

CYTONN INVESTMENTS PARTNERS TWELVE LLP  
ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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CYTONN INVESTMENT PARTNERS TWELVE LLP  
PARTNERSHIP INFORMATION  
FOR THE YEAR ENDED 31 DECEMBER 2020

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

The Partners submit their report and the audited financial statements for the year ended 31 December 2020 which show the state of affairs of the partnership.

**1. Incorporation and registered office**

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

**2. Principal activities**

The principal activity of the partnership is investing in its associate Cytonn Investment Properties Five LLP which develops property in Ruiru known as Riverrun. The partnership operates principally in Kenya.

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

**3. Business review of financial results and activities**

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Limited Liability Partnership Act of 2011. The accounting policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 2.

The partnership recorded a net loss after tax for the year ended 31 December 2020 of Kshs 49,154,161. This represented a decrease of 7.8% from the net loss after tax of the prior year of Kshs 53,326,752.

The net cash flows used in operating activities decreased by 14% from Kshs 58,561,806 in the prior year to Kshs 50,653,482 for the year ended 31 December 2020.

**4. Statement of disclosure to the partnership's auditors**

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

- There is, so far as the person is aware, no relevant audit information of which the partnership's auditors are unaware; and
- The person has taken all the steps that he/she ought to have taken as a partner to be aware of any relevant audit information and to establish that the partnership's auditors are aware of that information.

**5. Terms of appointment of the auditors**

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

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

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

**6. Approval of financial statements**

The annual report and financial statements set out on pages 8 to 25, which have been prepared on the going concern basis, were approved by the partners on 23/12/21 and were signed on its behalf by;

**By Order of the Partners;**



.....  
**Partner**  
**Nairobi**

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

CYTONN INVESTMENT PARTNERS TWELVE LLP  
STATEMENT OF PARTNERS' RESPONSIBILITIES  
ON THE FINANCIAL STATEMENTS

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

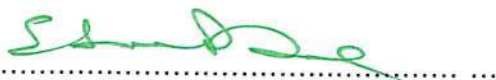
The Partners accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standard for Small and Medium-sized Entities and in the manner required by the Limited Liability Partnerships Act of 2011. They also accept responsibility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

- a. designing, implementing and maintaining such internal control as they determine necessary to enable the presentation of financial statements that are free from material misstatement, whether due to fraud or error;
- b. selecting suitable accounting policies and applying them consistently; and
- c. making accounting estimates and judgments that are reasonable in the circumstances.

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

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

The financial statements set out on pages 8 to 25 were approved by the Partners on 23/12/2021 and were signed on their behalf by:



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



.....  
**Partner**  
**Cytonn Investments Management**  
**PLC**



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

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**Opinion**

We have audited the financial statements of Cytonn Investment Partners Twelve LLP set out on pages 8 to 25, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss, 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 twelve 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 company 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.

**Material Uncertainty related to the Going Concern**

The partnerships net current liabilities is Kshs 20,869,975 (2019: 20,938,136), against Kshs 15,025,866 current assets (2019: Kshs 13,603,432) and has suffered recurring losses from operations of Kshs 49,154,161 (2019: Kshs. 53,326,752). Cumulative loss Kshs. 184,447,758 (2019: 135, 293,597).

These conditions indicate that a material uncertainty exists that may cast significant doubt on the Partnership's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

The financial statements have been prepared on the going concern basis on the assumption that the partners will continue providing the necessary financial support to enable the partnership to meet its financial obligations as and when they fall due.

### **Other information**

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Partners' responsibility for the financial statements**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.



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

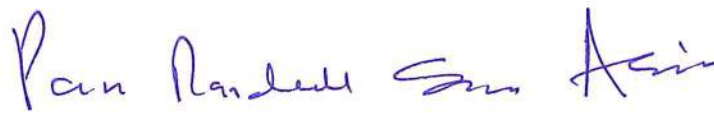
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. 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.

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.

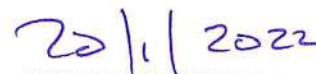
We also provide the partners with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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.

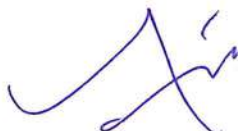
We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected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



**Certified Public Accountants  
Nairobi**

  
.....  
**Date**

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



CYTONN INVESTMENTS PARTNERS TWELVE LLP  
STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2020

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	<b>Notes</b>	<b>2020 Kshs</b>	<b>2019 Kshs</b>
Operating expenses	2	<u>(420,738)</u>	<u>(231,669)</u>
<b>Operating loss</b>		<b>(420,738)</b>	<b>(231,669)</b>
Finance costs	3	<u>(48,733,422)</u>	<u>(53,095,083)</u>
<b>Loss for the year</b>		<b><u>(49,154,161)</u></b>	<b><u>(53,326,752)</u></b>

The notes set out on pages 12 to 25 form an integral part of the financial statements.

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

	Notes	2020 Kshs	2019 Kshs
<b>Assets</b>			
<b>Non-Current Assets</b>			
Investment in associate	4	<u>200,000,000</u>	<u>200,000,000</u>
<b>Current Assets</b>			
Trade and other receivables	6	<u>15,025,866</u>	<u>13,603,432</u>
<b>Total Assets</b>		<b><u>215,025,866</u></b>	<b><u>213,603,432</u></b>
<b>Equity and Liabilities</b>			
<b>Equity</b>			
Retained Income		<u>(184,447,758)</u>	<u>(135,293,597)</u>
<b>Non-Current Liabilities</b>			
Other financial liabilities	7	<u>378,603,649</u>	<u>327,958,893</u>
<b>Current Liabilities</b>			
Trade and other payables	8	<u>20,860,724</u>	<u>20,937,611</u>
Bank overdraft	5	<u>9,251</u>	<u>525</u>
		<u>20,869,975</u>	<u>20,938,136</u>
<b>Total Equity And Liabilities</b>		<b><u>215,025,866</u></b>	<b><u>213,603,432</u></b>

The financial statements set out on pages 8 to 25 were approved by the Partners on 23/12 /2021 and signed on its behalf by:



Edwin H. Dande (In trust for Cytonn Management PLC)



for Cytonn Investments Management PLC)

The notes set out on pages 12 to 25 form an integral part of the financial statements.

CYTONN INVESTMENT PARTNERS TWELVE LLP  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2020

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	<b>Retained Income Kshs</b>
As at 1 January 2019	(81,966,845)
Loss for the year	<u>(53,326,752)</u>
<b>As at 31 December 2019</b>	<b><u>(135,293,597)</u></b>
As at 1 January 2020	(135,293,597)
Loss for the year	<u>(49,154,161)</u>
<b>As at 31 December 2020</b>	<b><u>(184,447,758)</u></b>

The notes set out on pages 12 to 25 form an integral part of the financial statements.



CYTONN INVESTMENT PARTNERS TWELVE LLP  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kshs	2019 Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Loss before taxation		(49,154,161)	(53,326,752)
Finance costs		48,733,422	53,095,083
<i>Changes in working capital:</i>			
Trade and other receivables	6	(1,422,434)	(13,603,432)
Trade and other payables	8	<u>(76,887)</u>	<u>8,368,378</u>
Cash used in operations		(1,920,060)	(5,466,723)
Finance costs		<u>(48,733,422)</u>	<u>(53,095,083)</u>
<b>Net cash from operating activities</b>		<b><u>(50,653,482)</u></b>	<b><u>(58,561,806)</u></b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Movement in other financial liabilities	7	<u>50,644,756</u>	<u>58,563,137</u>
<b>Net cash generated from financing activities</b>		<b><u>50,644,756</u></b>	<b><u>58,563,137</u></b>
Net movement in Cash and cash equivalents during the year		(8,726)	1,332
Cash and cash equivalents at start of year		<u>(525)</u>	<u>(1,857)</u>
<b>Cash and cash equivalents at the end of the year</b>	<b>5</b>	<b><u>(9,251)</u></b>	<b><u>(525)</u></b>

The notes set out on pages 12 to 25 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.

#### **Impairment of financial assets**

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

#### **Impairment testing**

The partnership reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. When such indicators exist, management determine the recoverable amount by performing value in use and fair value calculations. These calculations require the use of estimates and assumptions.

When it is not possible to determine the recoverable amount for an individual asset, management assesses the recoverable amount for the cash generating unit to which the asset belongs.

## **1. Summary of significant accounting policies (continued)**

### **1.3 Investments in associates**

Associate is an entity which the partnership has significant influence but not control. This is generally the case where the partnership holds between 20% and 49% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

#### *Equity method*

Under the equity method of accounting, the investments are initially recognized at cost and adjusted to recognize the partnership's share of the post-acquisition profits or losses of the investee in profit or loss, and the partnership's share of movements in other comprehensive income of the investee in other comprehensive income.

Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment.

When the partnership's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the partnership does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the partnership and its associates and joint ventures are eliminated to the extent of the partnership's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the partnership.

The carrying amount of equity-accounted investments is tested for impairment.

### **1.4 Financial assets**

Trade and other receivables are initially recognized at the transaction price. Most sales are made on the basis of normal credit terms, and the receivables do not bear interest. Where credit is extended beyond normal credit terms, receivables are measured at amortized cost using the effective interest method. Debt instruments such as Treasury bills or corporate bonds are initially recognized at the transaction price including transaction costs, and subsequently measured at amortized cost using the effective interest.

Investments in quoted shares are initially recognized at the transaction price and subsequently measured at fair value with changes in fair value being recognized in profit or loss. Fair value is determined using the quoted bid price at the reporting date.

At the end of each reporting period, the carrying amounts of trade and other receivables are reviewed to determine whether there is any objective evidence that the amounts are not recoverable. If so, an impairment loss is recognized immediately in profit or loss

## **1. Summary of Significant accounting policies (continued)**

### **1.5 Impairment of non-financial assets**

At each reporting date, property, plant and equipment, investment property, intangible assets, and investments in associates are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount (selling price less costs to complete and sell, in the case of inventories), but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

### **1.6 Financial liabilities**

Financial liabilities are initially recognized at the transaction price (less transaction costs). Trade payables are obligations on the basis of normal credit terms and do not bear interest. Interest bearing liabilities are subsequently measured at amortized cost using the effective interest method.

### **1.7 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);

Financial liabilities:

- Amortized cost;

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:



## **1. Summary of Significant accounting policies (continued)**

### **1.7 Financial Instruments (continued)**

#### **Trade and other receivables**

##### **Classification**

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortized cost. They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the partnership's business model is to collect the contractual cash flows on trade and other receivables.

##### **Recognition and measurement**

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

They are subsequently measured at amortized cost. The amortized cost is the amount recognized on the receivable initially, minus principal repayments, plus cumulative amortization (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

##### **Impairment**

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

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

##### **Measurement and recognition of expected credit losses**

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

The customer base is widespread and does not show significantly different loss patterns for different customer segments. The Customer base is widespread and does not show significantly different loss patterns for different customer segments. Loss allowance is calculated on a collective basis for all trade and other receivables in totality.

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

## **1. Summary of Significant accounting policies (continued)**

### **1.7 Financial Instruments (continued)**

#### **Write off policy**

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

#### **Credit risk**

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

#### **Derecognition**

Refer to the derecognition section of the accounting policy for the policies and processes related to derecognition. Any gains or losses arising on the derecognition of trade and other receivables is included in profit or loss in the derecognition gains (losses) on financial assets at amortized cost line item.

#### **Borrowings and loans from related parties**

##### **Classification**

Other financial liabilities (note 7) are classified as financial liabilities subsequently measured at amortized cost.

##### **Recognition and measurement**

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

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

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

Borrowings expose the partnership to liquidity risk and interest rate risk. Refer to note 9 for details of risk exposure and management thereof.

##### **Derecognition**

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

## **1. Summary of Significant accounting policies (continued)**

### **1.7 Financial Instruments (continued)**

#### **Trade and other payables**

##### **Classification**

Trade and other payables (note 8), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

##### **Recognition and measurement**

They are recognized when the partnership becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any. They are subsequently measured at amortized cost using the effective interest method.

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

##### **Recognition and measurement**

Trade and other payables expose the partnership to liquidity risk and possibly to interest rate risk. Refer to note 12 for details of risk exposure and management thereof.

#### **Cash and cash equivalents**

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

#### **Derecognition**

##### **Financial assets**

The partnership derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the partnership neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the partnership recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the partnership retains substantially all the risks and rewards of ownership of a transferred financial asset, the partnership continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

##### **Financial liabilities**

The partnership derecognizes financial liabilities when, and only when, the partnership obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognized in profit or loss.

**1. Summary of Significant accounting policies (continued)**

**Reclassification**

**Financial assets**

The partnership only reclassifies affected financial assets if there is a change in the business model for managing financial assets. If a reclassification is necessary, it is applied prospectively from the reclassification date. Any previously stated gains, losses or interest are not restated.

The reclassification date is the beginning of the first reporting period following the change in business model which necessitates a reclassification.

**Financial liabilities**

Financial liabilities are not reclassified.



CYTONN INVESTMENT PARTNERS TWELVE LLP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2020

<b>2 Operating expenses</b>	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Audit fees	256,400	198,000
Bad debt provision	125,613	-
Bank charges	38,726	33,673
Discount and adjustments	-	(4)
	<u>420,738</u>	<u>231,669</u>
<b>3 Finance cost</b>		
Interest expense (Note 7)	<u>48,733,422</u>	<u>53,095,083</u>
<b>4 Investment in Associates</b>		
Cytonn Investment Partners Five LLP (Riverrun) - Investment at cost	<u>200,000,000</u>	<u>200,000,000</u>

Set out below are the associates of the partnership as at 31 December 2020. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

The following table lists all of the associates in the partnership:

<b>Name of entity</b>	<b>Country of Incorporation</b>	<b>% Ownership Interest</b>	
		<b>2020</b>	<b>2019</b>
Cytonn investment partners Five LLP	Kenya	50%	50%

**Summarized financial information of associate**

Set out below is the summarized financial information of the associate which is material to the partnership. The summarized financial information is adjusted to reflect adjustments made by the partnership on modifications for differences in accounting policy.

There were no modifications for differences in accounting policy in 2019 and 2020.

**4 Investment in Associates (continued)**

**Summarized Statement of Profit or Loss and Other Comprehensive Income**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Gross loss	-	(5,182,129)
Other income and operating expenses	<u>(30,737,086)</u>	<u>(11,878,027)</u>
Operating loss	(30,737,086)	(17,060,156)
Fair value gain	<u>(600,566,047)</u>	<u>182,898,178</u>
Profit for the year	<u>(631,303,133)</u>	<u>165,838,022</u>
Total comprehensive income	<u>(631,303,133)</u>	<u>165,838,022</u>

**Summarized statement of financial position**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Assets</b>		
Non-Current	1,154,522,671	1,755,247,022
Current	<u>1,302,175,204</u>	<u>1,123,037,239</u>
<b>Total assets</b>	<b><u>2,456,697,875</u></b>	<b><u>2,878,284,261</u></b>
<b>Liabilities</b>		
Non-Current	1,008,960,981	890,628,269
Current	<u>246,226,895</u>	<u>154,842,860</u>
Total Liabilities	<u>1,255,187,876</u>	<u>1,045,471,129</u>
<b>Total Net Assets</b>	<b><u>1,201,509,999</u></b>	<b><u>1,832,813,132</u></b>
<b>Reconciliation to carrying amounts;</b>		
Opening net assets	1,832,813,132	1,666,975,110
Profit for the period	<u>(631,303,133)</u>	<u>165,838,022</u>
Closing net assets	<u>1,201,509,999</u>	<u>1,832,813,132</u>

The summarized information presented above reflects the financial statements of the associates after adjusting for differences in accounting policies between the partnership and the associate.

CYTONN INVESTMENT PARTNERS TWELVE LLP  
 NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
 FOR THE YEAR ENDED 31 DECEMBER 2020

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>5 Cash and cash equivalents</b>		
Bank overdraft	9,251	525
	<u>9,251</u>	<u>525</u>

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

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>6 Trade and other receivables</b>		
Prepaid expenses	14,232,019	13,603,432
Related Party Receivables	793,847	-
	<u>15,025,866</u>	<u>13,603,432</u>

**7 Other financial liabilities**

Cytonn High Yield Solutions LLP	<u>378,603,649</u>	<u>327,958,893</u>
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Cytonn High Yield Solutions LLP has rolling three year investments in special purpose vehicles, with returns to Cytonn High Yield Solutions LLP of 21 % per annum.

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

The movement in this balance is set out below:

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
At start of the year	327,958,893	269,395,756
Additional during the year –finance cost	48,733,422	53,095,083
Cash flows	1,911,334	5,468,054
At end of year	<u>378,603,649</u>	<u>327,958,893</u>

**8 Trade and other payables**

Other payables	20,331,571	20,331,571
Trade payables - related parties	-	400,500
Accrued expenses	529,153	205,540
	<u>20,860,724</u>	<u>20,937,611</u>

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

<b>9 Related party transactions</b>	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>Loans from related parties</b>		
Cytonn High Yield Solutions LLP	378,603,649	327,958,893
<b>Amounts due to related parties</b>		
Cytonn Investments Management PLC	-	25,000
Cytonn Investment Partners Five LLP	-	30,000
Cytonn Investment Partners Two LLP	-	35,000
Cytonn Integrated Project LLP	-	25,000
Cytonn Investment Partners Eleven LLP	-	275,500
Cytonn Investment Partners Three LLP	-	10,000
	-	400,500
<b>Interest incurred from related parties</b>		
Cytonn High Yield Solutions LLP	48,733,422	53,095,083
<b>Compensation to partners and other key management</b>		
Short-term employee benefits	-	-

Cytonn Investment Partners Twelve LLP (Ruiru) is related to the above entities by virtue of common control.

## **10 Financial instruments and risk management**

### **Introduction**

The partnership's activities expose it to a variety of financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the partnership's business, and the operational risks are an inevitable consequence of being in business. The partnership's aims to achieve an appropriate balance between risk and return and minimise potential adverse effects on its financial performance. The key types of risk include:

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

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



**10 Financial instruments and risk management (continued)**

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

**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.

**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.

<b>2020</b>	<b>Less than 1 year</b>	<b>Total</b>	<b>Carrying Amount</b>
<b>Current liabilities</b>			
Trade and other payables	<u>20,860,724</u>	<u>20,860,724</u>	<u>20,860,724</u>
	<u>20,860,724</u>	<u>20,860,724</u>	<u>20,860,724</u>
<b>2019</b>			
<b>Current liabilities</b>			
Trade and other payables	20,937,611	20,937,611	20,937,611
Bank overdraft	<u>525</u>	<u>525</u>	<u>525</u>

## **10 Financial instruments and risk management (continued)**

### **Interest rate risk**

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

The debt of the partnership is comprised of different instruments, which bear interest at either fixed or floating interest rates. The ratio of fixed and floating rate instruments in the loan portfolio is monitored and managed, by incurring either variable rate bank loans or fixed rate bonds as necessary.

Interest rate swaps are also used where appropriate, in order to convert borrowings into either variable or fixed, in order to manage the composition of the ratio. Interest rates on all borrowings compare favorably with those rates available in the market.

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.

## **11 Capital risk management**

The partnership's objective when managing capital (which includes share capital, borrowings, working capital and cash and cash equivalents) is to maintain a flexible capital structure that reduces the cost of capital to an acceptable level of risk and to safeguard the partnership's ability to continue as a going concern while taking advantage of strategic opportunities in order to maximize stakeholder returns sustainably.

The partnership manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets.

In order to maintain the capital structure, the partnership may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

**12 Changes in liabilities arising from financing activities**

**Reconciliation of liabilities arising from financing activities**

	<b>2020</b>	<b>2019</b>
	<b>Kshs</b>	<b>Kshs</b>
Opening balance	327,958,893	269,395,756
Interest	48,733,422	53,095,083
Cash flows	1,911,334	5,468,054
Closing balance	<u>378,603,649</u>	<u>327,958,893</u>

**13 Comparative figures**

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

**14 Commitments**

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

**15 Contingencies**

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

**16 Events after the reporting period**

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 Four LLP was put under voluntary administration through a court order issued on 6th October 2021. Currently, this event has not affected the operations of the partnership however, but management is closely monitoring this situation.