Cytonn Investment Partners Three LLP
Annual Financial Statements
for the 15 month period ended December 31, 2015

General Information

Country of incorporation and domicile	Kenya
Partners	Edwin H. Dande (In trust for Cytonn Investments Management Limited) Cytonn Investments Management Limited
Registered office	3rd Floor, Liaison House State House Avenue P.O. Box 20695-00200 Nairobi
Bankers	Standard Chartered Bank Limited Chiromo Branch P.O. Box 30003-00100 Nairobi Chase Bank Limited Riverside Branch P.O. Box 66015-00800 Nairobi
Independent auditor	Grant Thornton Certified Public Accountants (Kenya) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Secretary	Patricia Wanjama
Partnership registration number	LLP/2014/104
Tax reference number	P051533461E
Date of incorporation	September 26, 2014

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The reports and statements set out below comprise the annual financial statements presented to the partners:

Partners' Report

The partners submit their report for the 15 month period ended December 31, 2015.

1. Review of activities

Main business and operations

The partnership is engaged in developing and selling its owned property and operates principally in Kenya.

The operating results and state of affairs of the partnership are fully set out in the attached annual financial statements and do not in our opinion require any further comment.

The net profit of the partnership after taxation was K Sh 68,430,276.

2. Events after the reporting period

There was a sale agreement in place for a unit sold subsequent to the year end. This has been moved from investment property to inventories in accordance with the principles of IAS 40.

3. Dividends

No dividends were declared or paid to partners during the 15 month period.

4. Partners

The partners of the partnership during the 15 month period and to the date of this report are as follows:

Edwin H. Dande (In trust for Cytonn Investments Management Limited)
Cytonn Investments Management Limited

5. Auditors

At the statutory general meeting of the partnership, the Auditor Messrs Grant Thornton, Certified Public Accountants (K) were appointed to office and have indicated their willingness to continue in office in accordance with the Limited Liability Partnership Act of 2011.

Partner (Representing Cytonn Investments Management Limited)

August 24, 2016

Statement of Partners' Responsibilities on the Financial Statements

The partners are required in terms of the Limited Liability Partnership Act of 2011 to maintain adequate accounting records and are responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is their responsibility to ensure that the annual financial statements fairly present the state of affairs of the partnership as at the end of the financial 15 month period and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the partnership. The external auditors are engaged to express an independent opinion on the annual financial statements.

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

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

The partners are of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied upon for the preparation of the annual financial statements. They are, also, of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the partnership and of its operating results as at December 31, 2015. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The partners have reviewed the partnership's cash flow forecast for the year to December 31, 2016 and, in the light of this review and the current financial position, they are satisfied that the partnership has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently reviewing and reporting on the partnership's annual financial statements. The annual financial statements have been examined by the partnership's external auditors and their report is presented on pages 5.The annual financial statements set out on pages 7 to 21, which have been prepared on the going concern basis, were approved by the partners on August 24, 2016 and were signed on its behalf by:

Partner

Partner (Representing Cytonn Investments Management Limited)

Wednesday, August 24, 2016

Grant Thornton

Independent Auditor's Report

To the partners of Cytonn Investment Partners Three LLP

Report on the Financial Statements

We have audited the annual financial statements of Cytonn Investment Partners Three LLP, which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the 15 month period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 21.

Partners' Responsibility for the Annual Financial Statements

The partnership's partners are responsible for the preparation and fair presentation of these annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Limited Liability Partnership Act of 2011. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these annual financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the annual financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the annual financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the annual financial statements.

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

Opinion

In our opinion, the annual financial statements present fairly, in all material respects, the financial position of Cytonn Investment Partners Three LLP as at December 31, 2015, and its financial performance and its cash flows for the 15 month period then ended in accordance with International Financial Reporting Standards, and in the manner required by the Limited Liability Partnership Act of 2011.

Report on Other Legal and Regulatory Requirements

As required by the Limited Liability Partnership Act of 2011 we report to you, based on our audit, that:

a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
b) In our opinion proper books of accounts have been kept by the partnership, so far as appears from our examination of those books;
c) The partnership's statement of financial position is in agreement with the books of accounts.

Grant Thornton.

Grant Thornton
Certified Public Accountants

Grant Thornton
Certified Public Accountants (Kenya)
Nairobi
24 AUGUST 2016

C/120/1215/427/0816/AUD

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

Statement of Financial Position as at December 31, 2015

	Note(s)	31 December 2015 K Sh
Assets		
Non-Current Assets		
Investment property	3	306,614,515
Current Assets		
Inventories	4	47,661,640
Other receivables	5	21,047,610
Investments	6	304,127,037
Prepayments	7	53,312,051
Cash and cash equivalents	8	3,038,052
		429,186,390
Total Assets		**735,800,905**
Equity and Liabilities		
Equity		
Partners account		68,430,276
Liabilities		
Non-Current Liabilities		
Land owners contribution	9	175,000,000
Current Liabilities		
Trade and other payables	10	47,461,040
Borrowings	11	444,909,589
		492,370,629
Total Liabilities		**667,370,629**
Total Equity and Liabilities		**735,800,905**

The annual financial statements and the notes on pages 3 to 21, were approved by the partners on the August 24, 2016 and were signed on its behalf by:

Partner

Partner (Representing Cytonn Investments Management Limited)

The accounting policies on pages 10 to 14 and the notes on pages 15 to 21 form an integral part of the annual financial statements.

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	15 month period ended 31 December 2015 K Sh
Revenue	12	16,530,000
Cost of sales	13	(18,922,644)
Gross loss		**(2,392,644)**
Operating expenses	14	(2,424,623)
Operating loss		**(4,817,267)**
Investment revenue	15	13,247,543
Fair value adjustments	16	60,000,000
Profit for the 15 month period		**68,430,276**
Other comprehensive income		-
Total comprehensive income for the 15 month period		**68,430,276**

The accounting policies on pages 10 to 14 and the notes on pages 15 to 21 form an integral part of the annual financial statements.

Statement of Changes in Equity

	Partners account K Sh	Total equity K Sh
Profit for the 15 month period	68,430,276	68,430,276
Other comprehensive income	-	-
Total comprehensive income for the 15 month period	**68,430,276**	**68,430,276**
Balance at December 31, 2015	**68,430,276**	**68,430,276**

The accounting policies on pages 10 to 14 and the notes on pages 15 to 21 form an integral part of the annual financial statements.

Included in the partner's account above, is a fair value gain of K Sh 60,000,000 in respect to investment property which is non-distributable.

Statement of Cash Flows

	Note(s)	15 month period ended 31 December 2015 K Sh
Cash flows from operating activities		
Cash used in operations	17	(79,377,528)
Interest income		13,247,543
Fair value adjustments		60,000,000
Net cash from operating activities		**(6,129,985)**
Cash flows from investing activities		
Purchase of investment property	3	(306,614,515)
Purchase of financial assets		(304,127,037)
Net cash from investing activities		**(610,741,552)**
Cash flows from financing activities		
Proceeds from borrowings		444,909,589
Land owners contribution		175,000,000
Net cash from financing activities		**619,909,589**
Total cash movement for the 15 month period		**3,038,052**
Total cash at end of the 15 month period	8	**3,038,052**

The accounting policies on pages 10 to 14 and the notes on pages 15 to 21 form an integral part of the annual financial statements.

Accounting Policies

1. Presentation of annual financial statements

The annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Limited Liability Partnership Act of 2011. The annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings and rounded off to the nearest Shilling.

1.1 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is used in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

Trade receivables, Held to maturity investments and Loans and receivables

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

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Fair value estimation

The fair value of financial instruments that are not traded in an active market (for example, over the counter derivatives) is determined by using valuation techniques. The partnership uses a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period. Quoted market prices or dealer quotes for similar instruments are used for long-term debt. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments. The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows. The fair value of forward foreign exchange contracts is determined using quoted forward exchange rates at the end of the reporting period.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the partnership for similar financial instruments.

Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the [name a key assumption] assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

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. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

1.2 Investment property

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

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

Accounting Policies

1.2 Investment property (continued)

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

Fair value

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

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

1.3 Financial instruments

Classification

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

- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

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

Derecognition

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

Fair value determination

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

Land owners contribution

These financial assets are classified as loans and receivables.

Accounting Policies

1.3 Financial instruments (continued)

Other receivables

Other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

1.4 Inventories

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

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

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

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

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

1.5 Impairment of assets

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

Irrespective of whether there is any indication of impairment, the partnership also:

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

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

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

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

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

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

Accounting Policies

1.5 Impairment of assets (continued)

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

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

1.6 Share capital and equity

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

1.7 Revenue

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

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

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

1.8 Cost of sales

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

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

1.9 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

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

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

Accounting Policies

1.10 Translation of foreign currencies

Foreign currency transactions

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

At the end of the reporting period:

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

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

When a gain or loss on a non-monetary item is recognised to other comprehensive income and accumulated in equity, any exchange component of that gain or loss is recognised to other comprehensive income and accumulated in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

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

Notes to the Annual Financial Statements

	2015
	K Sh

2. New Standards and Interpretations

2.1 Standards and Interpretations early adopted

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

IFRS 15 Revenue from Contracts with Customers

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

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

- Identify the contract(s) with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contract
- Recognise revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 also includes extensive new disclosure requirements.

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

The partnership has early adopted the standard for the first time in the 2015 annual financial statements.

The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

The partnership has chosen not to early adopt the following standards and interpretations, which have been published and are mandatory for the partnership's accounting periods beginning on or after January 01, 2016 or later periods:

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

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

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

The partnership expects to adopt the amendment for the first time in the 2016 annual financial statements.

It is unlikely that the amendment will have a material impact on the partnership's annual financial statements.

Notes to the Annual Financial Statements

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the outstanding principal are generally measured at amortised cost at the end of subsequent reporting periods. Debt instruments that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and that have contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on outstanding principal, are measured at FVTOCI. All other debt and equity investments are measured at fair value at the end of subsequent reporting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income with only dividend income generally recognised in profit or loss.
- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of the liability is presented in other comprehensive income, unless the recognition of the effect of the changes of the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Under IAS 39, the entire amount of the change in fair value of a financial liability designated as at fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is therefore no longer necessary for a credit event to have occurred before credit losses are recognised.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been replaced with the principal of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

The partnership expects to adopt the standard for the first time in the 2018 annual financial statements.

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

2.3 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the partnership's accounting periods beginning on or after January 01, 2016 or later periods but are not relevant to its operations:

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

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

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

It is unlikely that the amendment will have a material impact on the partnership's annual financial statements.

Notes to the Annual Financial Statements

3. Investment property

	2015		
	Cost / Valuation	Accumulated depreciation	Carrying value
Investment property	306,614,515	-	306,614,515

Reconciliation of investment property - 2015

	Opening balance	Additions	Total
Investment property	-	306,614,515	306,614,515

Fair value of investment properties	235,000,000

Borrowing costs capitalised

Borrowing costs capitalised to qualifying assets	11,694,721
Capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation	20.10 %

Details of property

L.R. No. 10051 I.R. No. 16453/4 - Amara Ridge

- Purchase price	175,000,000
- Fair value gain	60,000,000
- Development costs	138,198,799
- Transfer to inventories	(66,584,284)
	306,614,515

Details of valuation

The effective date of the revaluations was Thursday, December 31, 2015. Revaluations were performed by an independent valuer, Kenval Realtors (EA) Limited. Kenval Realtors (EA) Limited are not connected to the partnership and have recent experience in the location and category of the investment property being valued.

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

4. Inventories

Work in progress	47,661,640

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

Transfer from investment property	66,584,284
Transfer to cost of sales	(18,922,644)
	47,661,640

5. Other receivables

Other receivables	19,814,650
Related party receivable (Note 18)	1,232,960
	21,047,610

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

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

Notes to the Annual Financial Statements

6. Investments

Held to maturity	
Cytonn Cash Management Solutions LLP (Note 18)	304,127,037
Current assets	
Held to maturity	304,127,037

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

The carrying amounts of investments are denominated in Kenya Shillings.

7. Prepayments

Prepayments	53,312,051

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

The carrying amounts of prepayments are denominated in Kenya Shillings.

8. Cash and cash equivalents

Cash and cash equivalents consist of:

Bank balances	3,038,052

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

9. Land owners contribution

Land owners contribution	175,000,000

In the opinion of the partners, the carrying amount of land owners contributions approximate their fair value.

The carrying amounts of land owner contributions are denominated in Kenya Shillings.

10. Trade and other payables

Trade payables	27,738,907
Other payables	3,792,988
Deposits received	13,470,000
Related party payables (Note 18)	2,459,145
	47,461,040

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

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

11. Borrowings

Held at amortised cost	
TT Africa	444,909,589

Interest shall be payable on any outstanding Notes at a rate of 21% per annum for the first six months and 14% per annum if expressly extended by the Noteholder for a further 15 months and shall be payable at the same time as the principal amount of the applicable.

Interest shall accrue daily at the interest rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the date of actual payment.

Notes to the Annual Financial Statements

11. Borrowings (continued)

The loan is secured by a charge over the Partner's interests in the issuer, pursuant to the Partnership and account charge.

Current liabilities	
At amortised cost	444,909,589

12. Revenue

Sale of houses	16,530,000

13. Cost of sales

Sale of houses	
Development costs	15,597,644
Transfer from inventories	3,325,000
	18,922,644

14. Operating expense

The following items are included within operating expenses:	
Electricity and water	74,969
Auditors remuneration	621,551
Bank charges	65,539
Legal and professional fees	471,000
Office expenses	22,930
IT expenses	1,590
Advertising and promotions	1,054,967
Postage	16,984
Printing and stationery	31,198
Realised exchange differences	7,350
Security	40,000
Travelling and transport	16,545
	2,424,623

15. Investment revenue

Interest revenue	
Interest income	13,247,543

16. Fair value adjustments

Investment property (Fair value model)	60,000,000

17. Cash used in operations

Profit before taxation	68,430,276
Adjustments for:	
Interest received	(13,247,543)
Fair value adjustments	(60,000,000)
Changes in working capital:	
Inventories	(47,661,640)
Other receivables	(21,047,610)
Prepayments	(53,312,051)
Trade and other payables	47,461,040
	(79,377,528)

Notes to the Annual Financial Statements

	2015 K Sh

18. Related parties

Related party balances

Investments in related parties	
Cytonn Cash Management Solutions LLP	304,127,037
Amounts included in Other receivables regarding related parties	
Cytonn Cash Management Solutions LLP	1,152,960
Mystic Plains LLP	80,000
Amounts included in Trade and other payables regarding related parties	
Cytonn Investments Management Limited	1,768,975
Cytonn Investment Partners Two LLP	690,170

19. Risk management

Capital risk management

The partnership's objectives when managing capital are to safeguard the partnership's ability to continue as a going concern in order to provide returns for partners and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The capital structure of the partnership consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in note 11, cash and cash equivalents disclosed in note 8, and equity as disclosed in the statement of financial position.

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

There are no externally imposed capital requirements.

Financial risk management

The partnership's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk.

Liquidity risk

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

At December 31, 2015	Less than 1 year	Between 1 and 2 years
Borrowings	-	444,909,589
Trade and other payables	47,461,040	-

Interest rate risk

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

Notes to the Annual Financial Statements

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19. Risk management (continued)

Credit risk

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

Financial assets exposed to credit risk at 15 month period end were as follows:

Financial instrument	2015
Other receivables	21,047,610
Prepayments	53,312,051

Foreign exchange risk

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

The partnership does not hedge foreign exchange fluctuations.

20. Fair value information

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

	Note(s)	
Assets		
Investment property	3	
Investment property		235,000,000
Total		**235,000,000**