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Cytonn
INVESTMENTS

Cytonn Investments Management Limited & Subsidiaries
Consolidated Restated Annual Financial Statements
for the year ended December 31, 2016

General Information

Country of incorporation and domicile	Kenya
Governance board	Prof. Daniel N. Mugendi (Chairman) Antti-Jussi Ahveninen Madhav Bhalla James M. Maina Nasser Olwero Michael Owen Bristow Edwin H. Dande Elizabeth N. Nkukuu Patricia N. Wanjama Rose Kimotho
Registered office	3rd Floor, Liaison House State House Avenue P.O. Box 20695-00200 Nairobi
Bankers	Diamond Trust Bank Kenya Limited Lavington Curve Branch P.O. Box 61711-00200 Nairobi Standard Chartered Bank Limited Chiromo Branch P.O. Box 30003-00100 Nairobi Chase Bank Limited Riverside Branch P.O. Box 66015-00800 Nairobi
Independent auditor	Grant Thornton Certified Public Accountants (Kenya) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Secretary	Patricia Wanjama
Company registration number	CPR/2014/160492
Tax reference number	P051506458Z
Date of incorporation	September 12, 2014

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The reports and statements set out below comprise the consolidated restated annual financial statements presented to the shareholders:

Directors' Report

The directors have pleasure in submitting their report on the consolidated restated annual financial statements of the company (Cytonn Investments Management Limited) and the group (Cytonn Investments Management Limited and Subsidiaries) for the year ended December 31, 2016.

1. Nature of business

Cytonn Investments Management Limited & Subsidiaries is an investment entity incorporated in Kenya with interests in the real estate and technology industry.

The group is engaged in holding properties for capital appreciation, earning rental income, project management, developing software technologies and website design and operates principally in Kenya.

There have been no material changes to the nature of the group's business from the prior year.

2. Review of financial results and activities

The consolidated restated annual financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011. The accounting policies have been applied consistently compared to the prior year.

The group recorded an increase in their balance sheet, with total assets growing from Kshs 6,669,055,849 in 2015 to Kshs 11,834,725,776 in 2016. This was driven by an increase of 80.1% in investment property, from Kshs 5,580,228,113 in 2015 to Kshs 10,050,802,365 in 2016. Growth in the balance sheet, and primarily in investment property, represents Cytonn's investment strategy in real estate, through strategic joint venture partnerships and acquisition of prime land for development.

Cytonn's strategy in 2016 was one of growth across all four of the key pillars of the firm, which are People, Products, Processes and Distribution. The firm made heavy investments in growing, retaining and hiring the best talent, which resulted in staff numbers increasing over 3-times, as we look to serve our clients' best interest and provide the most attractive returns in the market to our investors. In terms of product, we invested heavily in our real estate development pipeline in a year when investment was subdued across the Kenyan economy; this investment being a representation of the long-term growth prospects of Kenya and East Africa, driven by sound macroeconomic fundamentals and positive demographics. Distribution was a key area of investment for the firm, as we look to expand across Kenya and the region. The above investments provide a platform for growth in the coming years, as we look to cement our position as the leading investment firm in Kenya and the region. Important to note is that the firm bore a one-off cost of Kshs 95,542,426 impairment charge from Imperial Bank Limited in order to exercise prudence towards investors and provide for any losses made. The investment in our strategic pillars resulted in operating costs increasing by Kshs 312,920,718 to Kshs 527,566,248 mn in 2016, from Kshs 214,645,530 mn in 2015.

Revenue for the firm increased by 186.2% from Kshs 185,704,917 in 2015 to Kshs 531,538,920 in 2016. For our real estate investment property, we recognized gains of Kshs 535,190,164 in 2016, and combined with the strong revenue growth, it is a highlight of the attractive investment opportunity in real estate in Kenya and the region. Given overall investment in our strategic pillars to support our real estate business, we recorded net profit after tax for the year ended December 31, 2016 of Kshs 116,050,748.

3. Dividends

The directors do not recommend payment of a dividend for the year ((2015: Nil).

4. Governance board

The directors in office at the date of this report are as follows:

Directors
Prof. Daniel N. Mugendi (Chairman)
Antti-Jussi Ahveninen
Madhav Bhalla
James M. Maina
Nasser Olwero
Michael Owen Bristow
Edwin H. Dande
Elizabeth N. Nkukuu
Patricia N. Wanjama
Rose Kimotho

Directors' Report

There have been no changes to the partners for the year under review.

5. Events after the reporting period

The directors are not aware of any material event which occurred after the reporting date and up to the date of this report.

6. Auditors

The partnership's Auditor, Messrs Grant Thornton, continue in office in accordance with the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011.

7. Relevant audit information

The directors in office at the date of this report confirm that;

a) There is no relevant audit information of which the partnership's auditor is unaware; and

b) Each of the directors has taken all the steps that they ought to taken as a partner so as to be aware of any relevant information and to establish that the partnership's auditor is aware of that information.

8. Approval of financial statements

The consolidated restated annual financial statements set out on pages 10 to 41 were approved at a meeting by the board on March 02, 2017, and were signed on its behalf by:

Director

Statement of Directors' Responsibilities on the Financial Statements

The directors are required in terms of the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated restated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated restated annual financial statements fairly present the state of affairs of the group as at the end of the financial year and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the group and the company. The external auditors are engaged to express an independent opinion on the consolidated restated annual financial statements.

The consolidated restated annual financial statements are prepared in accordance with International Financial Reporting Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The directors acknowledge that they are ultimately responsible for the system of internal financial control established by the group and place considerable importance on maintaining a strong control environment. To enable the directors to meet these responsibilities, appropriate standards for internal control aimed at reducing the risk of error or loss in a cost effective manner have been set. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the group and all employees are required to maintain the highest ethical standards in ensuring the group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group. While operating risk cannot be fully eliminated, the group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The directors are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the consolidated restated annual financial statements. They are, also, of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the group and the company and of its operating results as at December 31, 2016. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The directors have reviewed the group's cash flow forecast for the year to December 31, 2017 and, in the light of this review and the current financial position, they are satisfied that the group has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the group's consolidated restated annual financial statements. The consolidated restated annual financial statements have been examined by the group's external auditors and their report is presented on pages 6 to 8.The consolidated restated annual financial statements set out on pages 10 to 41, which have been prepared on the going concern basis, were approved by the board on March 02, 2017 and were signed on its behalf by:

Director	**Director**

Thursday, March 02, 2017

Independent Auditor's Report

To the shareholders of Cytonn Investments Management Limited & Subsidiaries

Report on the Audit of the Consolidated Annual Financial Statements

Opinion

We have audited the Consolidated Annual Financial Statements of Cytonn Investments Management Limited & Subsidiaries set out on pages 9 to 41, which comprise the Statement of Financial Position as at December 31, 2016, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the Consolidated Annual Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the Consolidated Annual Financial Statements present fairly, in all material respects, the financial position of Cytonn Investments Management Limited & Subsidiaries as at December 31, 2016, and its 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, 2015 and Limited Liability Partnership Act of 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Annual Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) in Kenya. We believe that the audit evidence have obtained is sufficient and appropriate to provide a basis for the opinion and we have fulfilled our ethical responsibilities in accordance with the IESBA code.

Going concern

The financial statements of the partnership have been prepared using the going concern basis of accounting. The use of this basis of accounting is appropriate unless the partners either intend to liquidate the company or cease operations, or has no realistic alternative but to do so. As part of our audit of the financial statements, we have concluded that the partner's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The partners have not identified a material uncertanty that may cast significant doubt on the company's ability to continue as a going concern, and accordingly none is disclosed in the financial statements of the company. Based on our audit of the finanical information of the company, we have not identified such a material uncertanty. However, neither management nor the auditor can guarantee the company's ability to continue as a going concern.

Other information

The directors are responsible for the other information. The other information comprises the Partners' Report as required by the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011 2015 which we obtained prior to the date of this report.

Our opinion on the Consolidated Annual Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Consolidated Annual Financial Statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Consolidated Annual Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

Responsibilities of the directors for the Consolidated Annual Financial Statements

The directors are responsible for the preparation and fair presentation of the Consolidated Annual Financial Statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011, and for such internal control as the directors determine is necessary to enable the preparation of Consolidated Annual Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Annual Financial Statements, the directors are responsible for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so. The partners are responsible for overseeing the partnership's finacial reporting process.

Auditor's responsibilities for the audit of the Consolidated Annual Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated Annual Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Annual Financial Statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Annual Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Annual Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the Consolidated Annual Financial Statements, including the disclosures, and whether the Consolidated Annual Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Grant Thornton

Independent Auditor's Report

Report on other legal and regulatory requirements

As required we report to you, based on our audit, that:

a) 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.

b) In our opinion proper books of accounts have been kept by the partnership, so far as appears from our examination of those books;

c) In our opinion, the financial information given in the partners' report for the year ended December 31, 2016 is consistent with the partnership's annual financial statements; and

d) The partnership's statement of financial position and statement of profit or loss and other comprehensive income are in agreement with the books of accounts.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA D. V. Shah - P/No. 1729.

Grant Thornton

Grant Thornton
Certified Public Accountants

Grant Thornton
Certified Public Accountants (Kenya)
Nairobi

C/117/1216/033/0317/AUD

02 MARCH 2017

Statement of Financial Position as at December 31, 2016

		Group		Company	
	Note(s)	2016 K Sh	Restated 2015 K Sh	2016 K Sh	Restated 2015 K Sh
Assets					
Non-Current Assets					
Property, plant and equipment	3	47,468,000	22,792,417	40,283,704	21,291,986
Investment property	4	10,050,802,365	5,580,228,113	-	-
Investments in subsidiaries	5	-	-	200,000	200,000
Investments in associates	6	145,331,420	145,871,600	10,196,420	10,736,600
Investments	9	338,662,326	86,560,000	338,662,326	86,560,000
		10,582,264,111	**5,835,452,130**	**389,342,450**	**118,788,586**
Current Assets					
Inventories	7	286,151,597	185,187,832	-	-
Trade and other receivables	8	261,242,690	96,113,791	122,182,228	129,248,232
Investments	9	641,139,056	528,304,889	-	30,236,572
Prepayments	10	219,964	3,312,051	-	-
Cash and cash equivalents	11	63,708,358	20,685,156	18,684,338	5,886,581
		1,252,461,665	**833,603,719**	**140,866,566**	**165,371,385**
Total Assets		**11,834,725,776**	**6,669,055,849**	**530,209,016**	**284,159,971**
Equity and Liabilities					
Equity					
Equity Attributable to Equity Holders of Parent					
Share capital	12	115,918,537	23,867,290	115,918,537	23,867,290
Accumulated profit (loss)		238,738,042	438,837,190	(398,461,016)	17,097,620
		354,656,579	462,704,480	(282,542,479)	40,964,910
Non-controlling interest		4,971,185,114	3,229,808,278	-	-
		5,325,841,693	**3,692,512,758**	**(282,542,479)**	**40,964,910**
Liabilities					
Non-Current Liabilities					
Land owner contribution	13	175,000,000	175,000,000	-	-
Borrowings	14	2,137,421,849	1,492,132,565	2,035,935	3,313,275
Other financial liabilities	15	3,173,277,684	518,262,377	573,008,923	86,954,875
		5,485,699,533	**2,185,394,942**	**575,044,858**	**90,268,150**
Current Liabilities					
Trade and other payables	16	630,468,158	188,103,310	218,584,479	82,999,161
Borrowings	14	333,655,911	445,938,749	1,228,297	1,029,160
Current tax payable	28	12,444,889	15,106,229	12,444,889	15,106,229
Unalloted share capital	17	5,448,972	53,792,361	5,448,972	53,792,361
Other liabilities	18	41,166,620	88,207,500	-	-
		1,023,184,550	**791,148,149**	**237,706,637**	**152,926,911**
Total Liabilities		**6,508,884,083**	**2,976,543,091**	**812,751,495**	**243,195,061**
Total Equity and Liabilities		**11,834,725,776**	**6,669,055,849**	**530,209,016**	**284,159,971**

The consolidated restated annual financial statements and the notes on pages 3 to 41, were approved by the board on the March 02, 2017 and were signed on its behalf by:

Director | **Director**

The accounting policies on pages 14 to 23 and the notes on pages 24 to 41 form an integral part of the consolidated restated annual financial statements.

Statement of Profit or Loss and Other Comprehensive Income

		Group		Company	
	Note(s)	2016 K Sh	Restated 2015 K Sh	2016 K Sh	Restated 2015 K Sh
Revenue	19	531,538,920	185,704,917	119,855,220	144,273,112
Cost of sales	20	(324,237,352)	(18,922,644)	-	-
Gross profit		**207,301,568**	**166,782,273**	**119,855,220**	**144,273,112**
Other income	21	46,391,656	59,064,923	4,257,631	2,389,125
Operating expenses	22	(527,566,248)	(214,645,530)	(277,252,842)	(113,061,388)
Impairment loss		(95,542,426)	-	(95,542,426)	-
Operating (loss) profit		**(369,415,450)**	**11,201,666**	**(248,682,417)**	**33,600,849**
Investment revenue	24	69,346,396	26,337,509	5,768,692	780,407
Fair value adjustments	25	535,190,164	664,037,902	(88,597,992)	2,335,637
Finance costs	26	(98,195,971)	(7,246,927)	(63,172,528)	(5,619,591)
Profit (loss) before taxation		**136,925,139**	**694,330,150**	**(394,684,245)**	**31,097,302**
Taxation	27	(20,874,391)	(13,999,682)	(20,874,391)	(13,999,682)
Profit (loss) for the year		**116,050,748**	**680,330,468**	**(415,558,636)**	**17,097,620**
Other comprehensive income		-	-	-	-
Total comprehensive income (loss) for the year		**116,050,748**	**680,330,468**	**(415,558,636)**	**17,097,620**
Profit (loss) attributable to:					
Owners of the parent		(200,099,148)	438,837,190	(415,558,636)	17,097,620
Non-controlling interest		316,149,896	241,493,278	-	-
		116,050,748	**680,330,468**	**(415,558,636)**	**17,097,620**
Total comprehensive income (loss) attributable to:					
Owners of the parent		(200,099,148)	438,837,190	(415,558,636)	17,097,620
Non-controlling interest		316,149,896	241,493,278	-	-
		116,050,748	**680,330,468**	**(415,558,636)**	**17,097,620**

The accounting policies on pages 14 to 23 and the notes on pages 24 to 41 form an integral part of the consolidated restated annual financial statements.

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Accumulated loss	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	K Sh	K Sh	K Sh	K Sh	K Sh	K Sh	K Sh
Group							
Profit for the year	-	-	-	438,837,190	438,837,190	241,493,278	680,330,468
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**438,837,190**	**438,837,190**	**241,493,278**	**680,330,468**
Issue of shares	8,400,000	15,467,290	23,867,290	-	23,867,290	-	23,867,290
Land owners contribution	-	-	-	-	-	2,988,315,000	2,988,315,000
Total contributions by and distributions to owners of company recognised directly in equity	**8,400,000**	**15,467,290**	**23,867,290**	-	**23,867,290**	**2,988,315,000**	**3,012,182,290**
Balance at January 01, 2016	**8,400,000**	**15,467,290**	**23,867,290**	**438,837,190**	**462,704,480**	**3,229,808,278**	**3,692,512,758**
Loss for the year	-	-	-	(200,099,148)	(200,099,148)	316,149,896	116,050,748
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive Loss for the year	-	-	-	**(200,099,148)**	**(200,099,148)**	**316,149,896**	**116,050,748**
Issue of shares	1,426,555	90,624,692	92,051,247	-	-	-	-
Land owner contribution	-	-	-	-	-	1,425,226,940	1,425,226,940
Total contributions by and distributions to owners of company recognised directly in equity	**1,426,555**	**90,624,692**	**92,051,247**	-	**92,051,247**	**1,425,226,940**	**1,517,278,187**
Balance at December 31, 2016	**9,826,555**	**106,091,982**	**115,918,537**	**238,738,042**	**354,656,579**	**4,971,185,114**	**5,325,841,693**
Note(s)	12	12	12				
Company							
Profit for the year	-	-	-	17,097,620	17,097,620	-	17,097,620
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	**17,097,620**	**17,097,620**	-	**17,097,620**
Issue of shares	8,400,000	15,467,290	23,867,290	-	23,867,290	-	23,867,290
Total contributions by and distributions to owners of company recognised directly in equity	**8,400,000**	**15,467,290**	**23,867,290**	-	**23,867,290**	-	**23,867,290**

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Accumulated loss	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	K Sh	K Sh	K Sh	K Sh	K Sh	K Sh	K Sh
Balance at January 01, 2016	**8,400,000**	**15,467,290**	**23,867,290**	**17,097,620**	**40,964,910**	**-**	**40,964,910**
Loss for the year	-	-	-	(415,558,636)	(415,558,636)	-	(415,558,636)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive Loss for the year	**-**	**-**	**-**	**(415,558,636)**	**(415,558,636)**	**-**	**(415,558,636)**
Issue of shares	1,426,555	90,624,692	92,051,247	-	92,051,247	-	92,051,247
Total contributions by and distributions to owners of company recognised directly in equity	**1,426,555**	**90,624,692**	**92,051,247**	**-**	**92,051,247**	**-**	**92,051,247**
Balance at December 31, 2016	**9,826,555**	**106,091,982**	**115,918,537**	**(398,461,016)**	**(282,542,479)**	**-**	**(282,542,479)**
Note(s)	12	12	12				

The accounting policies on pages 14 to 23 and the notes on pages 24 to 41 form an integral part of the consolidated restated annual financial statements.

The amount within non-controlling interest of K Sh 4,413,541,940 (2015: K Sh 2,988,315,000) relates to the land owners contribution in Mystic Plains LLP, Cytonn Investment Partners Nine LLP (Westlands) and Cytonn Investment Partners Five LLP (Ruiru). The partners in Mystic Plains LLP consist of The Mutua's Family, Cytonn Investments Management Limited, Cytonn Real Estate LLP (Referred to as Managing Partner) and Cytonn Investment Partners Four LLP as per the joint venture agreement dated 18th December, 2015. Majority of the control lies with Cytonn Group where Cytonn Group can take decisions on behalf of Mystic Plains LLP as per the joint venture agreement. The partners in Cytonn Investment Partners Nine LLP (Westlands) consist of Madhav Bhalla, Azim Taibjee, Piyush Mehta, Nanda Family, Cytonn Investments Management Limited, Cytonn Real Estate LLP (Referred to as Managing Partner) as per the joint venture agreement dated 23rd November, 2016. Majority of the control lies with Cytonn Group where Cytonn Group can take decisions on behalf of Cytonn Investment Partners Nine LLP (Westlands) as per the joint venture agreement. The partners in Cytonn Investment Partners Five LLP (Ruiru) consist of Muiruri Laban Limited, Cytonn Investments Management Limited, Cytonn Real Estate LLP (Referred to as Managing Partner) as per the joint venture agreement dated 8th September, 2016. Majority of the control lies with Cytonn Group where Cytonn Group can take decisions on behalf of Cytonn Investment Partners Five LLP (Ruiru) as per the joint venture agreement.

Included in the retained income above, is a fair value gain of K Sh 1,285,490,421 (2015: K Sh 661,702,265) in respect to investment property which is non-distributable.

Statement of Cash Flows

	Note(s)	Group 2016 K Sh	Group Restated 2015 K Sh	Company 2016 K Sh	Company Restated 2015 K Sh
Cash flows from operating activities					
Cash used in operations	29	(174,221,362)	(78,077,876)	(93,741,282)	(6,125,602)
Interest income	24	65,345,957	26,337,509	1,768,253	780,407
Finance costs	26	(98,195,971)	(7,246,927)	(63,172,528)	(5,619,591)
Tax (paid) received	28	(23,535,731)	1,106,547	(23,535,731)	1,106,547
Fair value adjustments	25	623,788,156	661,702,265	(88,597,992)	2,335,637
Net cash from operating activities		**393,181,049**	**603,821,518**	**(267,279,280)**	**(7,522,602)**
Cash flows from investing activities					
Purchase of property, plant and equipment	3	(39,482,560)	(30,023,239)	(31,234,320)	(27,814,606)
Sale of property, plant and equipment	3	58,803	-	58,803	-
Purchase of investment property	4	(4,470,574,252)	(5,580,228,113)	-	-
Movement in investments	9	(454,616,132)	(612,529,252)	(221,971,768)	(116,796,572)
Investment in associate	6	540,180	(146,071,600)	540,180	(10,936,600)
Dividends received		4,000,439	-	4,000,439	-
Net cash from investing activities		**(4,960,073,522)**	**(6,368,852,204)**	**(248,606,666)**	**(155,547,778)**
Cash flows from financing activities					
Proceeds on share issue	12	92,051,247	23,867,290	92,051,247	23,867,290
Proceeds from borrowings	14	533,006,446	1,938,071,314	-	4,342,435
Repayment of borrowings	14	-	-	(1,078,203)	-
Movement in unalloted share capital	17	(48,343,389)	53,792,361	(48,343,389)	53,792,361
Movement in other liabilities	18	(47,040,880)	88,207,500	-	-
Movement in other financial liabilities	15	2,655,015,307	518,262,377	486,054,048	86,954,875
Proceeds from partners	13	-	175,000,000	-	-
Movement in land owners contribution		1,425,226,944	2,988,515,000	-	-
Net cash from financing activities		**4,609,915,675**	**5,785,715,842**	**528,683,703**	**168,956,961**
Total cash movement for the year		**43,023,202**	**20,685,156**	**12,797,757**	**5,886,581**
Cash at the beginning of the year	11	20,685,156	-	5,886,581	-
Total cash at end of the year	11	**63,708,358**	**20,685,156**	**18,684,338**	**5,886,581**

The accounting policies on pages 14 to 23 and the notes on pages 24 to 41 form an integral part of the consolidated restated annual financial statements.

Accounting Policies

Corporate information

Cytonn Investments Management Limited & Subsidiaries is a private limited company incorporated and domiciled in Kenya.

For Kenyan Companies Act, 2015 reporting purposes, the balance sheet is represented in these consolidated and separate annual financial statements by the Statement of Financial Position and the profit and loss account by the Statement of Profit or Loss and Other Comprehensive Income.

1. Significant accounting policies

The principal accounting policies applied in the preparation of these consolidated and separate annual financial statements are set out below.

1.1 Basis of preparation

The consolidated and separate annual financial statements have been prepared on the going concern basis in accordance with, and in compliance with, International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations issued and effective at the time of preparing these consolidated restated annual financial statements and the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011.

The consolidated and separate annual financial statements have been prepared on the historic cost convention, unless otherwise stated in the accounting policies which follow and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings, which is the group and company's functional currency, and rounded off to the nearest Shilling.

These accounting policies are consistent with the previous period.

1.2 Consolidation

Basis of consolidation

The consolidated restated annual financial statements incorporate the consolidated restated annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated restated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated restated annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transactions are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Accounting Policies

1.2 Segmental reporting (continued)

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

1.3 Investments in subsidiaries

Investments in subsidiaries are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.4 Investments in associates

Investments in associates are carried at cost less any accumulated impairment losses. This excludes investments which are held for sale and are consequently accounted for in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

1.5 Significant judgements and sources of estimation uncertainty

The preparation of consolidated restated annual financial statements in conformity with IFRS requires management, from time to time, to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical judgements in applying accounting policies

Management did not make critical judgements in the application of accounting policies, apart from those involving estimations, which would significantly affect the financial statements.

Key sources of estimation uncertainty

Trade receivables

The group assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in profit or loss, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from the financial asset.

The impairment (or loss allowance) for trade receivables is calculated on a portfolio basis, except for individually significant trade receivables which are assessed separately. The impairment test on the portfolio is based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

Several assets and liabilities of the group are either measured at fair value or disclosure is made of their fair values.

A valuation committee was established in order to determine the appropriate valuation techniques and inputs for each valuation. Significant valuation issues are reported to the audit committee.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

Accounting Policies

1.5 Significant judgements and sources of estimation uncertainty (continued)

Impairment testing

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

Useful lives of property, plant and equipment

Management assess the appropriateness of the useful lives of property, plant and equipment at the end of each reporting period. The useful lives of motor vehicles, furniture and computer equipment are determined based on group replacement policies for the various assets. Individual assets within these classes, which have a significant carrying amount are assessed separately to consider whether replacement will be necessary outside of normal replacement parameters. The useful life of manufacturing equipment is assessed annually based on factors including wear and tear, technological obsolescence and usage requirements.

When the estimated useful life of an asset differs from previous estimates, the change is applied prospectively in the determination of the depreciation charge.

1.6 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of property, plant and equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the group, and the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of property, plant and equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the group and the cost can be measured reliably. Day to day servicing costs are included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Diminishing balance	12.5
Motor vehicles	Diminishing balance	25
IT equipment	Diminishing balance	33.33
Computer software	Diminishing balance	20

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each year is recognised in profit or loss unless it is included in the carrying amount of another asset.

Accounting Policies

1.6 Property, plant and equipment (continued)

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment, determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item, is included in profit or loss when the item is derecognised.

1.7 Investment property

Investment property is recognised as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Fair value

Subsequent to initial measurement investment property is measured at fair value.

A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1.8 Financial instruments

Classification

The group classifies financial assets and financial liabilities into the following categories:

- Financial assets at fair value through profit or loss - designated
- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through profit or loss, which shall not be classified out of the fair value through profit or loss category.

Initial recognition and measurement

Financial instruments are recognised initially when the group becomes a party to the contractual provisions of the instruments.

The group classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for equity investments for which a fair value is not determinable, which are measured at cost and are classified as available-for-sale financial assets.

For financial instruments which are not at fair value through profit or loss, transaction costs are included in the initial measurement of the instrument.

Transaction costs on financial instruments at fair value through profit or loss are recognised in profit or loss.

Regular way purchases of financial assets are accounted for at trade date.

1.8 Financial instruments (continued)

Subsequent measurement

Financial instruments at fair value through profit or loss are subsequently measured at fair value, with gains and losses arising from changes in fair value being included in profit or loss for the period.

Net gains or losses on the financial instruments at fair value through profit or loss dividends and interest.

Dividend income is recognised in profit or loss as part of other income when the group's right to receive payment is established.

Loans and receivables are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest method.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Fair value determination

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Accounting Policies

1.8 Financial instruments (continued)

Trade and other receivables

Trade and other receivables are classified as loans and receivables.

Trade and other payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. These are initially and subsequently recorded at fair value.

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.9 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:

- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

Accounting Policies

1.10 Impairment of assets

The group assesses at each end of the reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the group estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the group also:
- tests intangible assets with an indefinite useful life or intangible assets not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed during the annual period and at the same time every period.
- tests goodwill acquired in a business combination for impairment annually.

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use.

If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

An entity assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

1.11 Inventories

Inventories are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

When inventories are sold, the carrying amount of those inventories are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.12 Share capital and equity

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.13 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value can be estimated reliably.

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity, are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions which are not market related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

If the share based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

1.14 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.15 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Accounting Policies

1.15 Revenue (continued)

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

Interest is recognised, in profit or loss, using the effective interest rate method.

Dividends are recognised, in profit or loss, when the company's right to receive payment has been established.

Rental income is recognised on an accrual basis.

1.16 Cost of sales

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The related cost of providing services recognised as revenue in the current period is included in cost of sales.

1.17 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated restated annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated consolidated restated annual financial statements are presented in Kenyan Shilling which is the group functional and presentation currency.

Foreign currency transactions

A foreign currency transaction is recorded, on initial recognition in Kenyan Shillings, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

At the end of the reporting period:

- foreign currency monetary items are translated using the closing rate;
- non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous consolidated restated annual financial statements are recognised in profit or loss in the period in which they arise.

Cash flows arising from transactions in a foreign currency are recorded in Kenyan Shillings by applying to the foreign currency amount the exchange rate between the Kenyan Shilling and the foreign currency at the date of the cash flow.

Accounting Policies

1.18 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of that asset until such time as the asset is ready for its intended use. The amount of borrowing costs eligible for capitalisation is determined as follows:

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.
- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalised do not exceed the total borrowing costs incurred.

The capitalisation of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress.

Capitalisation is suspended during extended periods in which active development is interrupted.

Capitalisation ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

2. New Standards and Interpretations

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the group has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

Amendment to IFRS 7: Financial Instruments: Disclosures: Annual Improvements project

The amendment provides additional guidance regarding transfers with continuing involvement. Specifically, it provides that cash flows excludes cash collected which must be remitted to a transferee. It also provides that when an entity transfers a financial asset but retains the right to service the asset for a fee, that the entity should apply the existing guidance to consider whether it has continuing involvement in the asset.

The effective date of the group is for years beginning on or after January 01, 2016.

The group has adopted the amendment for the first time in the 2016 consolidated restated annual financial statements.

The impact of the amendment is not material.

Disclosure Initiative: Amendment to IAS 1: Presentation of Financial Statements

The amendment provides new requirements when an entity presents subtotals in addition to those required by IAS 1 in its consolidated restated annual financial statements. It also provides amended guidance concerning the order of presentation of the notes in the consolidated restated annual financial statements, as well as guidance for identifying which accounting policies should be included. It further clarifies that an entity's share of comprehensive income of an associate or joint venture under the equity method shall be presented separately into its share of items that a) will not be reclassified subsequently to profit or loss and b) that will be reclassified subsequently to profit or loss.

The effective date of the group is for years beginning on or after January 01, 2016.

The group has adopted the amendment for the first time in the 2016 consolidated restated annual financial statements.

The adoption of this amendment has not had a material impact on the results of the group, but has resulted in more disclosure than would have previously been provided in the consolidated restated annual financial statements.

2.2 Standards and Interpretations early adopted

The group has chosen to early adopt the following standards and interpretations:

Amendments to IFRS 15: Clarifications to IFRS 15 Revenue from Contracts with Customers

The amendment provides clarification and further guidance regarding certain issues in IFRS 15. These items include guidance in assessing whether promises to transfer goods or services are separately identifiable; guidance regarding agent versus principal considerations; and guidance regarding licenses and royalties.

The effective date of the amendment is for years beginning on or after January 01, 2018.

The adoption of this amendment is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated restated annual financial statements.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 Construction contracts; IAS 18 Revenue; IFRIC 13 Customer Loyalty Programmes; IFRIC 15 Agreements for the construction of Real Estate; IFRIC 18 Transfers of Assets from Customers and SIC 31 Revenue - Barter Transactions Involving Advertising Services.

2. New Standards and Interpretations (continued)

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:

- 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
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

The effective date of the standard is for years beginning on or after January 01, 2018.

The adoption of this standard is not expected to impact on the results of the group, but may result in more disclosure than is currently provided in the consolidated restated annual financial statements.

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the group's accounting periods beginning on or after January 01, 2017 or later periods but are not relevant to its operations:

IFRS 16 Leases

IFRS 16 Leases is a new standard which replaces IAS 17 Leases, and introduces a single lessee accounting model. The main changes arising from the issue of IFRS 16 which are likely to impact the group are as follows:

Group as lessee:

- Lessees are required to recognise a right-of-use asset and a lease liability for all leases, except short term leases or leases where the underlying asset has a low value, which are expensed on a straight line or other systematic basis.
- The cost of the right-of-use asset includes, where appropriate, the initial amount of the lease liability; lease payments made prior to commencement of the lease less incentives received; initial direct costs of the lessee; and an estimate for any provision for dismantling, restoration and removal related to the underlying asset.
- The lease liability takes into consideration, where appropriate, fixed and variable lease payments; residual value guarantees to be made by the lessee; exercise price of purchase options; and payments of penalties for terminating the lease.
- The right-of-use asset is subsequently measured on the cost model at cost less accumulated depreciation and impairment and adjusted for any re-measurement of the lease liability. However, right-of-use assets are measured at fair value when they meet the definition of investment property and all other investment property is accounted for on the fair value model. If a right-of-use asset relates to a class of property, plant and equipment which is measured on the revaluation model, then that right-of-use asset may be measured on the revaluation model.
- The lease liability is subsequently increased by interest, reduced by lease payments and re-measured for reassessments or modifications.
- Re-measurements of lease liabilities are affected against right-of-use assets, unless the assets have been reduced to nil, in which case further adjustments are recognised in profit or loss.
- The lease liability is re-measured by discounting revised payments at a revised rate when there is a change in the lease term or a change in the assessment of an option to purchase the underlying asset.
- The lease liability is re-measured by discounting revised lease payments at the original discount rate when there is a change in the amounts expected to be paid in a residual value guarantee or when there is a change in future payments because of a change in index or rate used to determine those payments.
- Certain lease modifications are accounted for as separate leases. When lease modifications which decrease the scope of the lease are not required to be accounted for as separate leases, then the lessee re-measures the lease liability by decreasing the carrying amount of the right of lease asset to reflect the full or partial termination of the lease. Any gain or loss relating to the full or partial termination of the lease is recognised in profit or loss. For all other lease modifications which are not required to be accounted for as separate leases, the lessee re-measures the lease liability by making a corresponding adjustment to the right-of-use asset.

2. New Standards and Interpretations (continued)

- Right-of-use assets and lease liabilities should be presented separately from other assets and liabilities. If not, then the line item in which they are included must be disclosed. This does not apply to right-of-use assets meeting the definition of investment property which must be presented within investment property. IFRS 16 contains different disclosure requirements compared to IAS 17 leases.

Group as lessor:

- Accounting for leases by lessors remains similar to the provisions of IAS 17 in that leases are classified as either finance leases or operating leases. Lease classification is reassessed only if there has been a modification.
- A modification is required to be accounted for as a separate lease if it both increases the scope of the lease by adding the right to use one or more underlying assets; and the increase in consideration is commensurate to the stand alone price of the increase in scope.
- If a finance lease is modified, and the modification would not qualify as a separate lease, but the lease would have been an operating lease if the modification was in effect from inception, then the modification is accounted for as a separate lease. In addition, the carrying amount of the underlying asset shall be measured as the net investment in the lease immediately before the effective date of the modification. IFRS 9 is applied to all other modifications not required to be treated as a separate lease.
- Modifications to operating leases are required to be accounted for as new leases from the effective date of the modification. Changes have also been made to the disclosure requirements of leases in the lessor's financial statements.

Sale and leaseback transactions:

- In the event of a sale and leaseback transaction, the requirements of IFRS 15 are applied to consider whether a performance obligation is satisfied to determine whether the transfer of the asset is accounted for as the sale of an asset.
- If the transfer meets the requirements to be recognised as a sale, the seller-lessee must measure the new right-of-use asset at the proportion of the previous carrying amount of the asset that relates to the right-of-use retained. The buyer-lessor accounts for the purchase by applying applicable standards and for the lease by applying IFRS 16
- If the fair value of consideration for the sale is not equal to the fair value of the asset, then IFRS 16 requires adjustments to be made to the sale proceeds. When the transfer of the asset is not a sale, then the seller-lessee continues to recognise the transferred asset and recognises a financial liability equal to the transfer proceeds. The buyer-lessor recognises a financial asset equal to the transfer proceeds.

The effective date of the standard is for years beginning on or after January 01, 2019.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations.

It is unlikely that the standard will have a material impact on the group's consolidated restated annual financial statements.

IFRS 9 Financial Instruments

IFRS 9 issued in November 2009 introduced new requirements for the classification and measurements of financial assets. IFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a)impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.

2. New Standards and Interpretations (continued)

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

The effective date of the standard is for years beginning on or after January 01, 2018.

The group does not envisage the adoption of the standard until such time as it becomes applicable to the group's operations.

The impact of this standard is currently being assessed.

Amendments to IAS 7: Disclosure initiative

The amendment requires entities to provide additional disclosures for changes in liabilities arising from financing activities. Specifically, entities are now required to provide disclosure of the following changes in liabilities arising from financing activities:

- changes from financing cash flows;
- changes arising from obtaining or losing control of subsidiaries or other businesses;
- the effect of changes in foreign exchanges;
- changes in fair values; and
- other changes.

The effective date of the amendment is for years beginning on or after January 01, 2017.

The group does not envisage the adoption of the amendment until such time as it becomes applicable to the group's operations.

The impact of this amendment is currently being assessed.

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

3. Property, plant and equipment

Group

	2016			2015		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	28,276,534	(5,025,314)	23,251,220	12,740,914	(1,703,711)	11,037,203
Motor vehicles	8,621,265	(3,843,452)	4,777,813	6,628,031	(1,881,926)	4,746,105
IT equipment	31,314,663	(12,844,366)	18,470,297	10,654,294	(3,645,185)	7,009,109
Computer software	1,210,838	(242,168)	968,670	-	-	-
Total	**69,423,300**	**(21,955,300)**	**47,468,000**	**30,023,239**	**(7,230,822)**	**22,792,417**

Company

	2016			2015		
	Cost or revaluation	Accumulated depreciation	Carrying value	Cost or revaluation	Accumulated depreciation	Carrying value
Furniture and fixtures	24,973,199	(4,597,850)	20,375,349	12,607,914	(1,687,086)	10,920,828
Motor vehicles	8,621,265	(3,843,452)	4,777,813	6,628,031	(1,881,926)	4,746,105
IT equipment	24,161,124	(9,999,252)	14,161,872	8,578,661	(2,953,608)	5,625,053
Computer software	1,210,838	(242,168)	968,670	-	-	-
Total	**58,966,426**	**(18,682,722)**	**40,283,704**	**27,814,606**	**(6,522,620)**	**21,291,986**

Reconciliation of property, plant and equipment - Group - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	11,037,203	15,535,620	-	(3,321,603)	23,251,220
Motor vehicles	4,746,105	1,993,234	-	(1,961,526)	4,777,813
IT equipment	7,009,109	20,742,868	(64,225)	(9,217,455)	18,470,297
Computer software	-	1,210,838	-	(242,168)	968,670
	22,792,417	**39,482,560**	**(64,225)**	**(14,742,752)**	**47,468,000**

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	12,740,914	(1,703,711)	11,037,203
Motor vehicles	-	6,628,031	(1,881,926)	4,746,105
IT equipment	-	10,654,294	(3,645,185)	7,009,109
	-	**30,023,239**	**(7,230,822)**	**22,792,417**

Reconciliation of property, plant and equipment - Company - 2016

	Opening balance	Additions	Disposals	Depreciation	Total
Furniture and fixtures	10,920,828	12,365,285	-	(2,910,764)	20,375,349
Motor vehicles	4,746,105	1,993,234	-	(1,961,526)	4,777,813
IT equipment	5,625,053	15,664,963	(64,225)	(7,063,919)	14,161,872
Computer software	-	1,210,838	-	(242,168)	968,670
	21,291,986	**31,234,320**	**(64,225)**	**(12,178,377)**	**40,283,704**

3. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	Additions	Depreciation	Total
Furniture and fixtures	-	12,607,914	(1,687,086)	10,920,828
Motor vehicles	-	6,628,031	(1,881,926)	4,746,105
IT equipment	-	8,578,661	(2,953,608)	5,625,053
	-	**27,814,606**	**(6,522,620)**	**21,291,986**

4. Investment property

Group	2016			2015		
	Cost / Valuation	Accumulated depreciation	Carrying value	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	10,050,802,365	-	10,050,802,365	5,580,228,113	-	5,580,228,113

Reconciliation of investment property - Group - 2016

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	5,580,228,113	4,457,175,045	(610,388,949)	623,788,156	10,050,802,365

Reconciliation of investment property - Group - 2015

	Opening balance	Additions	Transfers	Fair value adjustments	Total
Investment property	-	5,122,636,324	(204,110,476)	661,702,265	5,580,228,113

Fair value of investment properties	7,672,595,846	5,335,557,690	-	-

Borrowing costs capitalised

Borrowing costs capitalised to qualifying assets (Note 30)	642,360,223	144,646,491	-	-

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh
4. Investment property (continued)				
Details of property				
L.R. No. 10051 I.R. No. 16453/4 - Amara Ridge				
- Purchase price	175,000,000	175,000,000	-	-
- Fair value gain	22,500,000	37,500,000	-	-
- Development costs	347,934,063	138,198,799	-	-
- Transfer to inventories	(357,845,991)	(157,745,990)	-	-
	187,588,072	**192,952,809**	**-**	**-**
L.R. No. 965, 3972, 3973, 5188, 5202, 5203, 5907, 5908, 5917, 6016, 3357, 5230 - Alma				
- Purchase price	426,905,425	325,405,425	-	-
- Fair value gain	60,418,112	52,887,265	-	-
- Development cost	717,424,184	219,664,664	-	-
- Transfer to inventories	(252,542,958)	(46,364,486)	-	-
	952,204,763	**551,592,868**	**-**	**-**
L.R. No. 28223/3 - The Ridge				
- Purchase price:	915,750,000	-	-	-
- Fair value gain	71,650,000	-	-	-
- Capitalised expenditure	265,247,912	-	-	-
	1,252,647,912	**-**	**-**	**-**
L.R. No's 13208/2, 28055, 28056 - Athi River (Mystic)				
- Purchase price	3,123,450,000	3,123,450,000	-	-
- Fair value gain	640,665,000	357,315,000	-	-
- Capitalised expenditure	29,800,267	-	-	-
- Elimination on consolidaiton	(135,135,000)	(135,135,000)	-	-
	3,658,780,267	**3,345,630,000**	**-**	**-**
L.R. No. 5830/7 & 5954/2 - Situ				
- Purchase price	1,050,000,000	1,050,000,000	-	-
- Fair value gain	273,000,000	214,000,000	-	-
- Capitalised expenditure	634,714,244	226,052,436	-	-
	1,957,714,244	**1,490,052,436**	**-**	**-**
Kiambaa/Ruaka/520 - Taraji				
- Purchase price	190,400,000	-	-	-
- Fair value gain	24,880,000	-	-	-
- Capitalised expenditure	67,701,865	-	-	-
	282,981,865	**-**	**-**	**-**

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

4. Investment property (continued)

L.R. No. 209/75/4/3 - Westlands				
- Purchase price	143,000,000	-	-	-
- Fair value gain	42,377,309	-	-	-
- Capitalised expenditure	29,027,164	-	-	-
	214,404,473	-	-	-
L.R. No. 5910 - Ruiru				
- Purchase price	1,350,000,000	-	-	-
- Fair value gain	150,000,000	-	-	-
- Capitalised expenditure	43,758,677	-	-	-
	1,543,758,677	-	-	-
Kajiado/Olooloitikoshi/1992 - Rongai				
- Capitalised expenditure	722,092	-	-	-

Details of valuation

The effective date of the revaluations was Friday, December 23, 2016. Revaluations were performed by an independent valuer, Kenval Realtors (EA) Limited. Kenval Realtors (EA) Limited are not connected to the group and have recent experience in the location and category of the investment property being valued.

The valuation was based on open market value for existing use.

5. Interests in subsidiaries including consolidated structured entities

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Name of company	**Carrying amount 2016**	**Carrying amount 2015**
Cytonn Investment Partners Two LLP	100,000	100,000
Cytonn Investment Partners Technologies LLP	100,000	100,000
	200,000	200,000

6. Investments in associates

The following table lists all of the associates in the group:

Group

Name of company	**Carrying amount 2016**	**Carrying amount 2015**
Elective Africa Limited	10,196,420	10,736,600
Mystic Plains LLP	135,135,000	135,135,000
	145,331,420	145,871,600

Company

Name of company	**Carrying amount 2016**	**Carrying amount 2015**
Elective Africa Limited	10,196,420	10,736,600

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

6. Investments in associates (continued)

The following associates are material to the group:

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income	**Elective Africa Limited**		**Mystic Plains LLP**	
	2016	**2015**	**2016**	**2015**
Revenue	857,123	737,399	-	-
Other income and expenses	(1,836,843)	(2,378,743)	238,217,608	299,827,977
Loss before tax	(979,720)	(1,641,344)	238,217,608	299,827,977
Tax expense	293,916	488,803	-	-
Loss for the year	(685,804)	(1,152,541)	238,217,608	299,827,977
Total comprehensive income	(685,804)	(1,152,541)	238,217,608	299,827,977

Summarised Statement of Financial Position	**Elective Africa Limited**		**Mystic Plains LLP**	
	2016	**2015**	**2016**	**2015**
Assets				
Non-current	8,864,704	9,572,068	3,793,915,267	3,480,765,000
Current	5,355,819	6,029,752	-	1,323,241
Total assets	14,220,523	15,601,820	3,793,915,267	3,482,088,241
Liabilities				
Current	929,053	1,627,533	34,626,696	-
Total liabilities	929,053	1,627,533	34,626,696	-
Total net assets	13,291,470	13,974,287	3,759,288,571	3,482,088,241

The summarised information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the group and the associate.

7. Inventories

Work in progress	286,151,597	185,187,832	-	-

The above work in progress consists of land transferred from investment properties based on performance obligations.

8. Trade and other receivables

Trade receivables	49,769,792	11,248,657	-	10,918,772
Prepayments	59,151,339	-	-	-
Directors current account	3,049,859	10,809,683	3,049,859	10,809,683
Other receivables	100,911,249	61,353,365	21,622,812	12,477,338
Related party receivables (Note 30)	48,360,451	12,702,086	97,509,557	95,042,439
	261,242,690	**96,113,791**	**122,182,228**	**129,248,232**

In the opinion of the directors, the carrying amount of trade and other receivables approximate their fair value.

The carrying amounts of trade and other receivables are denominated in Kenya Shillings.

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

9. Investments

At fair value through profit or loss - designated				
Active strategy	338,662,326	86,560,000	338,662,326	86,560,000
Held to maturity				
Cytonn Cash Management Solutions LLP (Note 30)	641,139,056	528,304,889	-	30,236,572
Total other financial assets	**979,801,382**	**614,864,889**	**338,662,326**	**116,796,572**
Non-current assets				
At fair value through profit or loss - designated	338,662,326	86,560,000	338,662,326	86,560,000
Current assets				
Held to maturity	641,139,056	528,304,889	-	30,236,572
	979,801,382	**614,864,889**	**338,662,326**	**116,796,572**

Active Strategy - Equity investment fund set up to take advantage of the investment opportunities in Kenya's listed market space, based on the Equities recommendations.

10. Prepayments

Prepayments	219,964	3,312,051	-	-

In the opinion of the partners, the carrying amount of prepayments approximate their fair value.

The carrying amounts of prepayments are denominated in Kenya Shillings.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	18,881	2,939	18,881	2,939
Bank balances	63,689,477	20,682,217	18,665,457	5,883,642
	63,708,358	**20,685,156**	**18,684,338**	**5,886,581**

The carrying amounts of cash and cash equivalents are denominated in Kenya Shillings.

12. Share capital

Authorised				
150,000,000 Ordinary shares of 0.1/= each	15,000,000	15,000,000	15,000,000	15,000,000
Issued				
98,265,550 Ordinary shares of K Sh 0.1/= each (2015: 84,000,000 Ordinary shares of K Sh 0.1/= each)	9,826,555	8,400,000	9,826,555	8,400,000
Share premium	106,091,982	15,467,290	106,091,982	15,467,290
	115,918,537	**23,867,290**	**115,918,537**	**23,867,290**

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

13. Land owners contribution

Land owners contribution - Amara	175,000,000	175,000,000	-	-

In the opinion of the directors, the carrying amounts due to land owners approximate their fair value.

The carrying amounts of due to land owners are denominated in Kenya Shillings.

14. Borrowings

Held at amortised cost				
TT Africa - Loan (Amara)	332,427,614	444,909,589	-	-
Development Bank Limited - Loan	3,264,232	4,342,435	3,264,232	4,342,435
TT Africa - Loan (Situ)	2,135,385,914	1,488,819,290	-	-
	2,471,077,760	**1,938,071,314**	**3,264,232**	**4,342,435**

TT Africa - Loan (Amara): The loan from TT Africa has interest which shall be payable on any outstanding notes at a fixed rate of 18% per annum (Interest Rate) and be payable at the same time as the principle amount of the applicable Notes are repaid and/or converted. Interest shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the date of actual payment.

Development Bank Limited - Loan: A Chattel's mortgage in favour of Development Bank of Kenya Limited over the vehicle to be held over the duration of the credit facility.

TT Africa - Loan (Situ): Interest shall be payable on any outstanding Notes at a rate of 21% per annum for the first six months and 14% per annum if expressly extended by the Noteholder for a further 15 months and shall be payable at the same time as the principal amount of the applicable. Interest shall accrue daily at the interest rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the date of actual payment.

Non-current liabilities				
At amortised cost	2,137,421,849	1,492,132,565	2,035,935	3,313,275
Current liabilities				
At amortised cost	333,655,911	445,938,749	1,228,297	1,029,160
	2,471,077,760	**1,938,071,314**	**3,264,232**	**4,342,435**

15. Other financial liabilities

Cytonn Cash Management Solutions LLP - Loan (Note 30)	3,173,277,684	518,262,377	573,008,923	86,954,875

In the opinion of the directors, the carrying amount of other financial liabilities approximate their fair value.

The carrying amounts of other financial liabilities are denominated in Kenya Shillings.

16. Trade and other payables

Trade payables	50,167,144	117,263,796	12,607,733	10,083,674
Amounts receipts: Residual equity	-	-	50,000,000	50,000,000
Due to Elective Africa	-	5,736,600	-	5,736,600
Other payables	168,855,097	33,530,485	44,031,671	17,178,887
Advance receipts	303,063,934	31,572,429	3,271,128	-
Related party payables (Note 30)	108,381,983	-	108,673,947	-
	630,468,158	**188,103,310**	**218,584,479**	**82,999,161**

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

16. Trade and other payables (continued)

In the opinion of the directors, the carrying amount of trade and other payables approximate their fair value.

The carrying amounts of trade and other payables are denominated in Kenya Shillings.

17. Unalloted share capital

Unalloted share capital	5,448,972	53,792,361	5,448,972	53,792,361

18. Other liabilities

Balance payable on land purchase	41,166,620	88,207,500	-	-

The above liability is to be repaid on request.

In the opinion of the directors, the carrying amounts of other liabilities approximate their fair value.

The carrying amounts of other liabilities are denominated in Kenya Shillings.

19. Revenue

Sale of houses	317,853,118	16,530,000	-	-
Rendering of services	213,285,802	169,174,917	119,855,220	144,273,112
Rental Income	400,000	-	-	-
	531,538,920	**185,704,917**	**119,855,220**	**144,273,112**

20. Cost of sales

Sale of goods				
Development costs	324,237,352	18,922,644	-	-

21. Other income

Gain on exchange differences	72,466	1,938,693	39,603	1,889,125
Other income	40,899,424	56,626,230	-	-
Discount received	488	-	-	-
Forfeiture income	575,000	500,000	-	500,000
Miscellaneous income	721,530	-	95,280	-
Interest income: Staff loans	514,561	-	514,561	-
Bad debts recovered	3,608,187	-	3,608,187	-
	46,391,656	**59,064,923**	**4,257,631**	**2,389,125**

Other income represents the managing partners hurdle rate.

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

22. Operating expense

The following items are included within operating expenses:				
Advertising and marketing	86,559,349	20,230,074	21,262,492	17,082,078
Electricity and water	1,300,267	559,271	331,065	477,018
Auditors remuneration	6,076,351	3,944,804	2,250,000	1,835,820
Bank charges	953,893	728,182	465,541	586,644
Legal and professional fees	30,280,612	25,320,224	15,762,639	15,894,024
Office expenses	7,339,768	1,850,273	2,558,476	1,718,898
Site cleaning expenses	113,772	-	-	-
Commission paid	4,757,847	965,565	2,857,847	965,565
Entertainment	3,003,382	1,443,813	3,003,382	1,443,813
Depreciation	14,742,752	7,230,822	12,178,377	6,522,620
Donations	453,348	574,487	-	574,487
Employee costs (Note: 23)	231,738,664	57,506,363	154,362,163	35,435,273
Board and AGM expenses	6,824,484	853,025	6,824,484	853,025
ESOP expenses	5,663,318	3,860,000	5,663,318	3,860,000
Search fees	-	4,000	-	-
Research expenses	1,361,034	155,475	-	-
Residual expenses	-	4,301,280	-	-
Workshop fees	-	80,000	-	-
Managing partners hurdle rate	40,899,424	56,626,230	-	-
Fines and penalties	11,452,234	3,041,246	11,322,234	3,031,246
IT expenses	479,569	1,590	479,569	-
Insurance	2,352,792	4,113,434	1,736,601	4,113,434
Lease rentals on operating lease	14,989,357	5,645,092	5,030,465	5,301,510
Licences and permits	1,170,950	190,600	170,450	190,600
Motor vehicle expenses	2,646,619	1,042,616	1,761,694	1,040,366
Printing and stationery	8,180,694	3,122,810	5,395,820	3,059,638
Loss on exchange differences	8,868	7,350	-	-
Loss on disposal of assets	1,087,069	-	1,087,069	-
Repairs and maintenance	4,320,863	513,403	939,966	513,403
Secretarial fees	2,908,787	1,512,045	1,348,260	1,312,045
Security	1,191,129	197,500	-	-
Team building expenses	3,546,277	-	3,546,277	-
Subscriptions	483,610	-	-	-
Telephone and postage	11,905,725	3,851,662	8,210,431	3,775,302
Travelling and accomodation	18,773,440	5,172,294	8,704,222	3,474,579
	527,566,248	**214,645,530**	**277,252,842**	**113,061,388**

23. Employee costs

The following items are included within employee benefits expense:

Employee costs				
Salaries and wages	197,870,812	48,619,354	130,022,949	27,237,157
Staff meals and uniforms	19,106,143	5,230,986	12,453,020	5,087,058
Staff recruitment expenses	1,275,509	860,949	1,010,555	630,079
Staff training	3,435,515	2,293,210	2,558,905	1,979,115
Work permit fees	10,000	-	10,000	-
Medical expenses	5,481,882	501,864	4,023,631	501,864
Pension expense	2,381,940	-	2,106,240	-
Leave pay provision charge	2,176,863	-	2,176,863	-
	231,738,664	**57,506,363**	**154,362,163**	**35,435,273**

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh
24. Investment revenue				
Dividend revenue				
Dividend received	4,000,439	-	4,000,439	-
Interest revenue				
Interest income	65,345,957	26,337,509	1,768,253	780,407
	69,346,396	**26,337,509**	**5,768,692**	**780,407**
25. Fair value adjustments				
Investment property (Fair value model)	623,788,156	661,702,265	-	-
Investments	(88,597,992)	2,335,637	(88,597,992)	2,335,637
	535,190,164	**664,037,902**	**(88,597,992)**	**2,335,637**
26. Finance costs				
Interest on loan	92,563,095	5,315,255	57,539,652	3,687,919
Interest expense	5,632,876	1,931,672	5,632,876	1,931,672
	98,195,971	**7,246,927**	**63,172,528**	**5,619,591**
27. Taxation				
Major components of the tax expense				
Current				
Taxation	20,874,391	13,999,682	20,874,391	13,999,682
Reconciliation of the tax expense				
Reconciliation between accounting profit and tax expense.				
Accounting profit (loss)	136,925,139	694,330,150	(394,684,245)	31,097,302
Tax at the applicable tax rate of 30% (2015: 30%)	41,077,542	208,299,045	(118,405,274)	9,329,191
Tax effect of adjustments on taxable income				
Expenses not deductible for tax purposes	20,203,151	-	139,279,665	4,459,125
Income not subject to tax	-	(222,298,727)	-	-
	61,280,693	**(13,999,682)**	**20,874,391**	**13,788,316**
28. Tax (paid) refunded				
Balance at beginning of the year	(15,106,229)	-	(15,106,229)	-
Current tax for the year recognised in profit or loss	(20,874,391)	(13,999,682)	(20,874,391)	(13,999,682)
Balance at end of the year	12,444,889	15,106,229	12,444,889	15,106,229
	(23,535,731)	**1,106,547**	**(23,535,731)**	**1,106,547**

Notes to the Consolidated Restated Annual Financial Statements

29. Cash used in operations

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh
Profit (loss) before taxation	136,925,139	694,330,150	(394,684,245)	31,097,302
Adjustments for:				
Depreciation	14,742,752	7,230,822	12,178,377	6,522,620
Loss on sale of assets	1,087,069	-	1,087,069	-
Dividends received	(4,000,439)	-	(4,000,439)	-
Interest received	(65,345,957)	(26,337,509)	(1,768,253)	(780,407)
Finance costs	98,195,971	7,246,927	63,172,528	5,619,591
Fair value adjustments	(535,190,164)	(664,037,902)	88,597,992	(2,335,637)
Changes in working capital:				
Inventories	(100,963,765)	(185,187,832)	-	-
Trade and other receivables	(165,128,899)	(96,113,791)	6,090,369	(129,248,232)
Prepayments	3,092,087	(3,312,051)	-	-
Trade and other payables	442,364,844	188,103,310	135,585,320	82,999,161
	(174,221,362)	**(78,077,876)**	**(93,741,282)**	**(6,125,602)**

30. Related parties

Relationships

Related party balances

	Group 2016 K Sh	Group 2015 K Sh	Company 2016 K Sh	Company 2015 K Sh
Other financial liabilities - Owing to related parties				
Cytonn Cash Management Solutions LLP	3,173,277,684	518,262,377	573,008,923	86,954,875
Amounts included in Trade receivable regarding related parties				
Cytonn Investment Partners Four LLP	-	-	13,238	60,200
Cytonn Partner Eight LLP	-	-	384,100	76,300
Cytonn Investment Partners One LLP	-	-	9,112,736	248,420
Cytonn Investment Partners Three LLP	-	-	66,636	1,768,975
Cytonn Investment Partners Technologies LLP	-	-	19,489,678	3,532,703
Cytonn Diaspora Limited LLC	28,664,205	12,448,459	20,815,308	12,448,459
Cytonn Investment Partners Two LLP	-	-	17,316,102	17,635,014
Cytonn Integrated Project LLP	-	-	8,886,898	59,272,367
Cytonn Project Notes	2,498,700	-	2,498,700	-
Cytonn Investment Partners Eleven LLP	-	-	2,334,566	-
Cytonn Investment Partners Ten LLP	-	-	1,930,074	-
Cytonn Assets Managers Ltd	171,000	-	171,000	-
Mystic Plains LLP	-	-	102,702	-
Cytonn Investment Partners Nine LLP	-	-	55,000	-
Cytonn Properties LLP	95,000	-	50,000	-
Cytonn Investments Cooperative Society	20,000	-	20,000	-
Cytonn Investment Partners Seven LLP	-	-	12,644	-
Cytonn Investment Partners Twelve LLP	40,000	-	5,000	-
Cytonn Investments Management LLC	175,202	-	-	-
Hurlinghum	290,000	-	-	-
Cytonn investment Partners Six LLP - Annex	184,957	-	184,957	-
Cytonn Investments Partners Thirteen LLP	45,000	-	-	-
Cytonn Cash Management Solutions LLP	16,176,387	1,152,960	14,060,218	-

Notes to the Consolidated Restated Annual Financial Statements

	Group		Company	
	2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh
30. Related parties (continued)				
Amounts included in other payable regarding related parties				
Cytonn Cash Management Solutions LLP	108,064,851	-	108,064,851	-
Cytonn Foundation	35,000	-	35,000	-
Cytonn Investments Management LLC	282,132	-	282,132	-
Cytonn Integrated Project LLP	-	-	574,096	-

31. Risk management

Capital risk management

The group's objectives when managing capital are to safeguard the group'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.

The capital structure of the group consists cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

There are no externally imposed capital requirements.

Financial risk management

The group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

Liquidity risk

The group's risk to liquidity is a result of the funds available to cover future commitments. The group manages liquidity risk through an ongoing review of future commitments and credit facilities.

Group

At December 31, 2016	**Less than 1 year**	**Between 1 and 2 years**
Borrowings	333,655,911	2,137,421,849
Other financial liabilities	-	3,173,277,684
Other liabilities	41,166,620	-
Trade and other payables	630,468,158	-

At December 31, 2015	**Less than 1 year**	**Between 1 and 2 years**
Borrowings	445,938,749	1,492,132,565
Other financial liabilities	-	518,262,377
Other liabilities	88,207,500	-
Trade and other payables	188,103,310	-

31. Risk management (continued)

Company

At December 31, 2016	Less than 1 year	Between 1 and 2 years
Borrowings	1,228,297	2,035,935
Other financial liabilities	-	573,008,923
Other liabilities	20,838,560	-
Trade and other payables	218,584,479	-

At December 31, 2015	Less than 1 year	Between 1 and 2 years
Borrowings	1,029,160	-
Other financial liabilities	-	86,954,875
Other liabilities	4,294,264	-
Trade and other payables	82,999,161	-

Interest rate risk

As the group has no significant interest-bearing assets, the group's income and operating cash flows are substantially independent of changes in market interest rates.

The group's interest rate risk arises from long-term borrowings.

Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The company only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

Financial instrument	Group - 2016	Group - 2015	Company - 2016	Company - 2015
Trade and other receivables	261,242,690	96,113,791	122,182,228	129,248,232
Investments	641,139,056	528,304,889	-	30,236,572
Prepayments	219,964	3,312,051	-	-
Cash and cash equivalents	63,708,358	20,685,156	18,684,338	5,886,581

Foreign exchange risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the UK pound. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

The group reviews its foreign currency exposure, including commitments on an ongoing basis. The company expects its foreign exchange contracts to hedge foreign exchange exposure.

32. Fair value information

Fair value hierarchy

The table below analyses assets and liabilities carried at fair value. The different levels are defined as follows:

Level 1: Quoted unadjusted prices in active markets for identical assets or liabilities that the group can access at measurement date.

Level 2: Inputs other than quoted prices included in level 1 that are observable for the asset or liability either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Notes to the Consolidated Restated Annual Financial Statements

		Group		Company	
		2016 K Sh	2015 K Sh	2016 K Sh	2015 K Sh

32. Fair value information (continued)

Levels of fair value measurements

Level 1

Recurring fair value measurements

	Note(s)	Group 2016 K Sh	Group 2015 K Sh	Company 2016 K Sh	Company 2015 K Sh
Assets					
Investment property	4				
Investment properties		6,979,878,646	5,248,657,690	-	-
Financial assets designated at fair value through profit or loss	9				
Active strategy		338,662,326	86,560,000	338,662,326	86,560,000
Total		**7,318,540,972**	**5,248,657,690**	**338,662,326**	**-**

33. Prior period adjustments

The comparative figures in the financial statements for Mystic Plains LLP and Cytonn Investment Partners Three (Amara) have been adjusted.

The correction results in adjustments as follows:

	Group 2016 K Sh	Group 2015 K Sh	Company 2016 K Sh	Company 2015 K Sh
Statement of Financial Position				
Net decrease in Investment property	(40,896,706)	(40,896,706)	-	-
Net increase in inventories	91,161,706	91,161,706	-	-
Net increase in investments	86,560,000	86,560,000	86,560,000	86,560,000
Net increase in bank balances	-	-	975,637	975,637
Net increase in opening retained earnings	54,665,196	-	(271,078)	-
Net increase in other financial liabilities	86,954,875	86,954,875	86,954,875	86,954,875
Profit or Loss				
Net increase in fair value adjustment	-	52,600,637	-	2,335,637
Increase in interest expense	-	2,064,559	-	2,064,559

34. Comparative figures

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.