
c) Excess/ (deficiency)(a-b)			13.8%	12.6%

PROPOSED DIVIDEND:

The Directors have resolved to recommend to the Members at the forthcoming Annual General Meeting, the payment of a first and final dividend for the year 2014 of 50 cents per share(2013-50 cents) for every ordinary share of KShs 1. The dividends will be paid on or about 29th June 2015 to the shareholders registered on the Bank's Register at the close of business on 28th May 2015. The register will remain closed for one day on 29th May 2015 for the preparation of dividend warrants.

ANNUAL GENERAL MEETING:

Notice is hereby given that the seventh (7th) Annual General Meeting of The Co-operative Bank of Kenya Limited will be held on 27th May 2015 at a venue to be advised.

MESSAGE FROM THE DIRECTORS:

The above Consolidated Statement of Comprehensive Income and Statement of Financial Position are extracts from the Bank's Financial Statements which have been audited by Ernst & Young and have received an unqualified opinion. A full set of these Financial Statements will be available at our registered office at Co-operative House and online at www.co-opbank.co.ke for inspection after approval by members at the Annual General Meeting.

The financial statements were approved by the Directors on 17th March 2015 and signed on its behalf by:

Signed: Mr. Stanley Muchiri, EBS
Group Chairman

Signed: Dr. Gideon Muriuki, MBS
Group Managing Director & CEO

CO-OPERATIVE BANK
We are you

APPENDIX F

JHI Properties Proprietary Limited

Financial Statements

for the year ended 30 June 2014

Audited

Prepared under the supervision of Susan Otto
CFO:JHI Group

JHI Properties Proprietary Limited

(Reg. No. 2007/021131/07)

Financial Statements

for the year ended 30 June 2014

Contents	*Page*

The financial statements of the company have been audited in compliance with S30 of the Companies Act of South Africa.

JHI Properties Proprietary Limited

Directors’ responsibility statement

The directors are responsible for the preparation and fair presentation of the financial statements of JHI Properties Proprietary Limited, comprising the statement of financial position at 30 June 2014, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa. In addition, the directors are responsible for preparing the directors’ report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of financial statements of the company

The financial statements of JHI Properties Proprietary Limited, set out on pages 7 to 44 and the directors’ report, were approved by the board of directors on 30 September 2014 and are signed by:

JE Wellsted
Authorised Director

NNN Radebe
Authorised Director

JHI Properties Proprietary Limited

Directors' report
for the year ended 30 June 2014

The directors of JHI Properties Proprietary Limited have pleasure in presenting their report for the year ended 30 June 2014.

Nature of business

The company offers a comprehensive range of property services including property management, facilities management, occupier solutions, broking, valuations, development management, investment services, project management, residential development and market research.

Financial results and performance

Details of the financial results of the company are set out on pages 7 to 43 of the financial statements.

	2014 **R**	2013 R
Profit before tax	**27 345 908**	27 050 770

Dividends and dividend policy

Subject to solvency and liquidity requirements, it is company policy to pay dividends to shareholders equal to at least 80% of the distributable profits in each financial year. Any dividend recommended by the board is subject to shareholder approval. Dividends of Rnil have been declared (2013 – Rnil).

Holding company

Excellerate Property Services Proprietary Limited (formerly Nervada Trading Proprietary Limited) is the holding company and Excellerate Holdings Limited is the ultimate holding company, both companies are registered in South Africa.

Investments in subsidiaries and associates

	Interest %	**Principal activity**	**Country of incorporation**
The following are subsidiaries of the company:			
Gensec Property Services (Lesotho) Proprietary Limited	100	Property management	Lesotho
JHI Project Management Proprietary Limited	100	Project management	Republic of South Africa
JHI Property Services (Namibia) Proprietary Limited	75	Property management	Namibia
JHI Property Services (Botswana) Proprietary Limited	100	Property management	Botswana
Minerva Property Management Company Limited	51	Property management	Zambia
JHI Property Services Ghana Limited	100	Property management	Ghana

Details of the investments of subsidiaries and associates are set out in notes 6 and 7 respectively of the financial statements.

JHI Properties Proprietary Limited

Directors’ report
for the year ended 30 June 2014 (continued)

Directors

The following are details of the composition of the Board of Directors of the company during the financial period:

M van der Walt	(Chief Executive Officer)
NNN Radebe	(Executive Director)
JE Wellsted	

Secretary

ER Goodman Secretarial Services CC.

Business address	**Postal address**
2 Norwich Close	Private Bag X45
Sandton	Benmore
2196	2010

Governance

In terms of the shareholders agreement, non-executive directors of the holding company: Excellerate Property Services and ultimate holding company: Excellerate Holdings comprise a majority of the finance and risk committee and of the human resources committee. Both these committees have met on a regular basis including the strategic and transformation committees.

Independent auditor's report

To the shareholders of JHI Properties Proprietary Limited

We have audited the financial statements of JHI Properties Proprietary Limited, which comprise the statement of financial position at 30 June 2014, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 43.

Directors' responsibility for the financial statements
The company's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of JHI Properties Proprietary Limited at 30 June 2014, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act
As part of our audit of the financial statements for the year ended 30 June 2014, we have read the directors' report for the purpose of identifying whether there are material inconsistencies between this report and the audited financial statements. This report is the responsibility of the respective preparers. Based on reading this report we have not identified material inconsistencies between this report and the audited financial statements. However, we have not audited this report and accordingly do not express an opinion on this report.

KPMG Inc.

Per M Rattigan
Chartered Accountant (SA)
Registered Auditor
Director
30 September 2014

JHI Properties Proprietary Limited

Statement of financial position

at 30 June 2014

	Note	**2014**	2013
Assets		**R**	R
Non-current assets		**161 762 341**	154 754 454
Property, plant and equipment	*4*	**40 547 186**	32 479 303
Intangible assets	*5*	**119 979 648**	120 123 657
Investments in subsidiaries	*6*	**1 055 507**	1 971 494
Investment in associate	*7*	**-**	–
Loans receivable		**-**	–
Available-for-sale financial assets	*8*	**180 000**	180 000
Current assets		**56 569 081**	51 593 709
Trade and other receivables	*9*	**35 690 595**	34 878 768
Short-term portion of loan receivables		**-**	–
Inter-company loans	*26.3*	**4 634 262**	5 265 566
Cash and cash equivalents	*10*	**16 244 224**	11 449 375
Total assets		**218 331 422**	206 348 163
Equity			
Share capital	*11*	**100**	100
Additional capital contribution	*12*	**20 000 000**	20 000 000
Retained earnings		**44 255 741**	25 045 119
Total equity		**64 255 841**	45 045 219
Liabilities			
Non-current liabilities		**67 733 842**	71 771 137
Loan from holding company	*13.1*	**28 414 645**	30 000 000
Loans and borrowings	*13.2*	**33 851 354**	38 888 754
Deferred tax liability	*14*	**5 467 843**	2 882 383
Current liabilities		**86 341 739**	89 531 807
Trade and other payables	*15*	**44 571 557**	40 365 048
Current income tax liability		**(365 557)**	1 410 591
Short-term portion of loans and borrowings	*13.2*	**10 679 344**	9 326 087
Inter-company loans	*26.3*	**31 456 395**	38 430 081
Total liabilities		**154 075 581**	161 302 944
Total equity and liabilities		**218 331 422**	206 348 163

JHI Properties Proprietary Limited

Statement of comprehensive income
for the year ended 30 June 2014

	Note	**2014 R**	2013 R
Revenue	*17*	**307 150 546**	294 433 264
Cost of sales		**(209 587 615)**	(197 665 195)
Gross profit		**97 562 931**	96 768 069
Operating expenditure		**(66 721 887)**	(64 095 036)
Administrative expenses		**(66 577 206)**	(63 214 820)
Other expenses		**(144 681)**	(880 216)
Other income	*18*	**1 956 863**	973 534
Operating profit	*19*	**32 798 907**	33 646 567
Finance expense – net	*21*	**(5 451 999)**	(6 595 797)
Finance income		**2 977 807**	3 165 999
Finance expense		**(8 429 806)**	(9 761 796)
Profit before tax		**27 345 908**	27 050 770
Income tax expense	*22*	**(8 135 286)**	(7 631 742)
Profit for the year		**19 210 622**	19 419 028

JHI Properties Proprietary Limited

Statement of changes in equity
for the year ended 30 June 2014

	Attributable to equity holders of the company			
	Share capital R	Additional capital contribution R	Retained earnings R	Total R
Balance at 30 June 2012	100	20 000 000	5 626 091	25 626 191
Total comprehensive income for the year				
Profit for the year	–	–	19 419 028	19 419 028
Balance at 30 June 2013	100	20 000 000	25 045 119	45 045 219
Total comprehensive income for the year				
Profit for the year	**-**	**-**	**19 210 622**	**19 210 622**
Balance at 30 June 2014	**100**	**20 000 000**	**44 255 741**	**64 255 841**

JHI Properties Proprietary Limited

Statement of cash flows

for the year ended 30 June 2014

	Note	**2014** **R**	2013 R
Cash flows from operating activities			
Cash generated from operations	*23*	**30 116 955**	40 182 023
Finance expense	*21*	**(8 429 806)**	(9 761 796)
Finance income	*21*	**2 977 807**	3 165 999
Income tax paid	*25*	**(6 961 432)**	(5 235 300)
Net cash inflow from operating activities		**17 703 524**	28 350 926
Cash flows from investing activities			
Acquisition of investment in business		**915 988**	(7 835)
Purchases of property, plant and equipment	*4*	**(10 140 649)**	(12 448 251)
Proceeds from disposal of property, plant and equipment		**-**	237 795
Net cash outflow from investing activities		**(9 224 661)**	(12 218 291)
Cash flows from financing activities			
Repayment of loans and borrowings		**(3 684 014)**	(17 524 230)
Repayment from long-term receivables		**-**	1 884 979
Net cash outflow from financing activities		**(3 684 014)**	(15 639 251)
Net increase in cash and cash equivalents		**4 794 849**	493 384
Cash and cash equivalents at beginning of year		**11 449 375**	10 955 991
Cash and cash equivalents at end of year	*10*	**16 244 224**	11 449 375

JHI Properties Proprietary Limited

Notes to the financial statements

for the year ended 30 June 2014

1. Reporting entity

JHI Properties Proprietary Limited (“the company") offers a comprehensive range of property services including property management, facilities management, occupier solutions, broking, valuations, development management, investment services, project management, residential development and market research.

The company is a limited liability company incorporated and domiciled in South Africa. The address of its registered office is 2 Norwich Close, Sandton, 2196.

These financial statements were authorised for issue by the Board of Directors on .. .. 2014.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements of JHI Properties Proprietary Limited have been prepared in accordance with the International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

2.2 Foreign currency translation

2.2.1 Functional and presentation currency

The financial statements are presented in Rand, which is the company’s functional and presentation currency.

2.2.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income.

2. Summary of significant accounting policies *(continued)*

2.2 Foreign currency translation *(continued)*

2.2.2 Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2.3 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost amounts to their residual values over their estimated useful lives, as follows:

Computer equipment	2 –3 years
Office furniture and equipment	5 – 10 years
Motor vehicles	4 – 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written-down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within other (losses)/gains – net, in the statement of comprehensive income.

2. Summary of significant accounting policies *(continued)*

2.4 Intangible assets

2.4.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates is included in investments in associates and is tested for impairment as part of the overall balance. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. JHI Properties Proprietary Limited allocates goodwill to each business segment in each country in which it operates.

2.4.2 Brand and management contracts

Acquired brands and management contracts are shown at historical cost. Brands have an indefinite useful life and are carried at cost and the impairment calculation is tested annually with goodwill. Management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of management contracts over their estimated useful lives (3 years).

2.5 Impairment

2.5.1 Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the company on terms that the company would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

2.5 Impairment *(continued)*

2.5.1 Non-derivative financial assets (continued)

2.5.1.1 Financial assets measured at amortised cost

The company considers evidence of impairment for financial assets measured at amortised cost (loans and receivables and held-to-maturity investment securities) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment the company uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

2.5.1.2 Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

2. Summary of significant accounting policies *(continued)*

2.5 Impairment *(continued)*

2.5.2 Non-financial assets

The carrying amounts of the company's non-financial assets and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment is tested reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.6 Financial instruments

2.6.1 Non-derivative financial assets

The company initially recognises loans and receivables on the date that they are originated. All other financial assets (including assets designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the company is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

2. Summary of significant accounting policies *(continued)*

2.6 Financial instruments *(continued)*

2.6.1 Non-derivative financial assets (continued)

2.6.1.1 Financial assets at fair value through profit or loss

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or is designated as such on initial recognition. Financial assets are designated as at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein, which takes into account any dividend income are recognised in profit or loss.

Financial assets designated as at fair value through profit or loss comprise equity securities that otherwise would have been classified as available for sale.

2.6.1.2 Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

2.6.1.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the company in the management of its short-term commitments.

2.6.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

2. Summary of significant accounting policies *(continued)*

2.6 Financial instruments *(continued)*

2.6.2 Non-derivative financial liabilities

The company initially recognises debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities (including liabilities designated as at fair value through profit or loss) are recognised initially on the trade date, which is the date that the company becomes a party to the contractual provisions of the instrument.

The company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The company classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

2.7 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within administrative expenses. When a trade receivable is uncollectible, it is written-off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written-off are credited against administrative expenses in the statement of comprehensive income.

2.8 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

2. Summary of significant accounting policies *(continued)*

2.9 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.10 Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.11 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use. Other borrowing costs are expensed.

2.12 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

2. Summary of significant accounting policies *(continued)*

2.12 Tax *(continued)*

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

In determining the amount of current and deferred tax the company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The company believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the company to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

2.13 Employee benefits

2.13.1 Pension obligations

The company has only defined contribution plans. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate entity. The company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

For defined contribution plans, the company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

2.13.2 Profit-sharing and bonus plans

The company recognises a liability and an expense for bonuses and profit-sharing, based on a formula that takes into consideration the profit attributable to the company's shareholders after certain adjustments. The company recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

2. Summary of significant accounting policies *(continued)*

2.13 Employee benefits *(continued)*

2.13.3 Short-term employee benefits

Short-term employee benefits are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit sharing plans if the company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.14 Provisions

Provisions for legal claims are recognised when: the company has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to anyone item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.15 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company’s activities. Revenue is shown net of value-added tax and discounts and after eliminating sales within the company.

The company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the company’s activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

2. Summary of significant accounting policies *(continued)*

2.15 Revenue recognition *(continued)*

2.15.1 Sales of services

The company sells services. These services are provided on a time and material basis or as a fixed-price contract, with contract terms generally ranging from less than one year to three years.

Revenue from fixed-price contracts for delivering services is recognised under the percentage-of-completion (POC) method. Under the POC method, revenue is generally recognised based on the services performed to date as a percentage of the total services to be performed.

Revenue from fixed-price contracts for delivering services is generally recognised in the period the services are provided, using a straight-line basis over the term of the contract.

If circumstances arise that may change the original estimates of revenues, costs or extent of progress toward completion, estimates are revised. These revisions may result in increases or decreases in estimated revenues or costs and are reflected in income in the period in which the circumstances that give rise to the revision become known by management.

2.15.2 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. When a receivable is impaired, the company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans is recognised using the original effective interest rate.

2.15.3 Dividend income

Dividend income is recognised when the right to receive payment is established.

2.16 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

The company leases certain property, plant and equipment. Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other short-term and other long-term payables. The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

2. Summary of significant accounting policies *(continued)*

2.16 Leases *(continued)*

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the asset.

Lease income is recognised over the term of the lease on a straight-line basis.

2.17 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2.18 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets, fair value gains on financial assets at fair value through profit or loss, gains on the remeasurement to fair value of any pre-existing interest in an acquiree in a business combination, gains on hedging instruments that are recognised in profit or loss and reclassifications of net gains previously recognised in other comprehensive income. Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the group's right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on borrowings, unwinding of the discount on provisions and deferred consideration, losses on disposal of available-for-sale financial assets, dividends on preference shares classified as liabilities, fair value losses on financial assets at fair value through profit or loss and contingent consideration, impairment losses recognised on financial assets (other than trade receivables), losses on hedging instruments that are recognised in profit or loss and reclassifications of net losses previously recognised in other comprehensive income.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

2.19 Related parties

A party is related to the company if any of the following are met:

- Directly, or indirectly through one or more intermediaries, the party controls, is controlled by or is under common control with the company;
- The party is a member of key management personnel of the entity or its parent;
- The party is a close family member of the family or individual referred to the above.

Close family member of the family of an individual includes:

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the individual or the individual's domestic partner.

3. Critical accounting estimates and judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

3.1.1 Estimated impairment of goodwill and brand

The company tests annually whether goodwill and brand has suffered any impairment, in accordance with the accounting policy stated. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

3.1.2 Income taxes

The company is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The company recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

3.1.3 Fair value of derivatives and other financial instruments

The fair value of financial instruments that are not traded in an active market (for example, over-the counter derivatives) is determined by using valuation techniques. The company uses its judgment to select a variety of methods and make assumptions that are mainly based on market conditions existing at each statement of financial position date. The company uses discounted cash flow analysis for various available-for-sale financial assets that are not traded in active markets.

3.1.4 Revenue recognition

The company uses the percentage-of-completion method in accounting for its fixed-price contracts to deliver services. Use of the percentage-of-completion method requires the company to estimate the services performed to date as a proportion of the total services to be performed.

3.2 Critical judgements in applying the entity’s accounting policies

Impairment of available-for-sale financial assets

The company follows the guidance of IAS 39 to determine when an available-for-sale financial asset is impaired. This determination requires significant judgment in making this judgment, the company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow.

JHI Properties Proprietary Limited

Notes to the financial statements
for the year ended 30 June 2014 (continued)

4. Property, plant and equipment

	Cost R	Accumulated depreciation R	Carrying value R
2014			
Owned assets			
Computer equipment	**3 684 747**	**(3 254 527)**	**434 219**
Work-in-progress	**25 327 548**	**-**	**25 327 548**
Office furniture and equipment	**4 366 843**	**(2 130 123)**	**2 236 720**
Motor vehicles	**2 329 002**	**(924 036)**	**1 404 966**
	35 708 140	**(6 304 686)**	**29 403 453**
Leased assets			
Work-in-progress	**11 143 733**	**-**	**11 143 733**
	46 851 873	**6 304 686**	**40 547 186**
2013			
Owned assets			
Computer equipment	3 700 041	(2 996 429)	703 612
Work-in-progress	16 484 606	–	16 484 606
Office furniture and equipment	4 137 407	(1 384 793)	2 752 614
Motor vehicles	1 953 320	(558 582)	1 394 738
	26 275 374	(4 939 804)	21 335 570
Leased assets			
Work-in-progress	11 143 733	–	11 143 733
	37 419 107	(4 939 804)	32 479 303

Refer to note 13 for the finance lease liabilities.

4. Property, plant and equipment *(continued)*

2014	Opening balance R	Additions R	Disposals R	Depreciation R	Closing balance R
Owned assets					
Computer equipment	**703 612**	**524 672**	**(539 967)**	**(254 098)**	**434 219**
Work-in-progress	**16 484 606**	**8 842 942**	**-**	**-**	**25 327 548**
Office furniture and equipment	**2 752 614**	**236 928**	**(6 493)**	**(745 329)**	**2 236 720**
Motor vehicles	**1 394 738**	**537 106**	**(161 424)**	**(365 454)**	**1 404 966**
	21 335 570	**10 140 649**	**(707 884)**	**(1 364 881)**	**29 403 453**
Leased assets					
Work-in-progress	**11 143 733**	**-**	**-**	**-**	**11 143 733**
	32 479 303	**10 140 649**	**(707 884)**	**(1 364 881)**	**40 547 186**

2013	Opening balance R	Additions R	Disposals R	Depreciation R	Closing balance R
Owned assets					
Computer equipment	1 117 691	1 209 017	(1 967)	(1 621 129)	703 612
Work-in-progress	7 608 697	8 875 909	–	–	16 484 606
Office furniture and equipment	3 020 986	553 857	(127 614)	(694 615)	2 752 614
Motor vehicles	755 244	1 145 764	(192 756)	(313 514)	1 394 738
	12 502 618	11 784 547	(322 337)	(2 629 258)	21 335 570
Leased assets					
Work-in-progress	10 480 029	663 704	–	–	11 143 733
	22 982 647	12 448 251	(322 337)	(2 629 258)	32 479 303

Refer to note 13 for the finance lease liabilities.

5. Intangible assets

	Goodwill R	Brand R	Management contracts R	Total R
2014				
Opening carrying value	**107 400 916**	**12 578 732**	**144 008**	**120 123 656**
Goodwill incorrectly classified *	**-**	**-**	**-**	**-**
Amortisation charge	**-**	**-**	**(144 008)**	**(144 008)**
Closing carrying value	**107 400 916**	**12 578 732**	**-**	**119 979 648**
2014				
Cost	**107 400 916**	**12 578 732**	**144 008**	**120 123 656**
Accumulated amortisation	**-**	**-**	**(144 008)**	**(144 008)**
Carrying value	**107 400 916**	**12 578 732**	**-**	**119 979 648**

* In the previous years, Micawber preference shares were purchased as part of the acquisition of the business. The shares had to be purchased from the minorities to gain 100% control. The purchase of the Micawber preference shares should have been treated as goodwill instead of amortising it over the period of the Standard Bank Limited funding arrangement as transaction cost in loans and borrowings. When the funding was refinanced by ABSA the company decided to correct the classification in the 2013 year for the remaining amount of R3 747 150. There was no impact in profit or loss.

JHI Properties Proprietary Limited

Notes to the financial statements

for the year ended 30 June 2014 (continued)

5. Intangible assets *(continued)*

	Goodwill R	Brand R	Management contracts R	Total R
2013				
Opening carrying value	103 653 766	12 578 732	720 044	116 952 542
Goodwill incorrectly classified *	3 747 151	–	–	3 747 151
Amortisation charge	–	–	(576 036)	(576 036)
Closing carrying value	107 400 917	12 578 732	144 008	120 123 657
2013				
Cost	107 400 916	12 578 732	1 728 105	121 707 753
Accumulated amortisation	–	–	(1 584 097)	(1 584 096)
Carrying value	107 400 916	12 578 732	144 008	120 123 657

Value in use for goodwill and brand was determined by discounting the future cash flows generated from the continuing business and was based on the following key assumptions:

Cash flows were based on actual operating results and the next year's business plan. Thereafter, cash flows were extrapolated using a constant growth rate of 3,5% (2013 – 2%) percent which was determined with reference to the country's current Producer Price Index (PPI).

The projected cash flows were discounted at the company's weighted average cost of capital of 14% (2013 – 18%). The cost of equity was determined using the capital asset pricing model, while the cost of debt was calculated as being the current after-tax interest rate of the company's long term debt.

Management has considered the sensitivity of the values in use determined above to various key assumptions such as sales volumes. These sensitivities have been taken into account in determining whether any impairment is required.

6. Investments in subsidiaries

	2014 R	2013 R
Unlisted		
Opening balance	**1 971 494**	1 772 194
Disposal to Excellerate Property Services Proprietary Limited – JHI Residential Property Management Proprietary Limited – Katavi Proprietary Limited	**(716 597)**	-
Reclassification of associate		199 400
Impairment	**-**	–
Closing balance	**1 055 507**	1 971 494
Directors' valuation at net asset value	**1 055 507**	1 971 494

JHI Properties Proprietary Limited

Notes to the financial statements
for the year ended 30 June 2014 (continued)

6. Investments in subsidiaries *(continued)*

	Issued share capital		Cost, net of impairment	
	2014	2013	**2014**	2013
	%	%	**R**	R
Investment in subsidiaries, all of which are unlisted consist of:				
Minerva Property Management Company Limited	**2 000**	51	**199 400**	199 400
JHI Residential Property Management Proprietary Limited	**0**	–	**-**	–
JHI Project Management Proprietary Limited	**100**	100	*****	*
JHI Property Services (Namibia) Proprietary Limited	**75**	75	*****	*
Katavi Properties Proprietary Limited	**0**	51	**-**	755 905
JHI Property Services (Botswana) Proprietary Limited	**100**	100	**-**	160 083
Gensec Property Services (Lesotho) Proprietary Limited	**100**	100	**856 106**	856 106
			1 055 507	1 971 494

* Impaired to nil.

7. Investment in associate

Opening balance			-	191 465
Acquiring businesses and subsidiaries			-	7 935
Impairment			-	–
Reclassification to subsidiary			-	(199 400)
Closing balance			-	–
Investment in associate is unlisted and consists of:				
Minerva Property Management Company Limited		–	-	–

The company's share of the results of its principal associates, all of which are unlisted and its share of the assets (including goodwill and liabilities) are as follows:

Name	**Country of incorporation**	**Interest held %**	**Assets R**	**Liabilities R**	**Revenues R**	**Profit R**
Minerva Property Management Company Limited	**Zambia**	-	-	-	-	-
30 June 2014						
30 June 2013		–	–	–	–	–

JHI Properties Proprietary Limited

Notes to the financial statements
for the year ended 30 June 2014 (continued)

	2014	2013
	R	R

8. Available-for-sale financial assets

	2014 R	2013 R
Unlisted		
	180 000	180 000
		–
Opening balance	**180 000**	180 000
Fair value adjustment		
Closing balance	**180 000**	180 000

There were no disposals or impairment provisions on available-for-sale financial assets.

Available-for-sale financial assets include the following:

The fair values of unlisted securities are based on directors' valuations and none of the financial assets are either past due or impaired.

The maximum exposure to credit risk at the reporting date is the fair value of the debt securities classified as available-for-sale.

9. Trade and other receivables

	2014 R	2013 R
Financial assets		
Trade receivables – net	**25 445 890**	27 037 432
Trade receivables	**26 370 279**	29 341 297
Less: provision for impairment	**(924 389)**	(2 303 865)
Other receivables	**9 355 523**	6 786 097
	34 801 413	33 823 529
Other assets		
Prepaid expenses	**889 182**	1 055 239
	35 690 595	34 878 768

9. Trade and other receivables *(continued)*

The fair values of trade and other receivables are as follows:

	2014 R	2013 R
Trade receivables	**25 119 418**	27 037 432
Other receivables	**9 681 995**	6 786 097
	34 801 413	33 823 529

Trade receivables that are less than three months past due are not considered impaired. No trade receivables were past due but not impaired.

The carrying amounts of the company's trade and other receivables are denominated in Rand.

Movements on the provision for impairment of trade receivables are as follows:

	2014 R	2013 R
Opening balance	**(2 303 865)**	(848 304)
(Impairment loss)/reversal recognised through profit and loss	**1 379 476**	(1 455 561)
Closing balance	**(924 389)**	(2 303 865)

The other classes within trade and other receivables do not contain impaired assets.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable mentioned above. The company does not hold any collateral as security.

10. Cash and cash equivalents

	2014 R	2013 R
Cash at bank and on hand	**16 244 224**	11 449 375

Cash and cash equivalents and bank overdrafts include the following for the purposes of the statement of cash flows:

	2014 R	2013 R
Cash and cash equivalents	**16 244 224**	11 449 375

		2014 R	2013 R
11.	**Share capital**		
	Authorised		
	1 000 ordinary shares of R1 each	**1 000**	1 000
	Issued		
	100 ordinary shares of R1 each	**100**	100
12.	**Additional capital contribution**		
	Additional capital contribution	**20 000 000**	20 000 000
13.	**Loans and borrowings**		
13.1	Loan from holding company	**28 414 645**	30 000 000

The loan from Excellerate Holdings Limited has been subordinated until such time that the loan from ABSA Bank Limited has been repaid.

13.2	Loans and borrowings		
	ABSA		
	– facility A	**16 472 172**	22 395 856
	– facility B	**21 904 484**	21 895 390
	Wesbank finance leases	**521 175**	90 009
	Merchant West finance lease	**5 632 867**	3 833 586
	Standard Bank Limited senior loan	**-**	–
	Standard Bank Limited mezzanine loan	**-**	–
	Micawber preference shares	**-**	–
		44 530 698	48 214 841
	Less: Current	**(10 679 344)**	(9 326 087)
	Non-current	**33 851 354**	38 888 754

The ABSA loans enforce the cedent as principle debtor:

- to pledge all intellectual property rights to the cessionary;
- to pledge to the cessionary all its shares; and
- cede to the cessionary in securitatem debiti all the secured property, which includes trade receivables and cash and cash equivalents.

The Merchant West finance loan is unsecured and was utilised for the purchase of computer equipment and software.

	2014 %	2013 %
13. Loans and borrowings *(continued)*		
13.2 Loans and borrowings *(continued)*		
The following interest rates are applicable to the borrowings at year end:		
Wesbank finance lease	**8 – 9**	8 – 9
ABSA Bank loan	**JIBAR +3,5%**	JIBAR+3,5%
Standard Bank Limited senior loan	**-**	–
Standard Bank Limited mezzanine loan	**-**	–
Merchant West loan	**Prime +2%**	8
Micawber preference shares	**-**	–

	R	R
Maturity of non-current borrowings:		
Between 1 and 2 years	**8 404 041**	13 785 317
Between 2 and 5 years	**25 447 313**	25 103 437
	33 851 354	38 888 754

14. Deferred tax liability

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same fiscal authority. The offset amounts are as follows:

	2014 R	2013 R
The gross movement on the deferred tax account is as follows:		
Opening balance	**(2 882 383)**	(697 154)
Statement of comprehensive income charge	**(2 585 459)**	(2 185 229)
Closing balance	**(5 467 842)**	(2 882 383)
The movement in deferred tax is attributable to the following:		
Property, plant and equipment	**(5 078 936)**	(3 492 298)
Debtors allowances	**(64 707)**	(161 270)
Provisions	**999 004**	2 176 377
Prepayments	**(248 971)**	(284 728)
Intangible assets	**(3 522 045)**	(3 562 367)
Employee accruals	**2 212 484**	2 163 662
Straight-line accrual	**235 330**	278 241
	5 467 843	(2 882 383)

JHI Properties Proprietary Limited

Notes to the financial statements

for the year ended 30 June 2014 (continued)

		2014 R	2013 R
15.	**Trade and other payables**		
	Financial liabilities		
	Trade payables	**14 689 357**	7 095 573
	Other payables	**12 400 455**	12 450 077
		27 089 812	19 545 650
	Other liabilities		
	Leave pay accrual	**9 262 742**	7 661 980
	Performance incentive accrual	**4 289 511**	8 628 947
	VAT output	**3 089 032**	3 534 756
	Straight lining operating leases	**840 459**	993 715
		44 571 557	40 365 048

16. Employee benefits

Defined contribution fund

The company has no obligation in respect of past service of present employees and pensioners for post-retirement benefits.

		2014 R	2013 R
17.	**Revenue**		
	Property management fee	**240 349 647**	225 869 179
	Commission received	**56 356 492**	55 457 603
	Incentives and other	**10 444 407**	13 106 482
		307 150 546	294 433 264
18.	**Other income**		
	Reversal of loan impairment in subsidiaries	**-**	–
	Dividend received from subsidiary	**589 133**	–
	Sundry income	**1 367 730**	973 534
	Profit on sale of property, plant and equipment		–
		1 956 863	973 534

JHI Properties Proprietary Limited

Notes to the financial statements

for the year ended 30 June 2014 (continued)

		2014 R	2013 R
19.	**Operating profit**		
	Operating profit is arrived after taking into account:		
	Salaries	**201 221 513**	211 851 936
	Depreciation	**1 941 465**	2 735 640
	Amortisation	**144 008**	576 035
	Operating lease payments	**14 937 079**	12 723 972
	Directors' remuneration	**2 078 507**	4 180 602
	Auditors' remuneration	**983 032**	629 996
	Consulting fees	**1 696 097**	1 380 676
	Loss on sale of property, plant and equipment	**673**	84 542
	Impairment of inter-company loans	**-**	(89 871)
	Impairment of investment of		
	– subsidiary	**-**	–
	– associate	**-**	–
20.	**Employee benefit expense**		
	Salaries and wages	**179 384 256**	190 457 744
	Other benefits	**11 057 020**	10 896 761
	Medical aid contribution	**10 780 237**	10 497 431
		201 221 513	211 851 936
21.	**Finance expense – net**		
	Interest expense:	**(8 429 806)**	(9 761 796)
	– ABSA	**(4 205 953)**	(5 203 505)
	– Loan from holding company	**(2 792 141)**	(2 818 750)
	– Trusts EAAB	**(1 431 709)**	(1 311 289)
	Interest paid:		
	– Preference shares	**-**	(428 246)
	– Bank	**(3)**	(6)
	Interest income:		
	– bank balances	**2 977 807**	3 165 999
		(5 451 999)	(6 595 797)
22.	**Income tax expense**		
	Current tax		
	– current	**5 185 284**	5 446 514
	– prior year over provision	**-**	–
	Deferred tax		
	– current	**2 950 002**	2 185 228
	Total income tax expense	**8 135 286**	7 631 742

22. Income tax expense *(continued)*

Reconciliation of the company taxation rate with the effective taxation rate is as follows:

	2014	2013
	%	%
Rate of South African company taxation	**28,0**	28,0
Disallowed expenditure	**3,64**	0,2
Prior year over provision	**-**	–
Capital gains tax	**-**	–
Non-taxable income	**(2,15)**	–
Effective tax rate	**29,5**	28,2

23. Cash generated from operations

	R	R
Profit before tax	**27 345 908**	27 050 770
Adjustments for:		
Depreciation	**1 941 465**	2 629 258
Amortisation	**144 008**	576 035
Finance income	**(2 977 807)**	(3 165 999)
Finance expense	**8 429 806**	9 761 796
Impairment of investment		
– subsidiary	**-**	–
– associate	**-**	–
Loss/(profit) on sale of property, plant and equipment	**673**	84 542
	34 884 053	36 936 402
Changes in working capital:		
Increase in trade and other receivables	**(811 827)**	(4 835 156)
(Decrease)/increase in trade and other payables	**3 972 467**	(5 499 370)
Increase/(decrease) in inter-company loans	**(7 927 738)**	13 580 147
	30 116 955	40 182 023

24. Taxation paid

Balance (payable)/receivable at beginning of period	**(1 410 591)**	(1 199 377)
Charged to profit or loss, excluding deferred tax	**(5 185 284)**	(5 446 514)
Balance payable at end of period	**(365 557)**	1 410 591
	(6 961 432)	(5 235 300)

25. Commitments and Contingent Liabilities

25.1 Commitments

The company is committed to incur capital expenditure of Rnil (2013 – Rnil). Further planned expenditure of Rnil (2013 – R3 million) is not yet committed at year end.

Future operating lease commitments –lessee

The company leases various offices and office equipment under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2014	2013
	R	R
Property	**7 319 851**	15 592 254
– due within one year	**5 478 960**	9 494 973
– due between 1 and 5 years	**1 840 891**	6 097 281

25.2 Contingent Liabilities

JHI Properties Proprietary Limited is involved in a few legal matters at year end, which could result in a possible loss in the following financial year depending on the outcome of the legal matters. Management estimate the aggregated possible loss at R 1 052 179 as at 30 June 2014.

26. Related party transactions

The following transactions were carried out with related parties:

26.1 Identity of related parties

The company is a wholly owned subsidiary of Excellerate Property Services Proprietary Limited, a company registered in the Republic of South Africa. The ultimate holding company is Excellerate Holdings Limited, a company registered in the Republic of South Africa.

The holding companies and its subsidiaries and associates are considered to be related parties.

The directors who are also considered to be related parties are listed in the directors' report.

JHI Properties Proprietary Limited

Notes to the financial statements
for the year ended 30 June 2014 (continued)

26. Related party transactions *(continued)*

		2014	2013
26.2	The following related party transactions occurred during the year:	**R**	R
	Interest paid		
	– Excellerate Holdings Limited (ultimate holding company)	**2 792 141**	2 818 750
	Training expenses		
	– Kgodisa Training Academy Proprietary Limited (fellow subsidiary)	**910 037**	1 105 529
	Profit on sale of property, plant and equipment		
	– Kgodisa Training Academy Proprietary Limited (fellow subsidiary)	-	–
	Services purchased by JHI		
	– Sterikleen Proprietary Limited (ad hoc)		115 235
	– Sterikleen Services Proprietary Limited (contractual)		778 905
	Management fees paid		
	– Excellerate Holdings Limited (ultimate holding company)		3 484 920
	– Excellerate Property Services Proprietary Limited (holding company)	**10 845 040**	911 657

Transactions with related parties are conducted on normal commercial terms and conditions.

		2014 R	2013 R
26.	**Related party transactions** *(continued)*		
26.3	Balances owing by/(to) related parties at year end		
	Fellow subsidiaries		
	– Sterikleen Proprietary Limited	**-**	1 888 965
	– Kgodisa Training Academy Proprietary Limited	**1 512 399**	2 523 231
	– Excellerate Facilities Management Proprietary Limited	**-**	–
	– Yzone Procurement Proprietary Limited	**16 131**	16 131
	Subsidiaries		
	- JHI Residential Proeprty Services Proprietary Limited	**97 132**	
	– Katavi Properties Proprietary Limited	**-**	10 338
	– JHI Project Management Proprietary Limited	**1 818 944**	249 193
	– Gensec Property Services (Namibia) Proprietary Limited	**2 044 527**	1 432 579
	– Impairment	**(854 871)**	(854 871)
		4 634 262	5 265 566
	Fellow subsidiaries		
	– Gensec Property Services Limited	**(1 079 258**	(866 796)
	– EED Project Management Proprietary Limited	**(1 168 600)**	(1 168 600)
	– Excellerate Facilities Management Proprietary Limited	**(2 156 234)**	(444 743)
	Holding company		
	– Excellerate Property Services Proprietary Limited (formerly Nervada Trading Proprietary Limited)	**(20 000 000)**	(18 350 801)
	– Excellerate Holdings Limited (ultimate holding company)	**-**	(12 341 753)
	Subsidiaries		
	– Gensec Property Services (Lesotho) Proprietary Limited	**(6 819 124)**	(4 843 283)
	– Excellerat Valuations and Advisory Services Proprietary Limited	**(233 179)**	(414 105)
		(31 456 395)	(38 430 081)
		(26 822 133)	(33 164 515)

The loans to and from the related parties bear no interest and have no fixed terms of repayment.

For the loan from Excellerate Holdings Limited, refer to note 13.1.

		2014	2013
		R	R
26.	**Related party transactions** *(continued)*		
26.4	Directors' remuneration		
	Total executive directors' remuneration	**2 078 507**	4 180 602
	Total non-executive directors' remuneration	**-**	–
	Total directors' remuneration	**2 078 507**	4 180 602
	Breakdown of executive directors' remuneration in total and not per director:		
	Salaries and other	**1 905 061**	2 820 602
	Bonuses	**173 446**	1 360 000
	Total executive directors' remuneration	**2 078 507**	4 180 602
26.5	Key management personnel		
	Key management personnel compensation comprised:		
	– short-term employee benefits	**6 027 224**	5 768 552
27.	**Trust disclosure**		
	Cash balances as per trust accounts	**248 622 861**	184 789 071
	Trust creditors	**(247 552 757)**	(184 022 941)
	Trust debtors	**667 268**	1 291 507
	Amounts owing to JHI Properties Proprietary Limited	**(298 402)**	(744 978)
	Amount owing to Estate Agency Affairs Board	**(1 438 970)**	(1 312 659)
	Trust surplus	**-**	–

28. Financial risk management

28.1 Financial risk factors

The company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by the finance and risk committee under policies approved by the board of directors. The finance and risk committee identifies and evaluates financial risks in close co-operation with the company's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Fair values of financial assets and liabilities together with the carrying amounts shown in the statement of financial position are as follows:

	Loans and receivables R	Other financial liabilities R	At fair value through profit and loss R	Total carrying amount R	Fair value R
2014					
Financial assets					
Trade and other receivables					
– trade accounts receivable (net of provision)	**25 119 418**	-	-	**25 119 418**	**25 119 418**
– other receivables	**9 681 995**	-	-	**9 681 995**	**9 681 995**
Available-for-sale assets	-	-	**180 000**	**180 000**	**180 000**
Inter-company loans	**4 634 262**	-	-	**4 634 262**	**4 634 262**
Cash and cash equivalents	**16 244 224**	-	-	**16 244 224**	**16 244 224**
	97 387 899	-	**180 000**	**97 567 899**	**97 567 899**
Financial liabilities					
Trade and other payables:					
– trade payables	-	**14 689 357**	-	**14 689 357**	**14 689 357**
– other payables	-	**12 400 455**	-	**12 400 455**	**12 400 455**
Loan from holding company	-	-	-	-	-
Inter-company loans	-	**59 871 039**	-	**59 871 039**	**59 871 039**
Loans and borrowings	-	**44 530 698**	-	**44 530 698**	**44 530 698**
	-	**131 491 549**	-	**131 491 549**	**131 591 549**

28. Financial risk management *(continued)*

28.1 Financial risk factors *(continued)*

	Loans and receivables R	Other financial liabilities R	At fair value through profit and loss R	Total carrying amount R	Fair value R
2013					
Financial assets					
Trade and other receivables					
– trade accounts receivable (net of provision)	27 037 432	–	–	27 037 432	27 037 432
– other receivables	6 786 097	–	–	6 786 097	6 786 097
Available-for-sale assets	–	–	180 000	180 000	180 000
Inter-company loans	5 265 566	–	–	5 265 566	5 265 566
Cash and cash equivalents	11 449 375	–	–	11 449 375	11 449 375
	50 538 470	–	180 000	50 718 470	50 718 470
Financial liabilities					
Trade and other payables:					
– trade payables	–	7 095 573	–	7 095 573	7 095 573
– other payables	–	12 450 077	–	12 450 077	12 450 077
Loan from holding company	–	30 000 000	–	30 000 000	30 000 000
Inter-company loans	–	38 430 081	–	38 430 081	38 430 081
Loans and borrowings	–	48 214 841	–	48 214 841	48 214 841
	–	136 190 572	–	136 190 572	136 190 572

28.1.1 Market risk

Foreign exchange risk

The company operates internationally and is exposed to foreign exchange risk arising from various currency exposures. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The company has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the company’s foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

28. Financial risk management *(continued)*

28.1 Financial risk factors *(continued)*

28.1.1 Market risk (continued)

Price risk

The company is exposed to limited equity securities price risk because of investment held by the company and classified on the statement of financial position as available for sale. The company is not exposed to commodity price risk.

Cash flow and fair value interest rate risk

As the company has no significant interest-bearing assets, the company's income and operating cash flows are substantially independent of changes in market interest rates.

The company's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the company to cash flow interest rate risk. Borrowings issued at fixed rates expose the company to fair value interest rate risk.

The company analyses its interest rate exposure on a dynamic basis. Various scenarios are simulated taking into consideration refinancing, renewal of existing positions, alternative financing and hedging. Based on these scenarios, the company calculates the impact on profit and loss of a defined interest rate shift. For each simulation, the same interest rate shift is used for all currencies. The scenarios are run only for liabilities that represent the major interest-bearing positions.

Due to the long term borrowings being at a fixed rate the impact on profit would be zero if the rate move.

28.1.2 Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, including outstanding receivables and committed transactions. For banks and financial institutions, only high credit quality financial institutions are accepted. The debtors are mainly made up of large corporate and the probability of default is minimal. The company manages its working capital on a daily basis and cash collections of followed up rigorously. Credit risk is measured by the ageing of the debtors' book. The large risk exposure arises on once off brokerage deals, were the commission is only received once the deal is registered.

No credit limits were exceeded during the reporting period, and management does not expect any losses from non-performance by counterparties.

None of the financial assets that are fully performing has been renegotiated in the last year.

28. Financial risk management *(continued)*

28.1 Financial risk factors *(continued)*

28.1.2 Credit risk (continued)

The ageing of trade receivables at reporting date was:

	2014		2013	
	Gross R	**Impairment R**	Gross R	Impairment R
Not past due	**15 878 563**	**-**	18 643 716	–
Past due				
– 30 days	**1 287 557**	**-**	4 870 651	–
– 60 days	**1 055 065**		955 689	–
– 90 days and more	**7 822 622**	**(924 389)**	4 871 241	(2 303 865)
	26 043 807	**(924 389)**	29 341 297	(2 303 865)

28.1.3 Liquidity risk

	Carrying amount R	**Contractual cashflow R**	**Less than 6 months R**	**6 – 12 months R**	**1 – 2 years R**	**2 – 5 years R**
2014						
Financial liabilities						
Trade and other payables						
– trade payables	**14 689 357**	**14 689 357**	**14 689 357**	**-**	**-**	**-**
– other payables	**12 400 455**	**12 400 455**	**12 400 455**	**-**	**-**	**-**
Finance lease liabilities	**6 154 042**	**6 154 042**	**799 625**	**1 691 365**	**3 375 363**	**287 689**
Amounts owing to subsidiaries	**59 871 039**	**59 871 039**	**-**	**59 871 039**	**-**	**-**
ABSA Bank loans	**38 376 657**	**48 712 830**	**4 969 465**	**4 793 550**	**9 164 463**	**29 785 352**
	131 491 550	**141 827 723**	**32 858 902**	**66 355 954**	**12 539 826**	**30 073 041**
2013						
Financial liabilities						
Trade and other payables						
– trade payables	7 095 573	7 095 573	7 095 573	–	–	–
– other payables	12 450 077	12 450 077	12 450 077	–	–	–
Finance lease liabilities	4 331 990	3 923 595	1 783 160	1 783 160	765 670	–
Amounts owing to subsidiaries	38 430 081	38 430 081	–	38 430 081	–	–
Standard Bank loans	44 291 246	57 540 360	4 464 751	4 985 486	18 589 998	29 500 124
	106 598 967	119 439 686	25 793 561	45 198 727	19 355 668	29 500 124

28. Financial risk management *(continued)*

28.1 Financial risk factors *(continued)*

28.1.3 Liquidity risk (continued)

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding from an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, the finance committee maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the company’s liquidity reserve on tine basis of expected cash flow.

Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

28.2 Capital risk management

The company’s objectives when managing capital are to safeguard the company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, management monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including borrowings and trade and other payables, as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The gearing ratios at 30 June 2014 and 2013 were as follows:

	2014 **R**	2013 R
Total borrowings	**44 530 698**	78 214 841
Less: cash and cash equivalents	**(16 244 224)**	(11 449 375)
Net debt	**28 286 474**	66 765 466
Total equity	**64 457 182**	45 045 291
Total capital	**92 743 656**	111 810 757
Gearing ratio	**30%**	60%

The decrease in the gearing ratio during the year ended 30 June 2014 was as no dividend was declared for the year end 2014 and thus an increase in equity and a decrease in total borrowings.

29. Subsequent events

Subsequent to the year-end, the 51% shareholding in Katavi Properties Proprietary Limited was sold to the Chicago Trust with an effective date of 1 July 2013.

30. Summary of Standards and Interpretations not yet effective for June 2014

The relevant Standards and Interpretations which are not yet effective and which should be disclosed for 30 June 2014 year-ends are identified in the table below, together with the dates on which these were issued by the IASB:

Standard/Interpretation		**Effective date for JHI Properties**
IAS 12 amendment	*Deferred Tax: Recovery of Underlying Assets*	Annual periods beginning on or after 1 July 2012
IAS 1 amendment	*Presentation of Financial Statements: Presentation of Items of Other Comprehensive Income*	Annual periods beginning on or after 1 July 2012
IFRS 13	*Fair Value Measurement*	Annual periods beginning on or after 1 July 2013
IFRS 7 amendment	*Disclosures – Offsetting Financial Assets and Financial Liabilities*	Annual periods beginning on or after 1 July 2013
IAS 32	*Offsetting Financial Assets and Financial Liabilities*	Annual periods beginning on or after 1 July 2014
IFRS 9 (2009)	*Financial Instruments*	Annual periods beginning on or after 1 July 2015
IFRS 9 (2010)	*Financial Instruments*	Annual periods beginning on or after 1 July 2015

All applicable standards will be adopted at their effective dates.

APPENDIX G

List of Receiving Bank, Trustee & Issuer Branches

ISSUER'S BRANCHES

Name	Physical address
Nairobi	Head Office Liberty House, Mamlaka Road
Nakuru	1st floor, Polo Centre, Kenyatta Avenue,
Mombasa	Social Security House (NSSF), Nkrumah Road
Kisumu	1st Floor, Tivoli Centre, Court Road
Eldoret	1st Floor, Imperial Court, Uganda Road/Waiganjo Street
Thika	4th floor, Zuri Centre, Kenyatta Avenue
Kitui	1st Floor, Muli Mall, Biashara Street
Kisii	2nd Floor, Royal Plaza, Hospital Road
Nanyuki	1st Floor, Silver Plaza, Nanyuki/Meru Road,
Zimmerman	Just After The Roysambu Roundabout
Contact Details	**Switch board Telephone number: +254 20 286 6000** **Mobile: +254 (0) 711 028 000** **Contact Centre No.: +(254) (0) 711 076 222** **Email: customercare.kenya@stanlib.com** **SMS Number: 20120**

PHYSICAL ADDRESSES FOR CO-OPERATIVE BANK BRANCHES

Name	Physical address
Head Office	Co-Op Hse Building
Custodial Services Dept	3Rd Floor Cic Plaza 2, Mara Road, Upperhill, Nairobi
Aga Khan Walk	Uchumi House Bldg
Athi River	Co-Op Bank Bldg
Bomet	Opp. Transmara General Store
Bondo	Next To Total Service Station
Bungoma	Co-Op Bank Bldg
Buruburu	Buruburu Business Complex
Card Center	Kuscco Building
Busia	Co-Op Bank Bldg
Changamwe	Opposite Dc's Office
Chogoria Mobile Unit	Next To Seasons Restaurant Opp. Chogoria Hospital
Chuka	Chuka Farmers Plaza
City Hall	City Hall Annex
Co-Ophse Branch	Co-Op House Bldg
Dagoretti Corner	Opposite Nairobi City Inspectorate
Dandora	Dandora Phase 2
Donholm	Next To Tumaini Supemarket
Digo Rd - Msa	Digo Road
Eastleigh	Yare Business Park
Engineer	Along Engineer-Njabini Road
Eldoret	Co-Op Bank Building
Eldoret West	Next To Kogo Plaza
Embakasi	Opp. Transami
Embakasi Ii	Opposite Tajj Mall
Embu	Co-Op Bank
Enterprise	Enterprise House Building
Garissa	Co-Op Bank House, Opp Garissa High Sch.
Gatundu	Next To Shell Service Station, Gatundu Town.
Gigiri Mall	Gigiri Square Building, Opp. Un Head Quarters
Gilgil	Gilgil Town
Githurai	Gateway House Building
Githurai Kimbo	Off Thika Rd Opposite Faulu Kenya
Githunguri	Along Githunguri-Kiambu Road Near Hillfarm Chemist
Gikomba	Adjacent To Ramliance Hotel, Opp. Family Bank
Green House Mall	Green House Mall -Off Ngong Road.
Homa-Bay	Co-Op Bank Bldg
Industrial Area	Co-Op Bank Bldg

PHYSICAL ADDRESSES FOR CO-OPERATIVE BANK BRANCHES

Name	Physical address
Isiolo	Off Isiolo-Marsabit Highway, Isolo Town
Juja	Off Juja -Gatundu Road,Juja Town
Kajiado	Co-Op Bank Bldg, Opp. Nyambene Plaza
Kakamega	Co-Op Bank Bldg
Kangemi	Next To Seraben Supermarket
Kapsabet	Next To Sunshine Hotel
Karatina	Co-Op Bank Bldg
Karen	Karen Square, Karen Shopping Centre
Kariobangi	Co-Op Bank Bldg
Kawangware	Co-Op Bank Bldg
Kawangware 11	Next To Bora Bora Building
Kayole	S K Plaza
Kenyatta Avenue Mombasa	Next Makupa Police Station
Kericho	Koineei Plaza
Keroka	Otange Building Opposite Keroka Petrol Station
Kerugoya	Kdcu Building Oposite Maguna Supermaket
Kiambu	Kamindi House
Kibera -Ayany	Kibera Ayany
Kikuyu	Muguku Business Centre, Kikuyu Town.
Kilgoris	Opposite Jipa Petrol Station
Kilifi	Opposite Kplc Offices
Kimathi St.	Next To Nation Centre
Kimilili	Opposite Nissan Matatu Terminus
Kiserian	Alomg Magadi Road,Opposite Mnyani Fuel Station
Kisii	Magsons Plaza
Kisii East	Next To Nakumatt Kisii
Kisumu	Kisumu Town
Kisumu East	Kisumukakamega Rd Next To New Nyanza General Hospital
Kitale	Kitale
Kitengela	Kitengela Town
Kitui Branch	Ktui Town
Kutus	Along Kerugoya - Embu Road
Langata	T-Mall Shopping Complex
Lavington Mall	Lavington Green Shopping Centre
Likoni	Likoni Shopping Centre
Limuru	Along Limuru - Kiambu Road Near Shell Service Station
Lodwar	Along Chamunga Street
Maasai Mall	Along Magadi Rd Opp, Tumaini Supermarket.
Machakos	Co-Op Bank Bldg
Makutano	Ntima Building Opposite Eastend Chemist Ltd
Marsabit	Off The Marsabit-Moyale Road
Malindi	Barane Plaza
Mwingi	Opposite Salubi 2000 House
Kongowea	Kengeleni
Malaba	Next To Magharibi Petrol Station
Mariakani	Opposite Total Petrol Station
Maua	Maua Plaza
Mbale	Next To Easy Coach Premises
Mbita	Kinda Sacco Building
Meru	Meru Town
Molo	Opp Main Matatu Terminus,Off Main Elburgon
Migori	Migori/Isebania Road
Mlolongo	Twin Eyes Building
Mombasa Rd	Heidelberg Plaza,Bellevue
Moi Avenue	Sky Matt

List of Receiving Bank, Trustee & Issuer Branches

PHYSICAL ADDRESSES FOR CO-OPERATIVE BANK BRANCHES

Name	Physical address
Mpeketoni	Opposite Mpeketoni Market-Mpeketoni Town.
Mtwapa	Mombasa Maizemillers Bldg
Mumias	Benmark Plaza
Muranga	Ngeka Centre
Mwea	Along Nairobi-Meru Highway
N.b.c Ngong Rd	China Centre Building
Nacico	Nacico Plaza
Naivasha	Coop Bank
Nakuru	Afc Building
Nakuru East	Near Tuskys Mid Town
Nandi Hills	Next To Hotel Green View
Nanyuki	Kiangima Buildinga
Narok	Olmaa House, Next To Haas Petrol Station
Ndhiwa	Along The Rodi - Sori Highway
Ngong Branch	Along Ngong - Karen Road Opp Hasal Petrol Station Ngong Town
Nkrumah Rd	Coop Bank Bldg
Nkubu	Methodist Church Bldg
Nyahururu	Co-Op Bank Bldg
Nyali	Nyali Centre,Off Links Rd
Nyamira Branch	Nyamira Town
Nyeri	Co-Op Bank Bldg
Ol Kalau	Next To Ol Kalau Post Office
Othaya	Off-Othaya-Karima Rd Junction Opp.
Oyugis Branch	Off Kisumu - Kisii Highway
Parliament Rd	Canon House
River Road	Neno Plaza Next To T.s.s Petrol Station
Rongai	Co-Op Bank Bldg
Rongo	Off Rongo- Migori Rd. Rongo Town.
Ruaka	Joe's Complex Building
Ruiru	Kamiti Road Round About
Siakago	Near Gvt Admin Centre
Siaya	Co-Op Bank Bldg
Stima Plaza	Stima Plaza Building
Tala	Tala Town Off Kangundo
Thika	Co-Op Bank Bldg
Thika Road Mall Branch	Thika Road Mall Off Thika Road
Tom Mboya	El-Roi Plaza Next To Odeon Cinema
United Mall	Along Kisumu/ Kakamega Highway
Umoja	Next To Umoja Market At The Mtindwa Rd. /Moi Drive Junction.
U- Way	Posta Sacco Plaza
Ukulima	Ukulima Plaza
Ukunda	Ukunda Corner Timber & Hardware
Upperhill	Kuscco Building
Voi	Eganga Plaza
Wakulima Market	Wakulima House
Webuye	Main Street, Opposite Post Office, Next To The Police Station
Westlands	Reliance Centre
Wote	Along Main Wote Road, Opp. Salvation Army Church
Yala	Opembi Building
Zimmerman	Just After The Roysambu Roundabout
Contact Details	**Centre numbers, 0703 027 000, 020 277 6000 SMS: 16111 E-mail: customerservice@co-opbank.co.ke Whatsapp: 0736 690 101**

CfC STANBIC BANK LIMITED BRANCHES

Name	Physical address
Nairobi Branches	
Chiromo Road, Head Office	CfC Stanbic Centre, Chiromo/Westlands Road, Westlands
Karen Branch	1st Floor, Galleria Mall
Kenyatta Ave Branch	CfC Stanbic Building, Kenyatta Avenue
Harambee Ave Branch	CBK Pension Fund Building, Harambe Avenue
Industrial Area Branch	Kenply House, Dar es Salam Road
International House Branch	International House, City Hall Way
Upperhill Medical Centre	Ralph Bunche Road
Waiyaki Way Branch	Lion Place Building, Westlands
Buru Buru Branch	KNLS Building, along Mumias South Road, Buru Buru Shopping Centre
Warwick Branch	Warwick Centre, Ground Floor, UNEP Avenue
Garden City Branch	Garden City Mall, Ground Floor
Westgate Branch	2nd Floor, Westgate Mall Mwanzi Road
Gikomba Branch	Mumbai Shopping Complex, Digo Road
Mombasa Branches	
Malindi Branch	Ground Floor, Oasis Mall
Digo Road Branch	CfC Stanbic Bank Building, Digo Road
Nyali Branch	Nyali Centre Mall, New Malindi Road
Naivasha Branch	CfC Heritage House, Moi Road
Nakuru Branch	Nakuru Coffee House, on Moi / Kenyatta Junction
Nanyuki Branch	Ground Floor, New Nanyuki Mall
Thika Branch	Along Kenyatta Highway Opp Tuskys
Meru Branch	Hart Towers, Junction Njuri Ncheke and Kenyatta Highway
Eldoret Branch	Zion Mall, Uganda Road
Kisumu Branch	Jubilee Insurance House, Angao Road
Contact Details	**Telephone number: +254 20 3268 888 or Mobile number: +254 07 11 068 888 Toll free number: 0800 720 044 Email: reitoffer@stanbic.com Website: www.cfcstanbicbank.co.ke/kenya/Branch-ATM-Locator/Branch-and-ATMs**

APPENDIX H

CONTACT INFORMATION FOR AUTHORISED SELLING AGENTS

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CfC Stanbic Centre, 58 Westlands Road,
P. O. Box 47198 – 00100
Tel: 3638900
Fax: 3752950
Email: sbgs@stanbic.com
Web: www.sbgsecurities.co.ke

Suntra Investment Bank Ltd
Nation Centre,7th Floor,
P.O. Box 74016-00200
Tel:2870000/247530/2223330/2211846/07 24- 257024, 0733-222216
Fax: 2224327
Email: info@suntra.co.ke
Web: www.suntra.co.ke

Francis Drummond & Company Limited
Hughes Building, 2nd floor,
P.O. Box 45465 00100
Tel: 318690/318689
Fax: 2223061
Email: info@drummond.co.ke Web: www.drummond.co.ke

Ngenye Kariuki & Co. Ltd
(Under Statutory Management)
Corner House, 8th floor,
P. O. Box 12185-00400
Tel: 224333/2220052/2220141
Fax: 2217199/241825
Email: ngenyekari@wananchi.com
Web: www.ngenyestockbrokers.co.ke

Kingdom Securities Ltd
Co-operative Bank House,5th Floor,
P.O Box 48231 00100
Tel: 3276940/3276256/3276154
Fax: 3276156
Email: info@kingdomsecurities.co.ke

Old Mutual Securities Ltd
IPS Building, 6th Floor,
P. O. Box 50338- 00200
Tel: 2241379, 2241408
Fax: 2241392
Email: info.oms@oldmutualkenya.com
Web: www.oldmutual.co.ke

Dyer & Blair Investment Bank Ltd
Pension Towers, 10th floor,
P.O. Box 45396 00100
Tel: 3240000/2227803/4/5
Fax: 2218633
Email: shares@dyerandblair.com Web: www.dyerandblair.com

Sterling Capital Ltd
Barclays Plaza, 11th Floor, Loita Street,
P.O. Box 45080- 00100
Tel: 2213914/244077/ 0723153219/0734219146
Fax: 2218261
Email: info@sterlingib.com
Web: www.sterlingib.com

Afrika Investment Bank Ltd
Finance House, 9th Floor,
P.O. Box 11019-00100
Tel: 2212206 / 2210178/2212989//343639
Fax: 2210500
Email:info@afrikainvestmentbank.com
Web: www.afrikainvestmentbank.com

ABC Capital Ltd
IPS Building, 5th floor,
P.O. Box 34137-00100
Tel: 2246036/2245971
Fax: 2245971
Email:headoffice@abccapital.co.ke

NIC Securities Limited
Ground Floor, NIC House, Masaba Road,
P.O.Box 44599-00100
Tel: 2888 444 / 0711 041 444
Fax: 2888 505
Email: info@nic-securities.com
Web: www.nic-securities.com

ApexAfrica Capital Ltd
Rehani House, 4th Floor,
P.O. Box 43676- 00100
Tel: 242170/2220517
Fax: 2215554
Email: invest@apexafrica.com Web: www.apexafrica.com

Faida Investment Bank Ltd Crawford Business park, Ground Floor, State House Road,
P. O. Box 45236-00100
Tel: +254-20-7606026-35
Fax: 2243814
Email: info@fib.co.ke
Web: www.fib.co.ke

Discount Securities Ltd
(Under Statutory management)
Nairobi,
P O Box 42489-00100
Tel: 2219552/38, 2773000
Fax: 2230987
Email: discount@dsl.co.ke
Web: www.dsl.co.ke

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Tel: 2228963/2228967/2228969
Fax: 240297
Email: info@sib.co.ke

Kestrel Capital (EA) Limited
ICEA Building, 5th floor,
P.O. Box 40005-00100
Tel: 251758/2251893,2251815,2250082
Fax: 2243264

Genghis Capital Ltd
Prudential Building, 5th Floor,
P.O Box 1670-00100
Tel: 8008561, 2337535/36, 2373984/968/969
Fax: 246334
Email: info@gencap.co.ke

African Alliance Kenya
Investment Bank Ltd
1st Floor,Trans-national Plaza,
P.O. Box 27639 - 00506
Tel: 2762610/ 2762628 / 2762000/ 2762557/ 0733333140
Fax: 2731162
Email:securities@africanalliance.co.ke
Web: www.africanalliance.com

Renaissance Capital (Kenya) Ltd
Purshottam Place ,6th Floor, Westland , Chiromo Road,
P.O BOX 40560-00100
Tel: 3682000/3754422
Fax: 3632339
Email: info@rencap.com
Web: www.rencap.com

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Email: investmentbanking@kcb.co.ke
Web: kcb.co.ke

CBA Capital Limited
CBA Centre Mara Ragati Road Junction, Upper Hill,
P.O. Box 30437-00100
Tel: 0202884000/+254 20 2884000 / 365, 0711056365
Fax: 0202734616

Equity Investment Bank Limited
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