CYTONN INVESTMENTS PARTNERS ELEVEN LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS **PAGE**

Partners	Edwin H. Dande (In trust for Cytonn Investments Management) Cytonn Investments Management PLC
Registered Office	3rd Floor, Liaison House State House Avenue P.O Box 20695-00200 Nairobi
Principal Bankers	CFC Stanbic Bank Limited Chiromo Branch P.O Box 30550-00100 Nairobi
Independent Auditor	Parker Randall Eastern Africa Certified Public Accountants Galleria Business Park, Block 2(A) P.O. Box 25426 – 00100 Nairobi.
Statutory manager	Patricia N. Wanjama

The partners submit their report together with the audited annual report and financial statements for the year ended 31 December 2020 which shows the state of affairs of the partnership.

1. Incorporation and registered office

The partnership was incorporated on 15 April 2015 under Limited Liability Partnership Act 2011 as a Limited Liability Partnership registration number LLP/2016/41, and is domiciled in Kenya. The address of the registered office is set out on page 1.

2. Principal activity

The principal activities of the partnership are developing and selling property located on L.R NO 28223/3 in Kiambu County known as the Ridge Ridgeways. The partnership operates principally in Kenya. The property was converted to development property for sale.

3. Business Review of financial results and activities

The annual report and financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Limited Liability Partnership Act of 2011.The accounting policies have been applied consistently compare to the prior year.

The partnership recorded a net profit for the year ended 31 December 2020 of Kshs 54,312,766. This represented an increase in profit of Kshs 131,027,780 from the loss for the prior year of Kshs 76,715,014.

Partnership cash outflows from operating activities increased by 62% from Kshs (1,133,509,007) in the prior year to Kshs (430,817,999) for the year ended 31 December 2020.

4. Statement as to disclosure to the partner's auditors

With respect to each partners at the time this report was approved:

- There is, so far as each partners is aware, no relevant audit information of which the Partnership's auditor is unaware; and
- Each partner has taken all the steps that the partners ought to have taken so as to be aware of any relevant audit information and to establish that the Partnership's auditor is aware of that information.

5. Terms of appointment of the auditor

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

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

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

6. Approval of financial statements

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

By Order of the partners;

....
Partner
Nairobi

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

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

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

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

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

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

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

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

The financial statements set out on pages 8 to 31 were approved by the Partners on ......23/12/..........2021 and were signed on their behalf by:

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

REPORT OF THE INDEPENDENT AUDITOR
TO THE PARTNERS OF CYTONN INVESTMENT PARTNERS ELEVEN LLP
FOR THE YEAR ENDED 31 DECEMBER 2020

Opinion

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

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

Basis for Opinion

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

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

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

Other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Partners' responsibility for the financial statements

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

In preparing the financial statements, the Partners are responsible for assessing the partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Partners either intend to liquidate the partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism 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 those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.

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

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

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

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

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

We communicate with the partners regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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

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

20/1/2022

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

Date

CYTONN INVESTMENTS PARTNERS ELEVEN LLP
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kshs	2019 Kshs
Revenue	2	-	23,342,400
Cost of Sales	3	-	(59,237,638)
Gross loss		**-**	**(35,895,238)**
Other operating income	4	61,469,319	30,182,935
Operating expenses	5	(7,156,553)	(71,002,711)
Profit /(Loss) for the year		**54,312,766**	**(76,715,014)**

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

CYTONN INVESTMENT PARTNERS ELEVEN LLP
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

ASSETS	Notes	2020 Kshs	2019 Kshs
NON-CURRENT ASSETS			
Equipment	6	10,247,223	12,569,271
Intangible assets	7	75,248	100,331
		10,322,471	12,669,602
CURRENT ASSETS			
Development properties for sale	8	3,354,236,103	3,174,371,100
Trade and other receivables	10	1,363,167,471	1,079,424,078
		4,717,403,574	4,253,795,178
TOTAL ASSETS		**4,727,726,045**	**4,266,464,780**
EQUITY AND LIABILITIES			
EQUITY			
Retained income		9,735,403	(7,933,408)
NON CURRENT LIABILITIES			
Borrowings	11	2,874,367,827	2,768,703,730
Other financial liabilities	12	974,697,959	644,276,319
		3,849,065,786	3,412,980,049
CURRENT LIABILITIES			
Trade and other payables	13	865,922,026	853,079,953
Bank overdraft	9	3,002,831	8,338,186
		864,791,831	861,418,139
TOTAL EQUITY AND LIABILITIES		**4,727,726,045**	**4,266,464,780**

The financial statements on pages 8 to 31 were approved by the Board of Partners on ....23/12........ / 2021 and signed on its behalf by:

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

....
Partner
Cytonn Investments Management PLC

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

	Retained income Kshs
As at 1 January 2019	68,781,606
Loss for the year	(76,715,014)
As at 31 December 2019	**(7,933,408)**
As at 1 January 2020	(7,933,408)
Prior period adjustment*	(36,643,956)
Adjusted loss as at 1 January 2020	***(44,577,364)***
Profit for the year	54,312,766
As at 31 December 2020	**9,735,403**

*The prior period adjustment relates to cost of sales which had been understated in error by Kshs 36, 643,956 in the previous period.

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

	Notes	2020 Kshs	2019 Kshs
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		54,312,766	(76,715,014)
Adjustments for:			
Depreciation and amortization		2,279,514	2,221,811
Expected credit loss		-	8,755,262
Prior period adjustment		(36,643,956)	-
Change in working capital			
Development properties for sale		(179,865,003)	(524,146,622)
Trade and other receivables		(283,743,393)	(548,509,136)
Trade and other payables		12,842,073	13,636,954
Cash from (used in) operations		*(430,817,999)*	*(1,124,756,745)*
Expected credit loss		-	(8,752,262)
Net cash used in operating activities		**(430,817,999)**	**(1,133,509,007)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal		67,618	-
Purchase of equipment		-	(3,335,050)
Movement in investments at fair value		-	77,253,675
Net cash from investing activities		**67,618**	**73,918,625**
CASH FLOWS FROM FINANCING ACTIVITIES			
Movement in borrowings		105,664,097	416,585,265
Movement in other financial liabilities		330,421,640	644,276,319
Net cash from financing activities		**436,085,737**	**1,060,861,584**
Decrease in cash and cash equivalents in the year		5,335,356	1,271,202
Cash and cash equivalents at the beginning of the year		(8,338,186)	(9,609,388)
Cash and cash equivalents at end of the year		**(3,003,831)**	**(8,338,186)**

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

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

1.2. Significant judgements and sources of estimation uncertainty

The preparation of annual report and financial statements in conformity with IFRS requires management, from time to time, to make judgements. Estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on experience and various other factors that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

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

Key sources of estimation uncertainty

Fair value estimation
Several assets and liabilities of the partnership are either measured at fair value or disclosure is made of their fair values. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The group contracted an external, independent, and professional qualified real estate projects valuers who hold recognized professional qualifications and have wide experience in similar real estate projects to assess and advise the fair value of the projects. In determining the fair market value of the projects the valuer conducted a physical inspection of the property, asking prices for similar parcels of the land in the area, the proposed and approved project plans, current costs, presales as well as the economic conditions prevailing at the time. The group then contracted an independent and qualified consultant to undertake a reasonableness test on the fair market values received. There were no signs of impairment.

1. Summary of significant accounting policies (continued)

1.2 Significant judgements and sources of estimation uncertainty (continue)

Fair value estimation (continued)
Significant valuation issues are reported to the audit committee. Observable market data is used as inputs to the extent that it is available. The current use of the investment properties equates to the highest and best use.

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

Impairment testing
The partnership reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions. When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

1.3 Equipment

Equipments are tangible assets which the partnership holds for its own use or for rental to others and which are expected to be used for more than one year.

An item of equipment is recognised as an asset when it is probable that future economic benefits associated with the item will flow to the partnership, and the cost of the item can be measured reliably.

Equipment is initially measured at cost. Cost includes all of the expenditure which is directly attributable to the acquisition or construction of the asset, including the capitalisation of borrowing costs on qualifying assets and adjustments in respect of hedge accounting, where appropriate.

Expenditure incurred subsequently for major services, additions to or replacements of parts of equipment are capitalised if it is probable that future economic benefits associated with the expenditure will flow to the partnership and the cost can be measured reliably. Day to day servicing costs is included in profit or loss in the year in which they are incurred.

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the partnership. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

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

1. Summary of significant accounting policies (continued)

1.3 Equipment (continued)

Item	**Depreciation Method**	**Rate per annum (%)**
Furniture and Fixtures	Straight Line	12.5
Office Equipment	Diminishing Balance	33.3

The residual value, useful life and depreciation method of each asset are reviewed at the end of each reporting year. If the expectations differ from previous estimates, the change is accounted for prospectively as a change in accounting estimate.

1.4 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.

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.

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

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

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

1.5 Intangible assets

An intangible asset is recognised when:

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

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred. Intangible assets are earned at cost less any accumulated amortisation and any impairment losses.
The amortisation period and the amortisation method for intangible assets are reviewed every period-end.

1. Summary of significant accounting policies (continued)

1.5 Intangible assets (continued)

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

Item	Rate per annum (%)
Computer Software	20

1.6 Financial Instruments

Financial instruments held by the partnership are classified in accordance with the provisions of IFRS 9 Financial Instruments. Broadly, the classification possibilities, which are adopted by the partnership, as applicable, are as follows:
Financial assets which are debt instruments:

- Amortized cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or
- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortized cost; or
- Designated at fair value through profit or loss. (This classification option can be applied when it eliminates or significantly reduces an accounting mismatch; the liability forms part of a group of financial instruments managed on a fair value basis, or it forms part of a contract containing an embedded derivative and the entire contract is designated as at fair value through profit or loss).

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

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

Trade and other receivables

Classification

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

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

1. Summary of significant accounting policies (continued)

1.6 Financial Instruments (continued)

Trade and other receivables (continued)

Recognition and measurement

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

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

Impairment

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

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

Measurement and recognition of expected credit losses

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

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

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

Write off policy

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

1. Summary of significant accounting policies (continued)

1.6 Financial Instruments (continued)

Trade and other receivables

Credit risk

Details of credit risk are included in the trade and other receivables note 10 and the financial instruments and risk management note 15.

Derecognition

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

Borrowings and loans from related parties

Classification

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

Recognition and measurement

Borrowings and loans from related parties are recognised when the partnership becomes a party to the contractual provisions of the loan. The loans are measured at initial recognition at fair value plus transaction costs if any.

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

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

Borrowings expose the partnership to liquidity risk and interest rate risk.

Derecognition

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

Trade and other payables

Classification

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

Recognition and measurement

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

1. Summary of significant accounting policies (continued)

1.6 Financial Instruments (continued)

Trade and other payables (continued)

Recognition and measurement (continued)
They are subsequently measured at amortised cost using the effective interest method.

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

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

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

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

Derecognition
Financial assets
The partnership derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the partnership neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the partnership recognises its retained interest in the asset and an associated liability for amounts it may have to pay.

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

Financial liabilities
The partnership derecognises financial liabilities when, and only when, the partnership obligations are discharged, cancelled or they expire.

The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

1. Summary of significant accounting policies (continued)

1.7 Impairment of assets

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.

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.

1.8 Development properties for sale

Development properties for sale are measured at the lower of cost and net realizable value on the first-in-first-out basis.

Net realizable 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 development properties for sale comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the development properties for sale to their present location and condition.

When development properties for sale are sold, the carrying amount of those development properties for sale are recognized as an expense in the period in which the related revenue is recognized. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognized 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 realizable value, are recognized as a reduction in the amount of inventories recognized as an expense in the period in which the reversal occurs.

1 Summary of significant accounting policies (continued)

1.9 Revenue from contracts with customers

The partnership recognises revenue from the Sales of development properties

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

Sale of development properties
The partnership recognises revenue over time on the basis that the partnership's performance does not create an asset with an alternative use to the partnership and the partnership has an enforceable right to payment for performance completed to date.

1.10 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 generally 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 cost 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.

		2020	2019
2	**Revenue**	**Kshs**	**Kshs**
	Revenue from contracts with customers		
	Sale of Houses	-	23,342,400

3	**Cost of sales**		
	Construction cost	-	59,237,638
		-	59,237,638

4	**Other operating income**		
	Other income	61,469,319	29,945,755
	Interest income – CHYS	-	1,097,458
	Forfeiture income – reservation forms	-	(860,278)
		61,469,319	30,182,935

5	**Operating expenses**		
	Expected Credit Loss for the year	2,658,321	-
	Depreciation and amortization	2,279,514	2,224,811
	Office expenses	827,079	20,500
	Advertising and marketing	816,547	10,799,542
	Legal fees	325,350	5,057,600
	Board expenses	100,000	50,000
	Audit fees	67,834	339,170
	Tax fees	55,206	76,028
	Bank charges	17,702	93,544
	Repairs and maintenance	9,000	-
	Management consulting fees	-	42,664,648
	Allowance for credit loss	-	8,755,262
	Sales commissions	-	863,325
	Staff meals and entertainment	-	43,080
	Foreign exchange gain/loss	-	15,201
		7,156,553	71,002,711

6 Property, plant equipment

a) For the year ended 31 December 2020

	Office Equipment	Furniture and fixtures	Total
Cost/Valuation			
At 1 January 2020	899,248	15,492,014	16,391,262
Additions	47,200	-	47,200
As at 31 December 2020	946,448	15,492,014	16,438,462
Accumulated depreciation			
At 1 January 2020	421,588	3,400,403	3,821,991
Charge for the year	443,425	1,925,823	2,369,248
As at 31 December 2020	865,013	5,326,226	6,191,239
Net carrying amount			
As at 31 December 2020	81,435	10,165,788	10,247,223

b) For the year ended 31 December 2019

	Office Equipment	Furniture and fixtures	Total
Cost/Valuation			
At 1 January 2019	549,895	12,648,195	13,198,090
Additions	349,353	2,843,819	3,193,172
As at 31 December 2019	899,248	15,492,014	16,391,262
Accumulated depreciation			
At 1 January 2019	183,116	1,581,024	1,764,140
Charge for the year	238,472	1,819,379	2,057,851
As at 31 December 2019	421,588	3,400,403	3,821,991
Net carrying amount			
As at 31 December 2019	477,660	12,091,611	12,569,271

		2020	2019
7	**Intangible assets**		
	Computer software	**Kshs**	**Kshs**
	Cost/Valuation		
	At 1 January	195,957	195,957
	Additions	-	-
	As at 31 December	195,957	195,957
	Accumulated amortization		
	At 1 January	95,626	70,544
	Charge for the year	25,083	25,082
	As at 31 December	120,709	95,626
	Net carrying amount		
	As at 31 December	75,248	100,331

8	**Development properties for sale**		
	Work in progress	3,354,236,103	3,174,371,100

The above work in progress consists of land transferred from the investment properties based on the business case

Reconciliation of development properties		
Opening balance	3,174,371,100	2,650,224,478
Capitalized expenditure	179,865,003	524,146,622
	3,354,236,103	3,174,371,100

Breakdown of capitalized expenditure		
Finance charges	254,420,773	537,506,709
Site personnel and contingency	225,289	2,494,044
Project management fees	(1,886,090)	680,848
Land rates and rent	57,717	341,980
Disbursements	567,904	103,143
Stamp duty	54,368	(87,638)
Advertisement costs	(2,506,969)	(179,680)
Fair value adjustments	223,056	(359,553)
Professional fees	(3,472,894)	(989,628)
Land at cost	1,359,195	(2,190,939)
Construction costs	(69,177,345)	(13,172,664)
	179,865,003	524,146,622

		2020	2019
9	**Cash and cash equivalents**	**Kshs**	**Kshs**
	Bank overdraft	(3,002,831)	(8,338,186)
		(3,002,831)	(8,338,186)

10 Trade and other receivables

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

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

	2020	2019
	Kshs	**Kshs**
Trade receivables- related parties	672,517,060	540,090,293
Prepayments	514,527,051	507,217,378
Accrued income	91,415,074	-
Trade receivables	84,708,286	32,116,407
	1,363,167,471	1,079,424,078

		2020	2019
11	**Borrowings**	**Kshs**	**Kshs**
	TT Africa- Loan	2,874,367,827	2,768,703,730

The above loan is charged at 18% per annum and repayable within 60 months

		2020	2019
12	**Other financial liabilities**	**Kshs**	**Kshs**
	Cytonn Real Estate Project Notes LLP	784,837,875	555,107,947
	Cytonn High Yield Solutions LLP	189,860,084	89,168,372
		974,697,659	644,276,319

Cytonn High Yield Solutions LLP and Cytonn Project Notes LLP are constituent entities of Cytonn group and have rolling one year investments in special purpose vehicles, with returns to Cytonn High Yield Solutions LLP of 21% per annum.

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

13 Trade and other payables

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

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

	2020	2019
	Kshs	Kshs
Trade payables	402,624,164	485,465,136
Other payables	203,559,323	185,561,656
Trade payables –related parties	238,279,703	108,318,977
Accrued expenses	10,045,253	92,613,866
Expected credit loss	11,413,583	8,755,262
Amounts received in advance	-	(27,634,944)
	865,922,025	853,079,953

*Unidentified deposits previously classified as part of cash and bank balances in prior year have now been re-classified under payables.

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

14 Related parties

	2020 Kshs	2019 Kshs
Trade receivables - related parties		
Cytonn integrated Project LLP	138,265,713	193,610,202
Cytonn Investments Management PLC	487,168,252	185,588,049
Cytonn Investments Partners Ten LLP	12,797,241	63,789,953
Cytonn Investments Partners Three LLP	10,225,302	57,995,361
Ololua Estates	8,026,685	10,865,506
Cytonn Properties	-	10,309,054
Cytonn High Yield Solutions	3,424,687	17,932,168
Cytonn Investments Partners Three LLP	10,987,930	-
Cytonn Investments Partners Nine LLP	1,621,249	-
	672,517,060	540,090,293
Trade payables - related parties		
Cytonn Investments Management PLC	101,437,703	60,553,476
Cytonn Integrated Project LLP	112,853,803	24,229,817
Cytonn Project notes	12,215,250	12,215,250
Cytonn Investments Partners Eighteen LLP	9,332,573	8,832,573
Cytonn High Yield Solutions	969,127	1,016,615
Cytonn Properties	736,933	736,933
Cytonn Investment Partners Two LLP	734,313	734,313
	238,279,702	108,318,977

Cytonn Investment Partners Eleven LLP is related to the above companies by virtue of common control

15 Financial instruments and risk management

Introduction

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

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

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

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

Credit risk

Credit risk is the risk of financial loss to the partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The partnership is exposed to credit risk on trade and other receivables, contract receivables, lease receivables, cash and Cash equivalents, loan commitments and financial guarantees.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

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

2020	**Gross carrying amount**	**Credit loss allowance**	**Amortized cost/fair value**
Trade and other receivables	1,365,297,052	11,413,583	1,353,883,469
	1,365,297,052	11,413,583	1,353,883,469
2019			
Trade and other receivables	1,047,307,671	8,755,262	1,038,552,409
	1,047,307,671	8,755,262	1,038,552,409

Refer to the notes specific to the exposures in the table above, for additional information concerning credit risk.

15 Financial instruments and risk management (continued)

Liquidity risk

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

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

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

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

	Less than one year
2020	
Non-current liabilities	
Borrowings	2,874,367,827
Current liabilities	
Trade and other payables	848,758,489
Bank overdraft	10,882,366
	3,734,008,682
2019	
Non-current liabilities	
Borrowings	2,768,703,730
Current liabilities	
Trade and other payables	836,415,678
Bank overdraft	16,247,198
	3,621,366,606

Foreign currency risk

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

The partnership has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the partnership's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.
There have been no significant changes in the foreign currency risk management policies and processes since the prior reporting period.

15 Financial instruments and risk management (continued)

Exposure in Shillings

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

Interest rate risk

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

The partnership policy with regards to financial assets is to invest cash at floating rates of interest and to maintain cash reserves in short-term investments in order to maintain liquidity, while also achieving a satisfactory return for shareholders.
There have been no significant changes in the interest rate risk management policies and processes since the prior reporting period.

16 Capital risk management

The partnership's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and lo safeguard the partnership's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximize stakeholder returns sustainably.
The partnership manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the partnership may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

17 Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities - 2020

2020	**Opening balance**	**Cash flows**	**Closing balance**
Borrowings	2,768,703,730	105,664,097	2,874,367,827
Other liability	89,168,372	100,691,712	189,860,084
Other financial liabilities	555,107,947	229,729,928	784,837,875
Total liabilities from financing activities	3,412,980,050	436,085,737	3,849,065,786
2019			
Borrowings	2,352,118,466	416,585,264	2,768,703,730
Other liability	(22,000)	89,190,372	89,168,372
Other financial liabilities	2	555,107,945	555,107,947
Total liabilities from financing activities	2,352,096,468	1,060,883,582	3,412,980,050

18 Comparative figures

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

19 Commitments

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

20 Contingencies

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

21 Events after the reporting date

The outbreak of Covid-19 (Corona virus disease) in March 2020 resulted in disruption of business activity globally and created market volatility. The estimates and judgments applied to determine the financial position as at 31st December 2020, most specifically as they relate to calculation of impairment of trade and other receivables, were based on a range of forecasted economic conditions as at that date.

During the Financial year 2021, Cytonn High Yield Solutions LLP – which is the principle financier to Cytonn Investment Partners Eleven LLP was put under voluntary administration through a court order issued on 6th October 2021. Currently, this event hasn't affected the operations of the company but management is closely monitoring this situation.