REAL ESTATE
PROJECT NOTES

CYTONN REAL ESTATE PROJECT NOTES LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

Partners	Cytonn Real Estate LLP Cytonn Investments Management PLC
Registered Office	6th Floor, the Chancery Valley Road P.O Box 20695-00200 Nairobi
Principal Bankers	SBM Bank (Kenya) Limited Riverside Mews Riverside Drive Nairobi P.O Box 34886-00100 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 together with the audited annual report and financial statements for the year ended 31 December 2020 which shows the state of affairs of the partnership

1. Incorporation and registered office

The partnership was incorporated on 16 September 2016 under the Limited Liability Partnership Act of 2011 as a Limited Liability Partnership, and is domiciled in Kenya. The address of the registered office is set out on page 1.

2. Principal activities

The principal activities of the partnership are investing in Cytonn's real estate projects through real estate backed notes. The partnership operates principally in Kenya.

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

3. Business review of financial results and activities

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards 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.

Full details of the financial position, results of operations and cash flows of the partnership are set out on these annual report and financial statements.

4. Statement of disclosure to the partnership's auditors

With respect to each person who is a partner on the day that this report is 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 he/she ought to have taken as a partner to be aware of any relevant audit information and to establish that the partnership's auditors are aware of that information

5. Terms of appointment of the auditors

Parker Randall Eastern Africa continues in office in accordance with the partnership's Articles of Association and the Limited Liability Partnership Act of 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 9 to 30 which have been prepared on the going concern basis, were approved by the partners on ..13/11/2021...... and were signed on its behalf by;

By Order of the partners;

....

Partner
Nairobi

12th Nov.......**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 company 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 company maintains proper accounting records that are sufficient to show and explain the transactions of the company and disclose, with reasonable accuracy, the financial position of the company. The Partners are also responsible for safeguarding the assets of the company, 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:

a. 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;

b. selecting suitable accounting policies and applying them consistently; and

c. 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 company 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 9 to 30 were approved by the Partners on ..12/11/..........2021 and were signed on their behalf by:

....	....
Partner	**Partner**
Cytonn Real Estate LLP	**Cytonn Investments Management PLC**

REPORT OF THE INDEPENDENT AUDITOR
TO THE PARTNERS OF CYTONN REAL ESTATE PROJECT NOTES LLP
FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

We have audited the financial statements of Cytonn Real Estate Project Notes LLP as set out on pages 9 to 30, 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 show a true and fair view in all material respects of the state of the financial affairs of Cytonn Real Estate Project Notes LLP and of its results and 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 firm 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

Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. The Partners are responsible for the other information. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

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 company 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 company'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 company's ability to continue as a going concern.

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

- 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. 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 company 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.

The signing partner responsible for the independent audit was CPA Victor Majani Practising Certificate No. 1546.

....

CPA Victor Majani

On behalf of;

....

Certified Public Accountants (Kenya)
Nairobi.
......12/11/......**2021**

	Notes	2020 Kshs	2019 Kshs
Interest income	2	546,036,504	380,032,402
Interest expense	3	(727,993,176)	(454,713,705)
Net loss		**(181,956,673)**	**(74,681,302)**
Other operating gain/(losses)	4	280,714	(490,526)
Operating expenses	5	(12,790,784)	(9,779,481)
Total Operating Loss for the year		**(194,466,743)**	**(84,951,310)**

The notes set out on pages 13 to 30 form an integral part of the financial statements.

	Notes	2020 Kshs	2019 Kshs
ASSETS			
Investment in financial instruments	8	3,269,188,723	3,218,696,106
Trade and other receivables	6	664,328,751	236,105,668
Cash and cash equivalents	7	265,538	3,275,597
		3,933,783,012	3,458,077,371
TOTAL ASSETS		**3,933,783,012**	**3,458,077,371**
LIABILITIES			
NON-CURRENT LIABILITIES			
Noteholders in Cytonn Real Estate Project Notes LLP	10	3,717,180,655	3,351,316,491
CURRENT LIABILITIES			
Trade and other payables	9	216,602,357	106,760,880
TOTAL LIABILITIES		**3,933,783,012**	**3,458,077,371**

The financial statements on pages 9 to 30 were approved by the Partners on 12/11/2021 and signed on its behalf by:

....	....
Partner	**Partner**
Cytonn Real Estate LLP	**Cytonn Investments Management PLC**

The notes set out on pages 13 to 30 form an integral part of the financial statements.

	Retained Income Kshs	Total Equity Kshs
Year ended 31 December 2020		
Loss for the year	(194,466,743)	(194,466,743)
Transfer to principal partner	(194,466,743)	(194,466,743)
Total contributions by and distributions to owners of company recognized directly in equity	194,466,743	194,466,743
Balance as at 31 December 2020	-	-
Year ended 31 December 2019		
Loss for the year	(84,951,310)	(84,951,310)
Transfer to principal partner	84,951,310	84,951,310
Total contributions by and distributions to owners of company recognized directly in equity	84,951,310	84,951,310
Balance as at 31 December 2020	-	-

The notes set out on pages 13 to 30 form an integral part of the financial statements.

	Notes	2020 Kshs	2019 Kshs
Cash flows from operating activities			
Loss before taxation		(194,466,743)	(84,951,310)
Transfer to principal partner		194,466,743	84,951,310
Changes in working capital:			
Trade and other receivables	6	(428,223,083)	(155,414,715)
Trade and other payables	9	109,841,476	(57,641,587)
Net cash used in operating activities		**(318,381,607)**	**(97,773,128)**
Cash flows from investing activities			
Sale of investments at fair value	8	(3,269,188,722)	(3,218,696,106)
Sale of financial assets	8	3,218,696,106	1,464,146,271
Net cash used in investing activities		**(50,492,617)**	**(1,754,549,835)**
Cash flows from financing activities			
Proceeds of noteholders in Cytonn Project Notes LLP	10	365,864,165	1,849,382,163
Total cash and cash equivalents movement for the year		(3,005,498)	(2,940,801)
Cash and cash equivalents at start of year		3,275,597	6,216,397
Cash and cash equivalents at year end	7	**265,538**	**3,275,597**

The notes set out on pages 13 to 30 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 judgements 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 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 recognized 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

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 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.

1. Summary of 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); or

- Designated at fair value through profit or loss. (This classification option can only be applied when it estimates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortized cost;

Note 12 on financial instruments and risk management presents the financial instruments held by the partnership based on their specific classifications.

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.

1. Summary of Significant accounting policies (continued)

1.3 Financial Instruments (continued)

Trade and other receivables (continued)

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.

Application of the effective interest rate method

For receivables which contain a significant financing component, interest income is calculated using the effective interest method, and is included in profit or loss in investment income (note 2).

The application of the effective interest method to calculate interest income on trade receivables is dependent on the credit risk of the receivables as follows:

- The effective interest rate is applied to the gross carrying amount of the receivable, provided the receivable is not credit impaired. The gross carrying amount is the amortised cost before adjusting for a loss allowance

- If a receivable is a purchased or originated as credit-impaired, then a credit-adjusted effective interest rate is applied to the amortised cost in the determination of interest. This treatment does not change over the life of the receivable, even if it is no longer credit-impaired.

- If a receivable was not purchased or originally credit-impaired, but it has subsequently become credit-impaired, then the effective interest rate is applied to the amortised cost of the receivable in the determination of interest. If, in subsequent periods, the receivable is no longer credit-impaired, then the interest calculation reverts to applying the effective interest rate to the gross carrying amount.

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.

1. Summary of Significant accounting policies (continued)

1.3 Financial Instruments (continued)

Credit risk
Details of credit risk are included in the trade and other receivables note (note 6) and the financial instruments and risk management note (note 12).

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

Borrowings and loans from related parties

Classification
Noteholders in Cytonn Project Notes LLP (note 10) are classified as financial liabilities.

Recognition and measurement
Borrowings and loans from related parties are recognized when the partnership becomes a party to the contractual provisions of the loan. The loans 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.

Interest expense, calculated on the effective interest rate method, is included in profit or loss in finance costs (note 3).

Borrowings expose the partnership to liquidity risk and interest rate risk. Refer to note 12 for details of risk exposure and management thereof.

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

Trade and other payables (continued)

Classification
Trade and other payables (note 9), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

1. Summary of Significant accounting policies (continued)

1.3Financial 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. Refer to note 12 for details of risk exposure and management thereof.

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

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 of Significant accounting policies (continued)

1.3 Financial Instruments (continued)

Derecognition (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 Provisions and contingences

Provisions are recognized when;

- The partnership has a present obligation as a result of a past event
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- A reliable estimate can be made of the obligation.

The amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

Contingent assets and contingent liabilities are not recognized.

1.5 Revenue other than 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.

Interest income is recognized on a time proportion basis using the effective interest method.

1. Summary of Significant accounting policies (continued)

1.6 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 tangible 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.

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. Summary of Significant accounting policies (continued)

1.7 New and amended standards adopted by the organisation

A number of new and revised standards and interpretations have been adopted in the current year. Their adoption has had no material impact on the amounts reported in these financial statements. They include the following:

- Amendments to IFRS 3 Business Combinations - Definition of a Business – The amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1st January 2020 and to asset acquisitions that occur on or after the beginning of that period. They clarify the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

- Amendments to IAS 1 and IAS 8 - Definition of Material – Clarify the definition of material and how it should be applied by including in the definition guidance that previously featured elsewhere in IFRS. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendment is applicable to annual periods beginning on or after 1 January 2020

- Amendments to the Conceptual Framework in IFRS Standards' - effective for annual periods beginning on or after 1 January 2020.

	2020	2019
	Kshs	Kshs
2 Interest income		
Interest income from Cytonn High Yield Solutions LLP	32,432,152	100,611,849
Investment revenue	513,604,352	279,420,554
	546,036,504	380,032,402
3 Interest expense		
Interest expense	727,993,176	454,713,705
4 Other operating (gains)		
Penalty Income	294,703	-
Net foreign exchange gain	(8,264)	(9,140)
Net foreign exchange loss	22,253	499,666
	280,714	490,526
5 Operating expenses		
IFRS 9 Provisions	10,907,698	8,376,747
Consulting and professional fees	-	747,980
Auditors' remuneration	642,500	642,500
Bank charges	1,228,196	12,254
Custody fees	12,390	-
	12,790,784	9,779,481

6 Trade and Other Receivables

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

Financial instruments	2020 Kshs	2019 Kshs
Amounts receivable from related parties (note 11)	187,746,539	60,143,447
Other receivables	282,115,469	91,010,911
Transfer of total loss for the year to principal partner-CIM	194,466,743	84,951,310
	664,328,751	236,105,668

6 Trade and Other Receivables

Categorization of trade and other receivables

Trade and other receivables are categorized as follows in accordance with IFRS 9: Financial instruments.

	2020	2019
	Kshs	Kshs
At amortised cost	664,328,751	236,105,668

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

7 Cash and cash equivalents

Cash and cash equivalents consist of:	2020	2019
	Kshs	Kshs
Bank Balances	270,099	3,280,518
IFRS 9 Provision	(4,561)	(4,921)
	265,538	3,275,597

Exposure to currency risk

Refer to note 12 Financial Instruments and risk management for details of currency risk management for cash and cash equivalents

8 Investments in financial instruments at amortised costs

Investments held by the partnership which are measured at fair value, excluding derivatives, and debt instruments measured at fair value, through other comprehensive income are as follows;

Investments	3,288,180,282	3,226,977,582
Less provision	(18,991,558)	(8,281,476)
Net Debt investments at amortised cost	3,269,188,724	3,218,696,106

Designated at amortised costs

Investments in Cytonn High Yield Solutions LLP	171,123,745	611,974,436
Asset backed notes	3,098,064,979	2,606,721,670
	3,269,188,724	3,218,696,106

Split between non-current and current portions

Non-Current Assets	3,098,064,979	2,606,721,669
Current Assets	171,123,745	611,974,436
	3,269,188,724	3,218,696,106

8 Investments in financial instruments at amortised costs (continued)

2020	Opening balance Kshs	New Loans Kshs	Net interest accrued Kshs	Interest Received Kshs	Principal repayments Kshs	Impairment Kshs	Closing Balance Kshs
Fixed term investments	611,974,435	71,530,486	27,567,328	(310,458,001)	(229,090,281)	(400,223)	171,123,744
Bank fixed deposits	-	-	-	-	-	-	-
Asset backed notes	2,606,721,670	1,169,159,633	436,563,700	(111,451)	(1,095,677,237)	(18,591,336)	3,098,064,979
	3,218,696,105	1,240,690,119	464,131,028	(310,569,452)	(1,324,767,518)	(18,991,558)	3,269,188,723

2019							
Fixed term investments	66,840,209	1,426,195,911	85,520,071	(78,967,913)	(886,686,229)	(927,614)	611,974,436
Bank fixed deposits	29,954,482	69,000,000	558,671	(558,671)	(98,954,482)	-	-
Asset backed notes	1,367,351,579	1,026,636,305	236,948,799	(9,722,058)	(7,139,093)	(7,353,862)	2,606,721,669
	1,464,146,270	2,521,832,216	323,027,541	(89,248,641)	(992,779,805)	(8,281,476)	3,218,696,105

8 Investments in financial instruments at amortised costs (continued)

Risk exposure

The investments held by the partnership expose it to various risks, including credit risks, interest rate risks, and price risks.

Refer to note 12 Financial Instruments and Risk management for details of risk exposure and the processes and policies adopted to mitigate these risks

Asset backed notes:

Cytonn Integrated Project (The Alma)

The Alma is a unique comprehensive lifestyle development in Ruaka sitting on a 4.67 acres of land. The development encompasses 477 units with nine blocks of apartments spanning over four phases. Phase one, two and three, which boast of an occupancy rate of 98%, 78% and 10% respectively, were handed over in July 2019, October 2020 and December 2020 respectively. The development also has daycare facility, shopping facilities, laundromat services, a recreational platform consisting of a swimming pool, gym, steam and sauna facilities and elevated garden accessible to all residents.

Cytonn Investments Partners Ten LLP (Taraji Heights)

Taraji Heights is a unique comprehensive lifestyle development including a retail center, a recreational platform consisting of a swimming pool, gym, club house, lush greenery and playing fields accessible to all residents. The development sits on 2.8 acres, in Ruaka, Kiambu County, about 2km from the Ruaka town center encompassing 288 units with 4 blocks of apartments. Currently, the development has been halted pending the completion of the Alma.

Cytonn Investments Partners Eleven LLP (The Ridge)

The Ridge is a comprehensive and luxurious mixed use development located in Ridgeways, Nairobi approximately 10 km from the CBD, 300m from the junction of Kiambu Rd and the Northern Bypass. The Ridge, 5 minutes' drive from the Two Rivers Mall, the biggest shopping mall in East Africa, less than 10 minutes' to Windsor Golf Club and 15 minutes' from UNEP headquarters in Gigiri. The Project sits on 9.9 acres of land and touches the Northern Bypass. The development comprises of residential and commercial spaces. The development encompasses 708 units with 8 blocks of apartments spanning over four Phases. • The residential development consists of 1, 2, 3 bedroom apartments, 3 bedroom plus DSQ and 3 bedroom plus studio apartments. There are also terraced options for all the typologies. In addition, there are penthouses that occupy the topmost floor. Currently, the development has been halted pending the completion of the Alma

Cytonn Invetments Partners Five LLP (Riverrun)

A master planned development located in Ruiru, Kiambu town, approximately 2km off Ruiru-Kamiti road. The development sits on 100-acre piece of land and will comprise of the following precincts: Residential - Townhouses and low rise apartments, Commercial - Convenience stores and a school, and a Recreational Centre - a hotel and play areas with multiple green spaces. • The area is currently undergoing infrastructural improvement where the construction of the access road is ongoing and we expect this to enhance accessibility into the area thus attract public transport services, and plans are in place for the construction of the Ruiru Sewerage Network, which is expected to support the development activities in the area.

8 Investments in financial instruments at amortised costs (continued)

Cytonn Investments Partners Eighteen LLP (Applewood)
Applewood is a sophisticated residential development on a 10.4-acre parcel of land in Miotoni. The development shall comprise of luxurious 5-bedroom villas with two architectural designs options: Classical and Contemporary. The project is currently being sold as services plots due to lack of funding, but with strict adherence to the development's theme.

Cytonn High Yield Solutions LLP
This is a wealth management services entity where investments have been made to earn interest.

9 Trade and Other Payables

	2020 Kshs	2019 Kshs
Financial instruments		
Other payables	215,317,357	106,118,380
Accrued expenses	1,285,000	642,500
	216,602,357	106,760,880

Exposure to liquidity risks
Refer to note 12 Financial Instruments and financial risk management for details of liquidity risk exposure and management.

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

10 Noteholders in Cytonn Real Estate Project Notes LLP

	2020 Kshs	2019 Kshs
Partners Fund	3,717,180,655	3,351,316,491

In early 2020, the fund registered a significant increase in the amount of withdrawals and a markedly low inflow from the projects as a result of the outbreak of the Covid-19 pandemic. Due to this imbalance between outflows and inflows, the Principal Partner, Cytonn Investments Management Plc., extended maturity by one year, from June 2020 to June 2021 to give the fund sufficient time to liquidate assets and fund the growing maturities.

Reconciliation of Partners Fund - 2020

Opening Balance Kshs	New Investments Kshs	Net Interest Accrued Kshs	Withdrawals Kshs	Total Kshs
3,351,316,491	901,362,396	618,794,200	(1,154,292,432)	3,717,180,655

2019

1,501,934,328	1,209,805,191	386,506,649	(678,635,786)	3,351,316,491

11 Related party transactions	2020 Kshs	2019 Kshs
Cytonn High Yield Solutions LLP	171,523,967	612,902,050
Cytonn Partners Ten LLP – Taraji	1,630,403,152	1,413,510,063
Cytonn Partners Five LLP- Riverrun	111,949,072	98,143,826
Cytonn Integrated Projects- The Alma	130,388,451	184,259,989
Cytonn Investments Partners Eleven LLP- The Ridge	784,837,876	555,128,878
Cytonn LLP 18- Applewood	459,077,763	363,032,776
	3,288,180,281	3,226,977,582
Amount receivable from related parties		
Cytonn Investments Management PLC	137,815,452	45,034,674
Cytonn Diaspora	50,124,141	15,199,124
IFRS 9 Provision	(193,054)	(90,351)
	187,746,539	60,143,447
Interest received from related parties		
Cytonn High Yield Solutions LLP	32,432,152	100,611,849

Cytonn Real Estate Project Notes LLP is related to the above companies by virtue of common control.

12 Financial instruments and risk management

Financial risk management

Overview

The partnership is exposed to the following risks from its use of financial instruments:

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

The board of directors has 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 board of directors 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.

12 Financial instruments and risk management (continued)

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:

2020	Gross Carrying Amount Kshs	Credit Loss Allowance Kshs	Amortized cost/fair value Kshs
Investments at fair value	3,288,180,281	(18,991,558)	3,269,188,723
Trade and other receivables	470,055,062	(193,054)	469,862,008
Cash and cash equivalents	270,099	(4,561)	265,538
	3,758,505,442	(19,189,173)	3,739,316,269
2019			
Investments at amortized cost	3,226,977,581	(8,281,476)	3,218,696,105
Trade and other receivables	151,244,709	(90,351)	151,154,358
Cash and cash equivalents	3,280,518	(4,921)	3,275,597
	3,381,502,808	(8,376,747)	3,373,126,061

Amounts are presented at amortized cost or fair value depending on the accounting treatment of the item presented.

The gross carrying amount is equal to the fair value because the credit loss allowance does not reduce the carrying amount.

The credit loss allowance is only shown for disclosure purposes. Debt instruments at fair value through profit or loss do not include a loss allowance. The fair value is therefore equal to the gross carrying amount.

12 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 partnership has employed various tools for liquidity risk management such as;

Persistency of the Partners Funds:
We draw attention to the fact that as at 31 December 2020 the partnership had an excess of current liabilities over current assets of Kshs 171,523,967. The Partnership tracks persistency, which is used in determining the asset allocation for the fund and hence lengthening the duration of the partnership investment. Persistency measures the percentage of the partners' funds that were sticky during the period and therefore could be deployed towards medium term high yielding investment for the benefit of the investment partners. As at 31 December 2020, the persistency stood at 41%.

Effective liquidity risk management is critical for continued operations of Cytonn Real Estate Project Notes LLP. In addition to stress testing that guides the principal partner in the allocation of the CPN funds into medium term high yielding investments, liquidity is also addressed through various other comprehensive avenues and strategies. These include investments in more liquid assets, such as quoted investments in the financial services within Sub Saharan Africa region.

The principal partner has also enhanced sales collections from real estate through establishment of real estate sales administration function that will be in charge of collecting the receivable from the real estate sales. This coupled with great progress made in most of our projects will enhance collections for projects, which in turn will enable the projects pay their obligations to Cytonn Real Estate Project Notes LLP when they fall due.

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.

2020

Current Liabilities	**Notes**	**Less than 1 year**
Trade and other payables	9	216,602,357

2019	**Notes**	**Less than 1 year**
Current liabilities		
Trade and other payables	9	106,760,880

12 Financial instruments and risk management (continued)

Foreign currency risk
The partnership is exposed to foreign currency risk as a result of certain transactions and borrowings which are denominated in foreign currencies. Exchange rate exposures are managed within approved policy parameters utilizing foreign forward exchange contracts where necessary. The foreign currencies into which the partnership deals primarily are US Dollars.

The partnership has certain investments in foreign operations, whose net assets are exposed to foreign currency transaction risk. Currency exposure arising from the net assets of the partnership's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

There have been no significant changes in the foreign currency risk management profile and processes since the prior reporting period.

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 stakeholders 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 amounts of dividends paid to the shareholders, return capital to the shareholders, 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 Effect of Covid 19 to the fund

In 2020, The COVID-19 pandemic severely affected the economy, particularly the real estate sector where we primarily deploy the pooled funds from Cytonn Real Estate Project Notes (CPN).

- First, the reduction of labor force and disruption of supply chains, which translated to longer development periods, including reduced construction activities by developers.

- Secondly, little to no collections due to the intermittent activity at the Lands Registry, slowing down our sub-lease registration efforts. This means that banks and mortgage buyers were not releasing mortgage funding.

- Thirdly, slowdown in collections from those who purchased off-plan real estate on installment plans, further deepening the liquidity crisis.

Due to the aforementioned challenges, Cytonn Real Estate, just like all other real estate companies globally approached their financier, CPN for moratorium during the pandemic. As a result, the total inflows to the Fund declined by more than 75%, impacting on its ability to fund the growing maturities. With the outbreak of Covid-19 pandemic, negative publicity and growing number of court cases, the Fund's inflow sharply reduced and could not match the pending maturities.

Unfortunately, the situation worsened after the end of the 12 months. The number of court cases, where some investors were seeking to be compensated ahead of others, including filings for liquidation of the company had increased., which would have resulted in forced sale values for the funds at nearly a third of their current market prices. Negative publicity in both main stream and social media intensified, as a result of the growing number of court cases against the fund and the lack of liquidity. Asset sales also failed to materialize as was expected due to the tough Covid-19 induced economic environment.

17 Events after the reporting period

In June 29, 2021, the Principal Partner called for an extra ordinary meeting (EGM), where investors deliberated on various restructuring strategies to unlock liquidity. In the EGM, investors urged the board to, among other things, work on the most suitable restructuring option that would unlock liquidity and preserve the value of the assets where the funds are invested.

In July 11, 2021, the Principal Partner approved a voluntary administration as an avenue of giving the funds a moratorium to enable restructuring and a systematic liquidation of the underlying assets to the benefit of the investors. Administration would provide a conducive working environment through which suitable restructuring plans would be laid out and executed without interference of the court cases.

On October 7, 2021, the court appointed Mr. Kereto Marima, a licensed insolvency practitioner as the administrator of the Fund. Therefore, effective the date of the appointment, the Administrator will oversee the operations of the Fund and work on a plan on how to monetize the assets and repay the maturities, in consultation with investors.