CYTONN INVESTMENTS PARTNERS TWENTY LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

CONTENTS

Partners	Edwin H. Dande (In trust for Cytonn Investments Management PLC) Cytonn Investments Management PLC
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 Russell Eastern Africa LLP Certified Public Accountants Karengata Park, Marula Lane, Karen 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 2022 which shows the state of affairs of the partnership.

1. Incorporation and registered office

The partnership was incorporated on 20 February 2017 under Limited Liability Partnership Act 2011 as a Limited Liability Partnership, and is domiciled in Kenya. The address of the registered off ice is set out on page 1.

2. Principal activity

The principal activities of the partnership are holding property for capital appreciation, earning rental yield and providing restaurant and accommodation services in the development known as Cysuites.

3. Business review of financial results and activities

The annual report and financial statements have been prepared in accordance with the 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.

The partnership recorded a net loss for the year ended 31 December 2022 of Kshs (29,509,286). This represented a decrease of 41% from the net loss of the prior year of Kshs (50,201,452).

Partnership cash flows used in operating activities increased by 539% from Kshs (9,976,072) in the prior year to cash inflow of Kshs 43,792,130 for the year ended 31 December 2022.

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 he /she 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 auditor

Parker Russell Eastern Africa LLP continue 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 the financial statements

The annual report and financial statements set out on pages 8 to 31, which have been prepared on the going concern basis, were approved by the partners on .... and were signed on its behalf by;

By Order of the partners;

....
Partner
Nairobi

.... / 2024

The Limited Liability Partnership Act 2011 require the partners to prepare annual 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 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 other irregularities.

The partners accept responsibility for the preparation and presentation of these annual report and financial statements in accordance with the International Financial Reporting Standards and in the manner required by Limited Liability Partnership Act 2011. They also accept responsibility for;

- 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;

- selecting suitable accounting policies and applying them consistently; and

- 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 31 were approved by the Partners on ...05/09......2024 and were signed on their behalf by:

....	....
Partner	**Partner**
Edwin H. Dande - In trust for Cytonn Investment Management PLC	**Cytonn Investments Management PLC**

**REPORT OF THE INDEPENDENT AUDITOR
TO THE MANAGEMENT OF CYTONN INVESTMENT PARTNERS TWENTY LLP
FOR THE YEAR ENDED 31 DECEMBER 2022**

Opinion

We have audited the accompanying financial statements of Cytonn Investments Partners Twenty LLP set out on pages 8 to 31, which comprise the statement of financial position as at 31 December 2022, the statement of profit or loss and statements of changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion the accompanying financial statements give a true and fair view of the financial position of the company as at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and the Kenyan Companies Act, 2015.

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

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.

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Other information (Continued)

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 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.

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

- 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. 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.

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.

Report on other legal requirements:

As required by the Kenyan Companies Act 2015, we report to you, based on our audit that in our opinion the information given in the report of the partners on page 2-3 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report is CPA Victor Majani, – Practicing certificate No 1546.

....

Partner

For and on behalf of
Parker Russell Eastern Africa LLP
Certified Public Accountants
Nairobi, Kenya.

Parker Russell Eastern Africa

...14/02/.......**2024**

	Notes	2022 Kshs	2021 Kshs
Revenue	2	57,828,674	51,583,179
Cost of sales	4	(14,949,412)	-
Gross profit		**42,879,262**	**51,583,179**
Other income	3	-	301,533
Operating expenses	5	(60,788,271)	(43,956,629)
Financing costs	6	(14,943,927)	(32,743,914)
Operating loss		**(32,852,936)**	**(24,815,831)**
Change in fair value gain /(loss) on revaluation	7	3,343,650	(25,385,621)
Operating loss for the year		**(29,509,286)**	**(50,201,452)**

The notes set out on pages 12 to 31 form an integral part of the financial statements.

	Notes	2022 Kshs	2021 Kshs
ASSETS			
NON-CURRENT ASSETS			
Property and equipment	8	30,265,823	32,190,385
Intangible assets	9	683,585	854,482
Investment property	10	1,020,000,000	984,000,000
		1,050,949,408	**1,017,044,867**
CURRENT ASSETS			
Cash and cash equivalents	12	915,788	4,605,001
Inventories	11	3,959,607	19,350,564
Trade and other receivables	13	4,372,611	5,619,036
		9,248,006	**29,574,601**
TOTAL ASSETS		**1,060,197,414**	**1,046,619,468**
EQUITY AND LIABILITIES			
EQUITY			
Retained income		241,690,620	118,459,906
NON-CURRENT LIABILITIES			
Borrowings	14	248,085,984	262,863,984
CURRENT LIABILITIES			
Trade and other payables	16	255,206,025	214,364,389
Other financial liabilities	15	315,214,785	450,931,189
		570,420,810	**665,295,578**
TOTAL EQUITY AND LIABILITIES		**1,060,197,414**	**1,046,619,468**

The financial statements on pages 8 to 11 were approved by the Board of Partners on ......05/09...... / 2024 and signed on its behalf by:

....	....
Partner	Partner
Edwin H. Dande - In trust for Cytonn Management Investment Management PLC	**Cytonn Investments PLC**

The notes set out on pages 12 to 31 form an integral part of the financial statements.

	Retained income Kshs
As at 1 January 2021	
Retained earnings	168,661,358
(Loss) for the year	(50,201,452)
As at 31 December 2021	**118,459,906**
As at 1 January 2022	
Retained earnings	118,459,906
Loan conversions	152,740,000
(Loss) for the year	(29,509,286)
As at 31 December 2022	**241,690,620**

The notes set out on pages 12 to 31 form an integral part of the financial statements.

	Notes	2022 Kshs	2021 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before taxation		(29,509,286)	(50,201,452)
Depreciation and amortization		15,822,397	2,815,428
Changes in working capital			
Decrease /(increase) in inventories	11	15,390,957	(5,391,962)
Decrease/(increase) in trade and other receivables	13	1,246,425	(2,264,879)
(Decrease)/increase in trade and other payables	16	40,841,636	45,066,793
Cash used in operations		43,792,129	(9,976,072)
Net cash generated from/(used in) operating activities		**43,792,129**	**(9,976,072)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		(13,726,938)	(4,344,016)
Movement in investment property	10	(36,000,000)	(34,000,000)
Net cash used in investing activities		**(49,726,938)**	**(38,344,016)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Owners funding		152,740,000	28,042,184
Movement in borrowings	14	(14,778,000)	31,218,451
Movement in other financial liabilities	15	(135,716,404)	(8,058,523)
Net cash generated from financing activities		**2,245,596**	**51,202,112**
Movement in cash and cash equivalents			
(Decrease)/increase in cash and cash equivalents for the year		(3,689,213)	2,882,024
At start of year		4,605,001	1,722,977
At end of year	**12**	**915,788**	**4,605,001**

The notes set out on pages 12 to 31 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 of financial assets

The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rates. The partnership uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the partnership's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, refer to the individual notes addressing financial assets.

1. Summary of significant accounting policies (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

Several assets and liabilities of the partnership are either measured at fair value or disclosure is made of their fair values. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The partnership contracted an external, independent and professional qualified real estate projects valuers who hold recognized professional qualifications and have wide experience in similar real estate projects to assess and advise the fair value of the projects. In determining the fair market value of the projects, the valuer conducted a physical inspection of the property, asking prices for similar parcels of the land in the area, the proposed and approved project plans, current costs, presales as well as the economic conditions prevailing at the time.

The partnership then contracted an independent and qualified consultant to undertake a reasonableness test on the fair market values received. There were no signs of impairment. Significant valuation issues are reported to the audit committee. Observable market data is used as inputs to the extent that it is available. The current use of the investment properties equates to the highest and best use.

The current use of the investment properties equates to the highest and best use.

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.

1.3 Investment property

Investment property is recognized 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 recognized 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 recognized in the carrying amount of the investment property, the carrying amount of the replaced part is derecognized.

1. Summary of significant accounting policies (continued)

1.3 Investment property (continued)

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.

Transfers to or from investment property shall only be made when there is a change in use evidenced by one or more of the following:

a) Commencement of owner occupation.
b) Commencement of development with a view to sell.
c) End of owner occupation.

Any change in use shall be accounted for in the period in which it falls.

1.4 Equipment

Equipment are tangible assets which the partnership 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 equipment is recognized as an asset when it is probable that future economic benefits associated with the item will flow to the partnership, and the cost of the item can be measured reliably.

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 capitalization 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 equipment are capitalized if it is probable that future economic benefits associated with the expenditure will flow to the partnership 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 partnership. 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 derecognized

1. Summary of significant accounting policies (continued)

1.4 Equipment (continued)

The useful lives of items of equipment have been assessed as follows:

Item	Depreciation	Rate per annum (%)
Furniture and fixtures	Reducing balance	12.50
Computers	Reducing balance	10.00
Office equipment	Reducing balance	33.33
Crockery and cutlery	Reducing balance	25.00
Electricals	Reducing balance	25.00

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 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 recognized in profit or loss unless it is included in the carrying amount of another asset.

1.5 Intangible assets

An intangible asset is recognized when:

- it is probable that the expected future economic benefits that are attributable to the asset will flow lo the entity; and
- the cost of the asset can be measured reliably. Intangible assets are initially recognized at cost.

Intangible assets are carried at cost less any accumulated amortization and any impairment losses.

The amortization period and the amortization method for intangible assets are reviewed every period-end.

Amortization is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Rate per annum(%)
Computer software	30

1. Summary of significant accounting policies (continued)

1.6 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 eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortized cost.

Note 16 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:

Trade and other receivables

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.

1. Summary of significant accounting policies (continued)

1.6 Financial Instruments (continued)

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.

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.

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The Customer base is widespread and does not show significantly different loss patterns for different customer segments.

Customer base is diverse and does show significantly different loss patterns for different customer segments. Credit loss allowance is calculated on a collective basis for all trade and other receivables in totality.

An impairment gain 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.

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

1. Summary of significant accounting policies (continued)

1.6 Financial Instruments (continued)

Derecognition

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

Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortized cost line item.

Other financial liabilities

Classification

Other financial liabilities are classified as financial liabilities subsequently measured at amortized cost.

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.

Borrowings expose the partnership to liquidity risk and interest rate risk. Refer to note 16 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.

1. Summary of significant accounting policies (continued)

1.6 Financial Instruments (continued)

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.

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.

De-recognition

Refer to the "de-recognition" section of the accounting policy for the policies and processes related to de-recognition.

Cash and cash equivalents

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

De-recognition

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)

1.6 Financial Instruments (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.

1.7 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.

1. Summary of significant accounting policies (continued)

1.7 Impairment of assets (continued)

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.

1.8 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized 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 capitalization 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 capitalized do not exceed the total borrowing costs incurred.

The capitalization 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. Capitalization is suspended during extended periods in which active development is interrupted.

1. Summary of significant accounting policies (continued)

1.8 Borrowing costs (continued)

Capitalization 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 recognized as an expense in the period in which they are incurred.

1.9 Revenue

The partnership recognizes revenue from the following major sources:

- Accommodation and restaurant services

Revenue is recognized when it is received or receivable.

1.10 New and revised standards

i) Adoption of new and revised standards

One new Standard, one new Interpretation and a number of Amendments to standards became effective for the first time in the financial year beginning 1 January 2019 and have not been adopted by the partnership. Neither the Amendments nor the Interpretation has had an effect on the partnership's financial statements, but the new Standard has an impact, as follows:

IFRS 16

From 1 January 2019, to comply with IFRS16, Leases, which replaced IAS17, Leases, the Partnership should recognize lease liabilities relating to leases under which the Partnership is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items). Such liabilities should be measured at 1 January 2019 at the present value of the remaining lease payments discounted using the Partnership's incremental borrowing rate as at 1 January 2019.

Corresponding right-of-use assets should be recognized, measured as if the Partnership's new accounting policy had been applied since the commencement of each lease but discounted using the Partnership's incremental borrowing rate as at 1 January2019. The difference between the lease liabilities and right-of-use assets at 1 January 2019 should be recognized as an adjustment to retained earnings at that date. As permitted by the transition provisions in the New Standard, comparative amounts may not be restated.

ii) New and revised standards that have been issued but are not yet effective

The Partnership has not applied any of the new or revised Standards and Interpretations that have been published but are not yet effective for the year beginning 1 January 2019, and the Directors do not plan to apply any of them until they become effective.

		2022	2021
2	**Revenue**	**Kshs**	**Kshs**
	Room letting income	49,884,448	30,567,790
	Food and beverages	5,283,363	15,294,036
	Other revenue	2,660,863	5,721,353
		57,828,674	51,583,179
3	**Other income**		
	Foreign exchange gain	-	272,933
	Discounts allowed	-	28,600
		-	301,533
4	**Cost of sales**	14,949,412	-
5	**Operating expenses**		
	Depreciation and amortization costs	15,822,398	2,815,428
	Staff salaries and wages	9,818,847	10,047,802
	Office expenses	8,099,635	239,630
	Water and electricity	7,219,342	8,535,148
	Cleaning, garbage and pest control	6,020,271	2,479,869
	Repairs and maintenance	3,132,739	1,991,071
	Management fees	2,712,886	2,631,681
	Legal fees	1,572,813	-
	Security expenses	1,459,123	1,165,000
	Internet charges	1,342,891	972,043
	Staff meals and entertainment	934,179	7,710,093
	Printing and stationaries	683,020	385,819
	Miscellaneous expenses	518,000	430,057
	Advertising and marketing	416,991	824,500
	Insurance expense	396,481	-
	Bank charges	159,468	496,836
	Audit fees	150,000	-
	Staff uniforms	92,795	189,728
	Telephone expense	87,409	-
	Business licenses and permits	82,000	591,425
	Other professional fees	66,983	493,255
	Transport and accommodation	-	206,358
	Bad debts written off	-	1,399,583
	Structural fees	-	253,000
	Postage and courier services	-	71,450
	DSTV subscription	-	19,760
	Unrealised loss	-	7,093
		60,788,271	43,956,629
6	**Financing costs**	14,943,927	32,743,914
7	**Change in fair value**		
	Fair value adjustments	3,343,650	25,385,621

8. Property and Equipment

a) Year ended 31 December 2022

Cost	Furniture and Fixtures Kshs	Office Equipment Kshs	Computers Kshs	Crockery and cutlery Kshs	Electrical Kshs	Total Kshs
As at 1 January 2021	26,633,595	7,745,989	999,283	1,389,962	123,490	36,892,319
Additions	-	9,426,023	1,869,639	2,431,276	-	13,726,938
As at 31 December 2022	26,633,595	17,172,012	2,868,922	3,821,238	123,490	50,619,257
Accumulated depreciation						
As at 1 January 2021	1,276,274	1,267,634	999,283	1,066,125	92,618	4,701,934
Charge for the year	1,040,707	9,955,169	1,869,639	2,755,113	30,872	15,651,500
As at 31 December 2022	2,316,981	11,222,803	2,868,922	3,821,238	123,490	20,353,434
Net carrying amount						
As at 31 December 2022	**24,316,614**	**5,949,209**	-	-	-	**30,265,823**

8. Property and Equipment (continued)

b) Year ended 31 December 2021

	Furniture and Fixtures	Office Equipment	Computers	Crockery and cutlery	Electrical	Motor vehicles	Total
Cost	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs	Kshs
As at 1 January 2020	22,764,777	7,918,788	717,283	1,212,765	123,490	511,089	33,248,192
Additions	3,782,340	-	282,000	177,197	-	-	4,241,537
Adjustment	86,478	(172,799)	-	-	-	-	(86,321)
As at 31 December 2021	26,633,595	7,745,989	999,283	1,389,962	123,490	511,089	37,403,408
Accumulated depreciation							
As at 1 January 2020	737,949	561,105	656,625	641,600	61,745	-	2,659,024
adjustment	-	*(3,800)*	*488,171*	-	-	-	*484,371*
Charge for the year	538,325	710,329	(145,513)	424,525	30,873	511,089	2,069,628
As at 31 December 2021	1,276,274	1,267,634	999,283	1,066,125	92,618	511,089	5,213,023
Net carrying amount							
As at 31 December 2021	**25,357,321**	**6,478,355**	**-**	**323,837**	**30,873**	**-**	**32,190,385**

9 Intangible assets - Computer software

	2022	2021
Cost	**Kshs**	**Kshs**
As at 1 January	1,288,150	1,103,150
Additions	-	185,000
As at 31 December	1,288,150	1,288,150
Accumulated amortization		
As at 1 January	433,668	176,038
Charge for the year	170,897	257,630
As at 31 December	604,565	433,668
Net carrying amount		
As at 31 December	**683,585**	**854,482**

10 Investment property

Cost/ valuation	1,020,000,000	984,000,000
Reconciliation of Investment Property:		
Opening balance	984,000,000	950,000,000
Additions	32,656,350	59,385,621
Fair value adjustments	3,343,650	(25,385,621)
Total	1,020,000,000	984,000,000
Borrowing costs		
Borrowing cost capitalized to qualifying assets	132,157,795	77,847,069

Investment property located on L.R 1870/IV/14, Cysuites, was revalued on 31 December 2022 by Regent Valuers. As per the valuation report done by the external valuer, the market value of the property was Kshs 1,020,000,000.

	2022	2021
11 Inventory	**Kshs**	**Kshs**
Consumable inventories	3,959,607	6,456,335
Construction materials	-	12,894,229
	3,959,607	19,350,564
12 Cash and cash equivalents		
Bank balances	905,788	4,567,505
Cash at hand	10,000	37,496
	915,788	4,605,001

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

13 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 recognised at amortised cost, less any provision for impairment.

	2022	2021
	Kshs	Kshs
Trade receivables	1,628,010	2,358,788
Other receivables	2,744,601	3,260,248
	4,372,611	5,619,036

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.

Fair value of trade and other receivables approximates their carrying amounts.

14 Borrowings

	2022	2021
	Kshs	Kshs
Kenya Commercial Bank Loan	248,085,984	262,863,984

The above loan is secured at an interest rate of 9% per annum and recoverable over 10 years.

15 Other financial liablities

Held at amortized cost	2022	2021
	Kshs	Kshs
Cytonn Cash Management Solutions LLP-loan	306,902,285	442,618,689
Cytonn Integrated Project	8,312,500	8,312,500
	315,214,785	450,931,189

Cytonn High Yield Solutions LLP a constituent company of Cytonn group has rolling one year investments in special purpose vehicles, with returns to Cytonn High Yield Solutions LLP of 21% per annum.

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

16 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.

	2022	2021
	Kshs	Kshs
Related party payables	221,510,494	181,101,615
Other payables	26,121,220	17,537,103
Trade payables	3,516,923	13,998,874
Accrued expenses	3,127,887	415,001
Payroll liabilities	807,412	1,189,707
Provision for expected credit loss	122,089	122,089
	255,206,025	214,364,389

17 Related Parties

Investment in related parties

Cytonn High Yield Solutions LLP	442,618,689	442,618,689
Cytonn Intergrated Project	8,312,500	8,312,500
	450,931,189	450,931,189

Trade payables- related parties

Cytonn Investment Partners Three	127,923,155	98,438,824
Cytonn Investment Partners Eleven (Ridge)	45,602,378	35,089,845
Cytonn Investmnet Management Plc	27,365,785	22,903,976
Cytonn Integrated LLP	20,070,397	15,443,649
Cytonn Investment Partners Eighteen	548,779	9,225,319
	221,510,494	181,101,615

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

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

18 Financial instruments and risk management

Introduction

The partnership is exposed to the following risks from its use of financial instruments:
- Credit risk;
- Liquidity risk; and
- Market risk (Foreign currency risk and interest rate).

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 analyze 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 risks

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
2022			
Trade and other receivables	4,372,611	36,554	4,336,057
Cash and cash equivalents	915,788	7,656	908,132
	5,288,399	44,210	5,244,189
2021			
Trade and other receivables	5,437,797	45,459	5,392,338
Cash and cash equivalents	4,605,000	38,497	4,566,504
	10,042,797	83,956	9,958,842

18 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.

2022	Less than 1 year	Over 5 years	Total	Carrying amount
Non-Current liabilities				
Borrowings	248,085,984	248,085,984	248,085,984	248,085,984
Current Liabilities				
Trade and other payables	255,206,025	-	255,206,025	255,206,025
Other financial liabilities	315,214,785	-	315,214,785	315,214,785
	818,506,794	**248,085,984**	**818,506,794**	**818,506,794**
2021				
Non-Current liabilities				
Borrowings	-	262,863,984	262,863,984	262,863,533
Current Liabilities				
Trade and other payables	214,183,151	-	214,183,151	214,183,151
Other financial liabilities	450,931,189	-	450,931,189	450,931,189
	665,114,340	**262,863,984**	**927,978,324**	**927,978,324**

Foreign currency risk

The net carrying amounts of the various exposures, are denominated in Kenyan Shillings.

Interest rate risk

Fluctuations in interest rates impact on the value of investments and financing activities, giving rise to interest rate risk.

18 Financial instruments and risk management (continued)

The partnership policy with regards to financial assets, is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.

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

19 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.

20 Fair value

The partners consider that there is no material difference between the fair value and carrying value of the partnerships' financial assets and liabilities where fair value details have not been presented.

21 Comparative figures

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

22 Commitments

There were no commitments during the year ended 31 December 2022.

23 Contingencies

There were no contingencies during the year ended 31 December 2022.

24 Events after the reporting date

During the Financial year 2022, Cytonn High Yield Solutions LLP, which is the principle financier to Cytonn Investment Partners Twenty LLP was put under voluntary administration through a court order issued on 6th October 2021. The receivership order was lifted on 6th January 2023 and the company is now put under receivership.