CYTONN PROPERTIES LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

Partners	Cytonn Real Estates LLP Cytonn Investments Management PLC Johnson Denge
Registered Office	3rd Floor, Liaison House State House Avenue P.O Box 20695-00200 Nairobi
Principal Bankers	Diamond Trust Bank Kenya Limited Lavington Curve Branch P.O Box 61711-00200 Nairobi
Independent Auditor	Parker Randall Eastern Africa Certified Public Accountants Galleria Business Park, Block 2(A) P.O. Box 25426 – 00100 Nairobi.
Statutory Manager	Patricia N. Wanjama

The Partners submit their report and the audited financial statements for the year ended 31 December 2020 which show the state of affairs of the partnership.

1. Incorporation and registered office

The partnership was incorporated as a limited liability partnership on 25 October 2016 with registration number LLP/2016/97 domiciled in Kenya. The address of the registered office is set out on page 1.

2. Principal activities

The principal activity of the partnership is marketing of residential and commercial properties for rent or sale, property management of commercial and residential properties and industrial facilities management.

3. Business review of financial results and activities

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standard and the requirements of the Limited Liability Partnership Act of 2011. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 1.

The partnership recorded a net profit for the year ended 31 December 2020 of Kshs 5,874,862. This represented an increase of 155% from the net profit for the prior year of Kshs 2,303,417

Partnership cash flows from operating activities decreased by 192% from Kshs 9,806,136 in the prior year to Kshs (9,061,674) for the year ended 31 December 2020.

4. Statement as to disclosure to the partnership's auditor

With respect to each person who is a partner on the day that this report was approved:

- there is, so far as the person is aware, no relevant audit information of which the partnership's auditors are unaware; and
- the person has taken all the steps that ought to have taken as a partner to be aware of any relevant audit information and to establish that partnership's auditors are aware of that information

5. Terms of appointment of the auditors

Parker Randall Eastern Africa were appointed in office in December 2020 and continue in office in accordance with the partnership's Articles of Association and the Limited Liability Partnership Act, 2011.

The partners monitor the effectiveness, objectivity and independence of the auditor.

The partners also approve the annual audit engagement contract which sets out the terms of the auditor's appointment and the related fees.

6. Approval of financial statements

The annual report and financial statements set out on pages 8 to 23, which have been prepared on the going concern basis, were approved and were signed on its behalf by;

By Order of the partners;

....
Partner
Nairobi

23/12/.....**2021**

The Limited Liability Partnerships Act of 2011 requires the Partners to prepare financial statements for each financial year that give a true and fair view of the financial position of the partnership as at the end of the financial year and of its profit or loss for that year. It also requires the Partners to ensure that the partnership maintains proper accounting records that are sufficient to show and explain the transactions of the partnership and disclose, with reasonable accuracy, the financial position of the partnership. The Partners are also responsible for safeguarding the assets of the partnership, and for taking reasonable steps for the prevention and detection of fraud and errors.

The Partners accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Limited Liability Partnerships Act of 2011. They also accept responsibility for:

i) designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;

ii) selecting suitable accounting policies and applying them consistently; and

iii) making accounting estimates and judgments that are reasonable in the circumstances.

The Partners have indicated their intention to continue providing the necessary financial support that may be required to enable the partnership meet its financial obligations as and when they fall due. In view of this, the Partners consider it appropriate to prepare the financial statements on a going concern basis.

The Partners acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

The financial statements set out on pages 8 to 23 were approved by the Partners on 23/12/2021 and were signed on their behalf by:

....	....
Partner (Representing Cytonn Real Estate LLP)	**Partner (Representing Cytonn Investments Management PLC)**

**REPORT OF THE INDEPENDENT AUDITOR
TO THE PARTNERS OF CYTONN PROPERTIES LLP
FOR THE YEAR ENDED 31 DECEMBER 2020**

Opinion

We have audited the accompanying financial statements of Cytonn Properties LLP as set out on pages 8 to 23, which comprise the statement of financial position as at 31 December 2020; statement of comprehensive income, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects a true and fair view of the financial position of Cytonn Properties LLP as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Limited Liability Partnership Act of 2011.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs).

Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the partnership in accordance with the *International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in Kenya, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The partners are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

The partners are responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon.

Partners' responsibility for the financial statements

The Partners are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards and the requirements of the Limited Liability Partnership Act, 2011 and for such internal control as the Partners determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Partners are responsible for assessing the partnership'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 Partners either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 ISAs 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 financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 controls 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 partnership's internal controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's 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 partnership'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 financial statements or, if such disclosures are inadequate, to modify our opinion.

Auditor's responsibilities for the audit of the financial statements (continued)

- Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the partnership to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the partnership to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with the partners 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.

We also provide the partners with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the partners, we determine those matters that were of most significance in the audit of the partnership's financial statements of the current period and are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Parker Randall Eastern Africa

Certified Public Accountants
Nairobi

20/1/2022
Date

CPA Victor Majani, Practicing certificate No. 1546
Signing partner responsible for the independent audit

	Notes	2020 Kshs	2019 Kshs
Revenue	2	6,672,685	2,432,726
Other income	3	135,238	355,602
Operating expenses	4	(932,962)	(484,911)
Profit for the year		**5,874,861**	**2,303,417**

The notes set out on pages 12 to 23 form an integral part of the financial statements.

CYTONN PROPERTIES LLP
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kshs	2019 Kshs
CURRENT ASSETS			
Cash and cash equivalents	5	2,298,413	8,601,390
Short term investments - CMMF	6	234,851	2,993,548
Trade and other receivables	7	22,423,125	3,551,498
		24,956,389	15,146,436
TOTAL ASSETS		**24,956,389**	**15,146,436**
EQUITY AND LIABILITIES			
Retained earnings		9,352,003	3,477,142
CURRENT LIABILITIES			
Trade and other payables	8	15,604,386	11,669,294
TOTAL EQUITY AND LIABILITIES		**24,956,389**	**15,146,436**

The financial statements on pages 8 to 23 were approved by the Partners on ...23/12/...2021 and signed on its behalf by:

....
Partner
Cytonn Investment Management PLC

....
Partner
Cytonn Real Estate LLP

The notes set out on pages 12 to 23 form an integral part of the financial statements.

	Retained earnings Kshs
As at 1 January 2019	1,173,725
Profit for the year	2,303,417
As at 31 December 2019	**3,477,142**
As at 1 January 2020	3,477,142
Profit for the year	5,874,861
As at 31 December 2020	**9,352,003**

The notes set out on pages 12 to 23 forms an integral part of the financial statements

CASH FLOWS FROM OPERATING ACTIVITIES	Notes	2020 Kshs	2019 Kshs
Profit before taxation		5,874,862	2,303,417
Expected Credit Loss		174,503	126,621
Changes in working capital:			
Trade and other receivables	7	(18,871,627)	(2,033,765)
Trade and other payable	8	3,760,588	9,409,863
Net Cash (used in)/from operating activities		**(9,061,674)**	**9,806,136**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cytonn Money Market Fund Investment	6	2,758,697	(2,993,548)
Net Cash from/(used in) investing activities		**2,758,697**	**(2,993,548)**
Net cash and cash equivalents for the year		(6,302,976)	6,812,588
At the start of year		8,601,389	1,788,801
At end of the year	**5**	**2,298,413**	**8,601,390**

The notes set out on pages 12 to 23 form an integral part of the financial statements.

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The financial statements are prepared on historical cost basis in accordance with the International Financial Reporting Standards and the Limited Liability Partnership Act of 2011.

The financial statements have been prepared under the historical cost basis. The financial statements are presented in Kenya Shillings (Kshs) rounded to nearest shilling. These accounting policies are consistent with the previous period.

1.2 Significant judgments and sources of estimation uncertainty

The preparation of annual report and financial statements in conformity with IFRS requires management, from time to time, to make judgments, 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 recognized in the period in which the estimates are revised and in any future periods affected.

Critical judgments in applying accounting policies

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

Key sources of estimation uncertainty

Impairment testing

The partnership 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 determines 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.

1. Summary significant accounting policies (continued)

1.3 Financial instruments

Financial instruments held by the partnership are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the partnership, as applicable, are as follows:

Financial assets which are debt instruments:

- Amortized cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows);

Financial liabilities:

- Amortized cost.

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

The specific accounting policies for the classification, recognition and measurement of each type of financial instrument held by the partnership are presented below:

<u>Trade and other receivables</u>

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortized cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the partnership's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

Trade and other receivables are recognized when the partnership becomes a party to the contractual provisions of the receivables. They are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortized cost.

The amortized cost is the amount recognized on the receivable initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

1 Summary significant accounting policies (continued)

1.3 Financial instruments

Impairment
The partnership recognizes a loss allowance for expected credit losses on trade and other receivables, excluding VAT and prepayments. The amount of expected credit losses is updated at each reporting date.

The partnership measures the loss allowance for trade and other receivables at an amount equal to lifetime expected credit losses (lifetime ECL), which represents the expected credit losses that will result from all possible default events over the expected life of the receivable.

Measurement and recognition of expected credit losses
The partnership makes use of a provision matrix as a practical expedient to the determination of expected credit losses on trade and other receivables. The provision matrix is based on historic credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current and forecast direction of conditions at the reporting date, including the time value of money, where appropriate.

An impairment gains or loss is recognized in profit or loss with a corresponding adjustment to the carrying amount of trade and other receivables, through use of a loss allowance account. The impairment loss is included in operating expenses in profit or loss as a movement in credit loss allowance.

Write off policy
The partnership writes off a receivable when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Receivables written off may still be subject to enforcement activities under the partnership recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognized in profit or loss.

Credit risk
Details of credit risk are included in the trade and other receivables note and the financial instruments and risk management note.

Derecognition
Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition.

Trade and other payables

Classification
Trade and other payables, excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

1 Summary significant accounting policies (continued)

1.3 Financial instruments (continued)

Trade and other payables (continued)

Recognition and measurement
They are recognized when the partnership becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.

They are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Trade and other payables expose the partnership to liquidity risk and possibly to interest rate risk.

Derecognition
Refer to the "derecognition" section of the accounting policy for the policies and processes related to derecognition.

Cash and cash equivalents
Cash and cash equivalents are stated at carrying amount which is deemed to be fair value.

Derecognition

Financial assets
The partnership derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party.

If the partnership neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the partnership recognizes its retained interest in the asset and an associated liability for amounts it may have to pay.

If the partnership retains substantially all the risks and rewards of ownership of a transferred financial asset, the partnership continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

1 Summary significant accounting policies (continued)

1.3 Financial instrument (continued)

Financial liabilities

The partnership derecognizes financial liabilities when, and only when, the partnership obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss

Reclassification

Financial assets

The partnership only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

Financial liabilities

Financial liabilities are not reclassified.

1.4 Impairment of assets

The partnership 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 partnership estimates the recoverable amount of the asset. Irrespective of whether there is any indication of impairment, the partnership 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 amortization is recognized immediately in profit or loss. Any impairment loss of a revalued asset is treated as a revaluation decrease.

1 Summary significant accounting policies (continued)

1.4 Impairment of assets (continued)

An entity assesses at each reporting date whether there is any indication that an impairment loss recognized 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 recognized for the asset in prior periods.

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

1.5 Revenue from contracts with customers

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The partnership recognizes revenue when it transfers control of a product or service to a customer.

Rental income from operating leases is recognized on a straight-line basis over the period of the lease.

		2020	2019
2	**Revenue**	**Kshs**	**Kshs**
	Rental management fees	6,672,585	1,232,726
	Project management fees	-	1,200,000
		6,672,585	2,432,726

3	**Other income**		
	Interest income (note 6)	135,238	355,602
		135,238	355,602

4	**Operating expenses**		
	Board expenses	327,671	-
	Repairs and Maintenance	222,400	127,600
	Expected Credit Loss	174,503	126,621
	Audit fees	150,000	174,000
	Bank charges	58,388	40,040
	Rental commissions	-	16,650
		932,962	484,911

5	**Cash and cash equivalents**		
	Bank balance	2,298,413	8,601,390

Cash and cash equivalents above are accounted for at amortized cost in accordance with the accounting policies.

6	**Short term investments**		
	Short term investments – CMMF	234,851	2,993,548

The partnership has made investments in Cytonn Money Market Fund at the prevailing interest rates.

7 Trade and other receivables

Receivables are amounts due from investments and sales in the ordinary course of business. If collection is expected in one year or less, they are accounted for as current assets. If not, they are non-current assets.

Receivables are recognized initially at fair value and subsequently recognized at amortized cost, less any provision for impairment.

	2020	2019
	Kshs	Kshs
Trade receivables- related parties (note 9)	11,220,741	3,441,161
Trade receivables	11,070,902	-
Other receivables	92,224	92,224
Tax receivables	39,258	18,113
	22,423,125	3,551,498

Increase in receivables were occasioned by non- income investments. Rather, the movement was cash out to related parties, with the biggest portion going to Cytonn Investments Management PLC.

Exposure to credit risk

Trade receivables inherently expose the partnership to credit risk, being the risk that the partnership will incur financial loss if customers fail to make payments as they fall due.

There have been no significant changes in the credit risk management policies and processes since the prior reporting period. The partnership's historical credit loss experience does not show significantly different loss patterns for different customer segments. The provision for credit losses is therefore based on past due status without disaggregating into further risk profiles.

8 Trade and other payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Payables are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Other payables are recognized at their nominal value.

Trade payables	10,304,894	9,611,447
Related party payables	3,402,984	485,570
Other payables	1,445,384	1,445,656
Provision for expected credit loss	301,124	126,621
Accrued expenses	150,000	-
	15,604,386	11,669,294

The fair value of trade and other payables approximates their carrying amounts.

9 Related party transactions

	2020 Kshs	2019 Kshs
Amounts due from related parties		
Amara Management Company (Amara Man Co)	-	1,846,841
Cytonn Investments Partners Eleven LLP	-	644,503
Cytonn Investments Management Ltd	10,420,616	654,037
Cytonn Investment Partners Five LLP	137,500	137,500
Cytonn Investment Partners Eighteen LLP	4,170	117,480
Alma Apartments Management Company Limited	-	40,800
Cytonn Investment Partners Twenty LLP	600,000	-
Cytonn Investment Partners Ten LLP	47,000	-
	11,209,286	3,441,161
Amount due to related parties		
Cytonn Integrated Project LLP	2,102,984	-
Cytonn High Yield Solutions LLP	1,300,000	-
Cytonn Investment Partners Three LLP	-	485,570
	3,402,984	485,570
Short term investment		
Short term investments – CMMF	234,851	2,993,548

Cytonn Properties LLP is related to the above companies and partnerships by virtue of common control.

10 Other financial liabilities

Other financial liabilities- CHYS	-	-

Other financial liabilities- CHYS has been reclassified to related party payables for CHYS.

11 Financial instruments and risk management

Introduction

The partnership's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the partnership's business, and the operational risks are an inevitable consequence of being in business. The partnership's aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risk include:

- Credit risk;
- Liquidity risk; and
- Market risk (interest rate risk).

The partners have overall responsibility for the establishment and oversight of the partnership's risk management framework. The board has established the risk committee, which is responsible for developing and monitoring the partnership's risk management policies. The committee reports quarterly to the partners on its activities.

The partnership's risk management policies are established to identify and analyses the risks faced by the partnership, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the partnership's activities.

Credit risk

Credit risk is the risk of financial loss to the partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The partnership is exposed to credit risk on trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.
Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

The maximum exposure to credit risk is presented in the table below:

	Gross Carrying Amount	**Credit loss Allowance**	**Amortized cost /fair Value**
	Kshs	**Kshs**	**Kshs**
Trade and other receivables	18,340,838	153,325	18,187,513
Short Term Investments	234,851	1,963	232,888
Cash and cash equivalent	2,298,413	19,214	2,279,199
	20,874,102	**174,503**	**20,699,600**

11 Financial instruments and risk management (continued)

Liquidity risk

The partnership is exposed to liquidity risk, which is the risk that the partnership will encounter difficulties in meeting its obligations as they become due.

The partnership manages its liquidity risk by effectively managing its working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long and short-term borrowings. Committed borrowing facilities are available for meeting liquidity requirements and deposits are held at central banking institutions.

There have been no significant changes in the liquidity risk management policies and processes since the prior reporting period.

The maturity profile of contractual cash flows of non-derivative financial liabilities, and financial assets held to mitigate the risk, are presented in the following table. The cash flows are undiscounted contractual amounts.

	Less than 1 year
2020	**Kshs**
Current Liabilities	
Trade and other payables	14,129,882
2019	
Current Liabilities	
Trade and other payables	11,669,294

12 Capital risk management

The partnership's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the partnership's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximize stakeholder returns sustainably.

The partnership manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the partnership may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

13 Comparatives

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

14 Commitments

There were no commitments during the year ended 31 December 2020.

15 Contingencies

There were no contingencies during the year ended 31 December 2020.

16 Events after the reporting period

The outbreak of Covid-19 (Corona virus disease) in March 2020 resulted in disruption of business activity globally and created market volatility. The estimates and judgments applied to determine the financial position as at 31st December 2020, most specifically as they relate to calculation of impairment of trade and other receivables, were based on a range of forecasted economic conditions as at that date. Currently, the pandemic has not affected the operations of the company but management is closely monitoring the situation.