CYTONN HIGH YIELD FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2024

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Corporate Trustee	Goal Advisory (A) Limited 4th Floor, Krishna Centre Woodvale Grove, Westlands P.O. Box 72866-00200 Nairobi
Registered Office	Cysuites Work Spaces Church Road P.O. Box 20695-00200 Nairobi
Fund Manager and Administrators	Cytonn Asset Managers Limited Cysuites Work Spaces Church Road P.O. Box 20695-00200 Nairobi
Custodians	SBM Bank (Kenya) Limited Riverside Mews Riverside Drive Nairobi P.O. Box 34886-00100 Nairobi
Independent Auditor	Parker Russell Eastern Africa LLP Certified Public Accountants (Kenya) Karengata Park, Marula Lane P.O. Box 25426 - 00100 Nairobi

The Trustee submits their report together with the audited financial statements for the year ended 31 December 2024.

INCORPOARTION OF THE FUND

The Cytonn High Yield Fund is a Collective Investment scheme that has a high allocation towards investments in real estate assets. The investment objective of CHYF is to obtain a high level of current income while protecting investors' capital. The fund was established, and is governed by a Trust Deed dated 7 May 2019 as a High Yield Fund. The fund was registered with the Capital Markets Authority on the 4 July 2019 and began operations in October 2019.

PRINCIPAL ACTIVITY

The principal activity of the fund is to act as a unit trust.

RESULTS

The results for the year are set out in the Statement of Profit or Loss on page 14.

INVESTMENTS

Under the terms of their appointment, Cytonn Asset Managers Limited is responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustee.

CHANGES TO INCORPORATION DOCUMENTS

There were no changes to the incorporation documents during the period under review.

FINANCIAL REVIEW

The statement of profit or loss on page 14 shows profits for the year Kshs 68,600,145 (2023: Kshs 42,847,538). The statement of financial position on page 15 shows total net assets of Kshs 508,593,590 (2023: 350,051,628).

PERFOMANCE RECORD

The performance record of the fund over the current and previous period is as shown below:

a) The closing, lowest and highest unit prices of the units of the Fund:

	2024		2023	
	Daily Yield	**Annual Yield**	**Daily Yield**	**Annual Yield**
Closing yield	21.12%	23.51%	16.51%	17.95%
Lowest yield	16.51%	17.95%	12.38%	13.18%
Highest yield	21.70%	24.23%	16.52%	17.96%

PERFOMANCE RECORD (continued)

The lowest, highest and average yield of the Funds for the last five years are as shown below:

	2024	2023
Highest price	23.51%	17.95%
Lowest price	17.95%	13.18%

b) The total Fund Value, number of units and net income distributed for all units held at the end of the year:

	2024	2023
Total fund value (Kshs)	508,593,590	350,051,628
Number of units distributed	68,600,148	79,880,262
Net income distributed (Kshs)	68,600,145	42,847,538

There has been no amalgamation or reconstruction of the current units in the fund that have had a material effect on the size of the fund.

INVESTMENT

Under the terms of appointment, Cytonn Asset Managers Limited is responsible for the investment of funds. The overall responsibility for investment and performance lies with the Trustee.

MEMBERSHIP

As at 31 December 2024, the Fund has 313 members.

FUND ADVISORS

The names and addresses of the Fund Manager, Trustee, Custodian and Auditor are as shown on page 1.

STATEMENT OF DISCLOSURE TO THE FUND'S AUDITOR

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

- There is, so far as the person is aware, no relevant audit information of which the company'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.

TERMS OF APPOINTMENT OF THE AUDITOR

The Trustees monitor the effectiveness, objectivity and independence of the auditor. The Trustees also approve the annual audit engagement contract, which sets out the terms of the auditor's appointment and the related fees.

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Signed on Behalf of the Trustee By

28th March 2025

The Kenyan Capital Markets Act, requires the Trustees to prepare financial statements for each financial year which give a true and fair view of the financial position of the fund at the end of the financial year and of its financial performance for the year then ended. The Trustee is responsible for ensuring that the fund keeps proper accounting records that are sufficient to show and explain the transactions of the fund; disclose, with reasonable accuracy at any time, the financial position of the fund; and that enables them to prepare financial statements of the fund that comply with prescribed financial reporting standards and the requirements of the Kenyan capital markets Act. They are responsible for safeguarding the assets of the fund, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustees accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Kenyan Capital Markets Act. They also accept responsibility for:

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

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

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

Having made an assessment of the fund's ability to continue as a going concern, the Trustees is not aware of any material uncertainties related to events or conditions that may cast doubt upon the fund's ability to continue as a going concern.

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Trustee on 28th March and signed on its behalf by:

....
Trustee

Dear Unit Holder,

We are delighted to report your Fund's performance for the year under review. The fund achieved significant growth with total assets under management growing by 44.5% to Kshs 505.9 million in 2024 from Kshs 350.2 million in 2023, despite the deteriorated business environment recorded in 2024. Our performance is encouraging bearing in mind the age of your Fund and this lays the foundation for affirming your fund's market position going forward. We therefore take this opportunity to acknowledge your unwavering support and thank all members for their dedicated contribution to the growth of the Cytonn Unit Trust Scheme.

We hereunder highlight some of the developments that characterized the investments markets during the year under review. During Q3'2024, the Kenyan economy recorded a 4.0% growth, slower than the 6.0% growth recorded in Q3'2023. The main contributor to Kenyan GDP remains to be the Agriculture, Fishing and Forestry sector which grew by 4.2% in Q3'2024, slower than the 5.1% growth recorded in Q3'2023. The average GDP growth rate for the three quarters in 2024 is a growth of 4.5%, a decrease from the 5.6% expansion recorded during similar periods of review in 2023. The biggest gainer in terms of sectoral contribution to GDP was the Real Estate sector, increasing by 0.2% points to 10.8% in Q3'2024 from 10.6% in Q3'2023, while the Construction was the biggest loser, declining by 0.4% points to 5.7% in Q3'2024, from 6.1% in Q3'2023. The Accommodation and Food Services sector recorded the highest growth rate among all the sectors in Q3'2024, having expanded by 13.7%, albeit s lower than the 26.0% recorded in Q3'2023. The performance comes as a result of continued resilience in the sector evidenced by the increased number of tourists during the year.

On the fixed income market, the yields on the government papers registered significant decline in 2024 with the 91-day paper decreasing the most by 6.0% to close the year at 9.9% from the 16.0% recorded at the close of FY'2023, while the yields on the 182-day and 364-day decreased by 5.9% and 4.7% to close the year at 10.0% and 11.4%, from the 16.0% and 16.1%, respectively, recorded at the end of FY'2023. The year-on-year decline in yields is primarily driven by investors perceiving lower risks due to reduced default risk, eased inflation, currency appreciation, and improved liquidity positions. As a result, there is less demand for higher returns to compensate for potential losses. Annual average inflation came in at 4.5%, 3.2% points below the 2023 average of 7.7%.

On the equities market, the domestic market was on an upward trajectory, with NSE 10 gaining the most by 42.9%, while NSE 25, NASI and NSE 20 gained by 42.5%, 34.3% and 33.3%, respectively. Large-cap stocks such as as KCB Group, Standard Chartered Bank, Absa Bank, Diamond Trust Bank Kenya, Bamburi, and EABL were among the largest gainers during the year under review. We note that 9 companies issued profit warnings to investors, compared to 15 companies in 2023 and 11 companies in 2022, an indication that the operating environment improved in 2024, compared to the previous years. Additionally, during the year, the Nairobi Securities Exchange admitted the Linzi Sukuk on the NSE Unquoted Securities Platform (USP) making the product the first Shariah compliant product to be admitted on the platform. Also, four companies remained suspended during the year and the NSE also delisted Acorn Green Bond and ILAM FAHARI-I REIT from the Nairobi Securities Exchange. Just like in 2023, there were no liquidations, announced by the Central Bank. Latest data from the office of the official receiver, however, showed that 43 insolvencies were filed between January and November of 2024 by debtors and courts.

On the Real Estate market, the sector witnessed considerable growth in activity in terms of property transactions and development activities. Consequently, the sector's activity contribution to Gross Domestic Product (GDP) grew by 5.5% to Kshs 283.8 bn in Q3'2024, from Kshs 268.9 bn recorded during the same period in 2023. In terms of investor returns in the Nairobi Metropolitan Area (NMA) Residential, Commercial Office, Retail, Hospitality, and Mixed-Use Development sectors realized average rental yields of 5.4%, 7.8%, 8.4%, 7.3%, and 8.6%, respectively in 2024. This resulted in an average rental yield for the Real Estate market of 7.5%, remaining unchanged from that recorded in 2023. This performance is supported by factors such as; i) the government's ongoing focus on the Affordable Housing Program, ii) continuous improvements in infrastructure, such as new roads, bridges, and utilities, iii) continuous drive by Kenya Mortgage Refinance Company (KMRC) to avail affordable home loans to Kenyans by providing single-digit fixed rate, and long-term finance to Primary Mortgage Lenders (PMLs), iv) continued expansion efforts by both domestic and international retailers, v) high urbanization and population growth rates than the global averages, vi) increase in investor confidence as evidenced by mergers, acquisitions and expansions of hotels, vii) increased popularity of purpose-built properties to host Student housing, medical centres, Diplomatic residential, data centres which offer potential for growth to the Real Estate sector through alternative markets.

During the year, we continued to successfully deliver on our digitization agenda that has enabled our existing and potential unitholders to register, invest, withdraw, and make utility payments at any time through our mobile and web platforms, making this a first of its kind in Kenya. We also have 24/7 local and Diaspora call centres that we believe will go a long way to continue delivering an unparalleled customer experience to all our unit holders.

The global economic growth is expected to improve further in 2025, although at a modest pace, mainly attributable to the ease in global inflation that has in turn resulted in easing in monetary policies, leading to an ease in credit conditions, thus boosting economic activity in most economies. The Kenyan economy is also expected to follow suit and grow at a slightly faster pace, attributable to factors such as ease in inflationary pressures, reduced cost of credit, strengthened Kenyan Shilling, favourable weather conditions that have improved agricultural production, and a resilient services sector. Reforms in the ICT sector are expected to further bolster growth in financial services, healthcare, and public administration. That said, we are optimistic of a maintained good performance to the benefit of unitholders. We are confident that our differentiated investment philosophy which is anchored on pursuing investments in both traditional and alternative investments presents a solid diversification strategy that will result in investors benefiting from superior returns on their investments. We will therefore place emphasis on delivering superior risk-adjusted returns through the effective execution of our investment philosophy.

We take this opportunity once again to thank you for your investment partnership with Cytonn Asset Managers Limited and look forward to working closely with you in realizing your financial and investment goals.

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Signed on Behalf of the Fund Manager

28/03/2025 .... **2025**

CYTONN UNIT TRUST SCHEME CUSTODIAN REPORT FOR THE YEAR ENDED 31ST DECEMBER 2024

In accordance with the Capital Markets (Collective Investments Schemes) Regulations, 2023 and the Custody Agreement between SBM Bank Kenya Limited as the Custodian and Cytonn Asset Managers Limited as the Fund manager, we confirm that;

a) We have discharged the duties prescribed for a Custodian under Regulation 68 of the regulations, to Cytonn High Yield Fund.

b) We have received, maintained and kept in safe custody, all assets (including securities and income that accrue thereof) and title documents of the scheme.

c) We have facilitated transfer, exchange or delivery of securities held upon receipt of proper instructions from the Fund manager, Administrator and the Trustee where applicable.

d) We have kept proper books, records and statements of the assets held under management and transactions carried out within the year.

By order of the Custodian

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SBM Bank Kenya Limited

....

SBM BANK (KENYA) LIMITED
CUSTODIAL SERVICES

**REPORT OF THE INDEPENDENT AUDITOR
TO THE UNIT HOLDERS OF CYTONN HIGH YIELD FUND
FOR THE YEAR ENDED 31 DECEMBER 2024**

Opinion

We have audited the accompanying financial statements of Cytonn High Yield Fund set out on pages 14 to 30, which comprise the Statement of Financial Position as at 31 December 2024, the Statement of Profit or Loss, Statements of Changes in Unit Holder Funds and Statement of Cash Flows for the year then ended, and Notes to the financial statements, 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 Cytonn High Yield Fund as at 31 December 2024 and of its financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards and the requirements of Kenyan Capital Markets (Collective Investment Schemes) Regulations, 2001.

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 fund 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.

Emphasis of Matter Paragraph

The underlying assets in the unit trust investment are real estate projects being developed by Cytonn PLC, these are in Cytonn Integrated Project LLP, Taraji -LLP 10, The Ridge - LLP 11 and Applewood LLP 18. These projects are implemented by Cytonn PLC which is a related party of Cytonn Asset Managers Limited. As at 31 December 2024, these investments make up 94.62% of the unit holders funds.

On 26 January 2024, the High court of Kenya issued liquidation orders against Cytonn High Yield Solutions LLP and Cytonn Project Notes, which are the primary financiers of these real estate developments. Consequently, there have been no further developments on these projects. Our opinion is not modified in respect of this matter.

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Partners: C. Otolo V. Majani M. Okonji

Key Audit Matters

Key Audit Matters are those matters that in our professional judgment were of most significance in our audit of the financial statements of the current period. We have determined that there are no Key Audit Matters to report on this fund.

Other information

The Trustee is responsible for the other information. Other information comprises the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than that prescribed by the Kenyan Capital markets (Collective Investments Scheme) as set below;
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 material misstatement of this other information we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Trustee's for the financial statements

The Trustee is responsible for the preparation and fair presentation of these financial statements in accordance with Capital Markets Authority, International Financial Reporting Standard for small and medium sized entities, and for such internal control as the Trustee determination 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 Trustee is responsible for assessing the fund's ability to continue as a going concern, disclosing as applicable, matters related to the going concern and using the going concern basis of accounting unless the proprietor intend to liquidate the firm 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.

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

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 control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 a significant doubt on the firm'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 or in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence up to the date of the auditor's report. However, future events or conditions may cause the firm 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 communicate with the Trustee 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.

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From the matters communicated with the Trustee, we determine those matters that were of most significance in the audit of the 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 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.

Report on other legal and regulatory requirements

We confirm that the financial statements have been properly prepared in accordance with the Capital Markets Authority (Collective Investments Scheme) Regulations, 2001.

The Capital Markets Authority (Collective Investment Schemes) Regulations 2001 also requires that in carrying out our audit we consider and report to you on the following matters;

- If the auditor is of the opinion that proper accounting records for the collective investment scheme have not been kept or that the accounts are not in agreement with those records;

- If the auditor has not been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of his audit; or

- If the auditor is of the opinion that the information given in the report of the Fund Manager for that period is inconsistent with the accounts.

We confirm that there are no matters to report in respect of the foregoing requirements.

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

For and on behalf of;

Parker Russell Eastern Africa LLP

Certified Public Accountants
Nairobi, Kenya.

24/ March/ 2025

Parker Russell LLP | Eastern Africa
Member Firm of Parker Russell International

	Notes	2024 Kshs	2023 Kshs
Investment income	**2**	94,982,067	55,119,253
Operating expenses	**3.1**	(18,484,154)	(11,487,276)
IFRS 9 impairment provisions	**3.2**	(7,897,768)	(784,439)
Profit for the year		**68,600,145**	**42,847,538**

The notes set out on pages 14 to 30 form an integral part of these financial statements.

	Notes	2024 Kshs	2023 Kshs
ASSETS			
Fixed deposits	4	85,134,066	5,142,503
Cash and cash equivalents	5	6,517,866	3,569,221
Investment in real estate loans	6	399,708,840	332,964,638
Trade and other receivables	7	33,567,051	20,097,120
		524,927,823	**361,773,482**
LIABILITIES			
Other payables	8	16,334,233	11,721,854
NET ASSETS		**508,593,590**	**350,051,628**
Unit holder funds		422,406,031	332,531,890
Profit for the year		68,600,145	42,847,538
Retained earnings		17,587,414	(25,327,800)
MEMBERS FUNDS		**508,593,590**	**350,051,628**

The financial statements on pages 14 to 17 were approved for issue by the Trustees on 28th March 2025 and signed on its behalf by;

....

Trustee

The notes set out on pages 18 to 30 form an integral part of these financial statements.

	2024 Kshs	2023 Kshs
Fund balances at start of the year	350,051,628	298,320,184
Proceeds from units issued in the year	232,885,899	55,370,110
Interest redistributed to unit holders	(142,944,082)	(46,486,204)
Net movement in the fund balance	**439,993,445**	**307,204,090**
Profit for the year	68,600,145	42,847,538
At end of the year	**508,593,590**	**350,051,628**

The notes set out on pages 18 to 30 form an integral part of these financial statements.

	Notes	2024 Kshs	2023 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year		68,600,145	42,847,538
Adjustment for;			
Changes in working capital			
Decrease in government bonds		-	6,464,170
(Increase) in other receivables		(13,469,931)	(8,111,698)
(Increase) in other payables	8	4,612,379	3,197,730
Net cash generated from operating activities		**59,742,593**	**44,397,740**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Increase) in real estate loan notes	6	(66,744,202)	(43,639,310)
Net cash (used in) investing activities		**(66,744,202)**	**(44,529,909)**
CASH FLOWS FROM FINANCING ACTIVITIES			
(Increase) in purchase of units		158,541,965	61,871,462
Interest redistributed to unit holders		(68,600,148)	(79,880,262)
Net cash generated from/(used in) financing activities		**89,941,817**	**(18,008,800)**
Increase/(decrease) in cash and cash equivalents		**82,940,208**	**(17,356,530)**
Movement in cash and cash equivalents			
At start of the year		8,711,724	25,962,094
Increase/(decrease) in cash and cash equivalents		**82,940,208**	(17,356,530)
At end of the year	5	**91,651,932**	**8,605,564**

The notes set out on pages 18 to 30 form an integral part of these financial statements.

1. Material accounting policy information

The material accounting policies adopted in the preparation of these financial statements are set out below.

a) Basis of preparation

The financial statements have been prepared under the historical cost convention, except as indicated otherwise below and are in accordance with International Financial Reporting Standards (IFRS). The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the fund takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 or value in use in IAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Transfer between levels of the fair value hierarchy are recognised by the trustee at the end of the reporting period during which the change occurred.

Going concern

The financial performance of the fund is set out in the report of the Trustee and in the statement of profit or loss. The financial position of the fund is set out in the statement of financial position. Disclosures in respect of nature and extent of risks arising from financial instruments are set out in note 10.

Based on the financial performance and position of the fund and its risk management policies, the Trustee is of the opinion that the fund is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

1. Material accounting policy information (continued)

b) Critical accounting estimates and judgment

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates, and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both.

Significant estimates and judgements made relate to:

Impairment of investments

The fund reviews their portfolio of investments on an annual basis. In determining whether investments are impaired, the directors makes judgement as to whether there is any evidence indicating that there is a measurable decrease in the estimated future cash flows expected.

Measurement of expected credit losses (ECL)

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and fair value through other comprehensive income (FVTOCI) is an area that requires the use of complex models and significant assumption about future economic conditions and credit behaviour.

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

i. Determining criteria for significant increase in credit risk;
ii. Choosing appropriate models and assumptions for the measurement of ECL;
iii. Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
iv. Establishing groups of similar financial assets for the purposes of measuring ECL

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs is based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD).

1. Material accounting policy information (continued)

b) Critical accounting estimates and judgement (continued)

Measurement of Expected Credit Losses (ECL) (continued):

The ECL model applied for financial assets other than trade receivables and contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

- Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

- Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

- When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

Assessment of significant increase in credit risk: The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The fund uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

c) Revenue Recognition

- Investment income

Interest income is recognised in profit or loss as it accrues and is calculated by using the effective interest rate method on the outstanding principal.

Investment income also includes dividend income which is recognised when the right to receive the payment is established. Dividends are reflected as a component of other operating income based on the underlying classification of the equity instrument. Dividends are presented in net income from other financial instruments at fair value.

1. Material accounting policy information (continued)

Critical accounting estimates and judgement (continued)

- Realised /unrealised gains and losses

Unrealised/realised gains and losses on valuation of financial assets at the reporting date or sale of financial assets are recognised in profit or loss. Gain and losses on the sale of investments are calculated as the difference between net sales proceeds and the original or amortised cost and are recorded on occurrence of the sale transaction.

d) Financial Instruments

Financial instruments are recognized when, and only when, the fund becomes party to the contractual provisions of the instrument. All financial assets are recognized initially using the trade date accounting which is the date the company commits itself to the purchase or sale.

Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognized at fair value and transaction costs are expensed in profit or loss.

The fund classifies its financial assets into the following categories:

i) Amortised cost

Financial assets that are held within a business model whose objective is to hold assets in order to collect contractual cash flows, and for which the contractual terms of the financial asset give rise on specified dates to cash flows that are Solely Payments of Principal and Interest (SPPI) on the principal amount outstanding and are not designated at Fair Value Through Profit or Loss (FVTPL), are classified and measured at amortised cost; The carrying amount of these assets is adjusted by any expected credit loss allowance recognised and measured.

ii) Fair Value through Profit or Loss (FVTPL)

Financial assets that do not meet the criteria for amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measure at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented in the profit or loss statement.

Notwithstanding the above, the fund may:

- on initial recognition of an equity investment that is not held for trading, irrevocably elect to classify and measure it at fair value through other comprehensive income.
- on initial recognition of a debt instrument, irrevocably designate it as classified and measured at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

1. Material accounting policy information (continued)

e) Financial Instruments (continued)

At initial recognition of a financial asset, the company determines whether newly recognized financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The fund reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the company has not identified a change in its business models.

Derecognition/write off

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired, when the company has transferred substantially all risks and rewards of ownership, or when the company has no reasonable expectations of recovering the asset.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Financial instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment. The fund recognises loss allowances for Expected Credit Losses (ECLs) on the following financial instruments that are measured at amortised cost or at fair value through other comprehensive income (FVTOCI):

- Cash and cash equivalents
- Trade and other receivables
- Other financial assets

No impairment loss is recognised on investments measured at FVTPL.

The loss allowance is measured at an amount equal to the lifetime expected credit losses for trade receivables and for financial instruments for which:

- the credit risk has increased significantly since initial recognition; or
- there is observable evidence of impairment (a credit-impaired financial asset).

If, at the reporting date, the credit risk on a financial asset other than a trade receivable has not increased significantly since initial recognition, the loss allowance is measured for that financial instrument at an amount equal to 12-month expected credit losses. All changes in the loss allowance are recognised in profit or loss as impairment gains or losses.

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

1. Material accounting policy information (continued)

d) Financial Instruments (continued)

Derecognition/write off (continued)

Lifetime expected credit losses represent the expected credit losses that result from all possible default events over the expected life of a financial instrument. 12-month expected credit losses represent the portion of lifetime expected credit losses that result from default events on a financial asset that are possible within 12 months after the reporting date.

Expected credit losses are measured in a way that reflects an unbiased and probability-weighted amount determined by evaluating a range of possible outcomes, the time value of money, and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

All financial assets are classified as non-current except those that are held for trading, those with maturities of less than 12 months from the balance sheet date, those which management has the express intention of holding for less than 12 months from the reporting date or those that are required to be sold to raise operating capital, in which case they are classified as current assets.

f) Financial liabilities

Financial liabilities that are held for trading (including derivatives), financial guarantee contracts, or commitments to provide a loan at a below-market interest rate are classified and measured at fair value through profit or loss. The Fund may also, on initial recognition, irrevocably designate a financial liability as at fair value through profit or loss if doing so eliminates or significantly reduces a measurement or recognition inconsistency.

All other financial liabilities are classified and measured at amortised cost.

g) Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise deposits held with banks.

		2024	2023
2.	**Investment income**	**Kshs**	**Kshs**
	Interest income- real estate loan notes	86,233,160	54,391,216
	Interest income-fixed deposits	8,748,907	728,037
		94,982,067	55,119,253

Interest income real estate loan notes relates to accrued interest income on fund investment in real estate loan notes. The fund has invested in a comprehensive residential development namely the Alma, through the real estate loan notes.

Fixed deposits interest income relates to interest income earned on fund's fixed deposits investment in financial institutions.

		2024	2023
3.	**Fund expenses**		
3.1	**Operating expenses**	**Kshs**	**Kshs**
	Fund management fees	9,344,359	7,249,540
	Legal and professional fees	3,888,080	1,600,000
	IT expenses	1,942,345	-
	Advertising and marketing	1,168,367	279,100
	Trustee fees	733,116	523,512
	Custody fees	564,232	395,867
	Audit fees	519,750	753,881
	Business licenses and permits	178,770	69,000
	Publication fees	92,800	-
	Bank charges	52,335	44,852
	Fair value loss	-	511,919
	Forex loss	-	59,605
		18,484,154	11,487,276
3.2	**Expected Credit Losses**		
	Investment in real estate loan notes	6,553,992	890,599
	Fixed deposits	993,941	(249,210)
	Trade receivables	286,475	156,537
	Bank balances	63,360	35,324
	Unlisted securities	-	(48,811)
		7,897,768	784,439
	Total fund expenses	26,381,922	12,271,715

Fund management fees are paid to Cytonn Asset Managers Limited for the professional management of the fund. They are charged at a rate of 2% inclusive of value added tax (VAT) per annum computed on the daily fund balances.

IT expense relates to client information management system cost for Amazon server storage which provide backup for CRIMS system which is used for data processing for Collective Investment Schemes.

The cost was previously borne by the parent company, Cytonn Investments Management PLC. Subsequently, as per Cytonn Technologies memo on 30 October 2023 to the fund, the cost was accrued to TD bank credit card until 31 December 2023 and reported during the financial year.

		2024 Kshs	2023 Kshs
4.	**Fixed deposits**		
	Maturity within 30 days	86,229,833	5,220,815
	Less: IFRS 9 impairment provisions	(1,095,767)	(78,312)
		85,134,066	5,142,503

The carrying amounts of the fund's fixed deposits are denominated in Kenya shillings. In the opinion of the trustee, the carrying amount of fixed deposits approximate to their fair value.

		2024 Kshs	2023 Kshs
5.	**Cash and cash equivalents**		
	Cash at bank and cash in hand	6,635,579	3,623,575
	Less: IFRS 9 impairment provision	(117,713)	(54,354)
		6,517,866	3,569,221

For the purpose of the statement of cash flows, the period-end cash and cash equivalents comprise of the following:

	2024 Kshs	2023 Kshs
Fixed deposits	85,134,066	5,142,503
Cash at bank	6,517,866	3,569,221
	91,651,932	8,711,724

6. Investment in real estate loan notes

Movement in investment real estate loan notes

a) Cytonn Integrated Project LLP		
At start of the year	150,777,811	132,612,712
Fair value loss	(2,771,301)	(564,645)
Interest accrued	38,989,330	21,806,843
Less: impairment provisions	(6,044,161)	(3,077,098)
At end of the year	180,951,679	150,777,812
b) Taraji- (LLP 10)		
At start of the year	137,811,127	119,620,727
Fair value loss	(2,546,308)	13,440,498
Interest accrued	35,725,251	7,562,374
Less: impairment provisions	(5,525,571)	(2,812,472)
At end of the year	165,464,499	137,811,127

6. Investment in real estate loan notes (continued)	2024 Kshs	2023 Kshs
c) Ridge- (LLP 11)		
At start of the year	15,933,266	13,280,349
Fair value loss	(294,822)	(206,690)
Interest accrued	4,133,274	3,184,776
Less: impairment provisions	(638,887)	(325,169)
At end of the year	19,132,831	15,933,266
d) Applewood-(LLP18)		
At start of the year	28,442,434	23,811,540
Fair value loss	(527,337)	(2,351,023)
Interest accrued	7,385,303	7,562,374
Less: impairment provisions	(1,140,569)	(580,458)
At end of the year	34,159,831	28,442,433
	399,708,840	332,964,638

These projects were revalued on 11 March 2025 by Regent Valuer. The carrying amounts of these investments were based on the valuation report done by the external valuer as at 31 December 2024.

Fair value loss relates to fluctuations in interest rates and nominal values of real estate developments from time to time.

7. Trade and other receivables	2024 Kshs	2023 Kshs
Withholding tax receivable	29,208,461	15,452,054
Receivable to related parties (note 9)	5,046,714	5,046,714
Less: IFRS 9 impairment provision	(688,124)	(401,648)
	33,567,051	20,097,120

8. **Trade and other payables**	**2024 Kshs**	**2023 Kshs**
Withholding tax payable on interest	11,081,299	8,316,069
Payable to related parties (note 9)	3,959,127	2,044,785
Accrued audit fees	456,751	456,751
Accrued IT expenses	253,781	-
Accrued custody fees	238,664	83,207
Accrued trustee fees	224,406	98,389
Accrued fund management fees	79,799	710,087
Accrued publication fees	40,406	12,566
	16,334,233	11,721,854

The carrying amounts of the fund's trade and other payables are denominated Kenya shillings. The maturity of trade and other payables is within 12 months.

9. **Related party balances and transactions**	**2024 Kshs**	**2023 Kshs**
i) Sale of services		
Management fees paid to related parties	9,344,359	7,249,540
ii) Outstanding balances		
a) Investment with related parties		
Cytonn Integrated Project LLP	180,951,679	150,777,812
Cytonn Investments Partners Ten LLP	165,464,499	137,811,127
Cytonn Investments Partners Eighteen LLP	34,159,831	28,442,433
Cytonn Investments Partners Eleven LLP	19,132,831	15,933,266
	399,708,840	332,964,638
b) Payable to related parties		
Cytonn Money Market Fund	3,661,996	1,688,049
Cytonn Money Market Fund- USD	297,131	356,736
	3,959,127	2,044,785
iii) Receivable balances		
Cytonn Investment Management	5,046,714	5,046,714

Cytonn High Yield Fund is managed by Cytonn Asset Managers Limited as their fund manager. Cytonn Asset Managers Limited is a related party to Cytonn Investments Management PLC by virtue of common shareholding which owns a number of other subsidiaries which are fellow subsidiaries to Cytonn Asset Managers Limited.

The Fund transacts with these companies within the Cytonn Group of Companies.

10. Nature and extent of risk arising from financial instruments

Financial risk management

The Fund generates revenues for the members by investing in various income generating activities. These activities expose the Fund to a variety of financial risks, including credit risk and the effects of changes in market dynamics. The trust deed sets out the investment policy and management of the Fund's assets to minimise potential adverse effects on its financial performance.

a) Market risk

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund's interest bearing assets include term deposits, commercial papers and treasury bills which have fixed interest rates hence exposure to interest rate risk is not considered to be material.

b) Credit risk

Credit risk refers to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Fund. The credit risk on term deposits and bank balances is limited as the counterparties are all recognised banks with good reputations.

In assessing whether the credit risk on a financial asset has increased significantly, the fund compares the risk of default occurring on the financial asset as at the reporting date with the risk of default occurring on that financial asset as at the date of initial recognition. In doing so, the company considers reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition and that is available without undue cost or effort. There is a rebuttable assumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.

If the Fund does not have reasonable and supportable information to identify significant increases in credit risk and/or to measure lifetime credit losses when there has been a significant increase in credit risk on an individual instrument basis, lifetime expected credit losses are recognised on a collective basis.

For such purposes, the company's financial assets on the basis of shared credit risk characteristics, such as;

- Type of instrument;
- Industry in which the debtor operates; and
- Nature of collateral

10. Nature and extent of risk arising from financial instruments (continued)

Financial risk management (continued)

b) Credit risk (continued)

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

- significant financial difficulty of the debtor
- a breach of contract
- it is probable that the debtor will enter bankruptcy
- the disappearance of an active market for the financial asset because of financial difficulties.

The gross carrying amount of financial assets with exposure to credit risk at the balance sheet date is as follows:

		Gross Carrying Amount	Expected Credit Losses	Exposure to Credit Risks
a	**For year ended 2024**	**Kshs**	**Kshs**	**Kshs**
	Fixed deposits	86,229,833	(1,095,766)	85,143,067
	Bank balances	6,635,580	(117,713)	6,517,867
	Investment in real estate loan notes	413,058,029	(13,349,188)	399,708,841
		505,923,442	(14,562,667)	491,369,775
b	**For year ended 2023**			
	Fixed deposits	5,220,815	(78,312)	5,142,503
	Bank balances	3,623,575	(54,354)	3,569,221
	Investment in real estate loan notes	339,759,835	(6,795,197)	332,964,638
		348,604,225	(6,927,863)	341,676,362

Financial assets for which the loss allowance has been measured at an amount equal to lifetime expected credit losses have been analysed above based on their credit risk ratings as follows:

a) financial assets for which credit risk has increased significantly since initial recognition but that are not credit impaired;
b) financial assets that are credit impaired at the balance sheet date;
c) trade receivables, contract assets and lease receivables for which the loss allowance is always measured at an amount equal to lifetime expected credit losses, based, as a practical expedient, on provision matrices.

11. Incorporation

The Fund is registered in Kenya under the Capital Market Authority (CMA) Act.

12. Presentation currency

The financial statements are presented in Kenya Shillings (Kshs).

13. New and revised financial reporting standards

In the current year, the fund has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Amendments to IAS 1 – Classification of Liabilities as Current or Non-current

The fund has adopted the amendments to IAS 1, which clarify the criteria for classifying liabilities as current or non-current. The amendments clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period. The adoption of these amendments has not resulted in significant changes to the classification of liabilities in the company's financial statements.

New and revised financial reporting standards that are not yet effective

The fund has not applied the following new and revised standards and interpretations that have been published but are not yet effective for the year beginning 1st January 2024. None of the changes is expected to have any material impact on the fund's financial statements except IFRS 18, which will require changes to the presentation, and related disclosures, of the Profit and Loss Account and the Statement of Cash Flows:

- *Amendments to IAS 21 Lack of Exchangeability*
- *Amendments to IFRS 18 Presentation and Disclosure in Financial Statements*
- *Amendments to IFRS 9 and IFRS 7 titled Amendments to the Classification and Measurement of Financial Instruments*