CYTONN INVESTMENTS PARTNERS THREE LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

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Partners	Edwin H. Dande Cytonn Investments Management PLC
Registered Office	3rd Floor, Liaison House State House Avenue P.O Box 20695-00200 Nairobi
Principal Bankers	Diamond Trust Bank Kenya Limited Lavington Curve Branch P.O Box 61711-00200 Nairobi Standard Chartered Bank Limited Chiromo Branch P.O Box 300003-00100 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
Partnership registration Number	LLP/2014/104
Tax reference number	P051533461E

The partners submit their report together with the audited annual report and financial statements for the year ended 31 December 2019 which shows the state of affairs of the partnership.

1. Incorporation and registered office

The partnership was incorporated on 26 September 2014, registration number LLP/2014/104 under the 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 activities of the Cytonn Investment Partners Three LLP is developing and selling property on located in Karen known as Amara Ridge. The partnership operates principally in Kenya.

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

3. Results

The annual report and financial statements have been prepared in accordance with the International Financial Reporting Standards and the requirements of the Limited Liability Partnership Act of 2011. The Accounting Policies have been applied consistently compared to the prior year, except for the adoption of new or revised accounting standards as set out in note 1.

The Partnership recorded a net loss after tax for the year ended 31 December 2019 of Kshs 42,100,949 (2018 Kshs 369,557,672). This represented a decrease of 89% from the net loss after tax.

The revenues decreased by 54% from Kshs 230,125,372 in the prior year to Kshs 105,000,000 for the year ended 31 December 2019. Whereas cash flows from operating activities increased by 1778% from cash out flow of Kshs 3,779,039 to a cash inflow of Kshs 63,409,953.

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 29, which have been prepared on the going concern basis, were approved by the partners on ...13/10/2021..... and were signed on its behalf by;

By Order of the Partners

Partner
Nairobi

..13/10......... / 2021

The Limited Liability Partnership Act of 2011 requires the partners to prepare annual report and financial statements for each financial year that gives 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, the reasonable accuracy, the financial position of the partnership. The partners are also responsible for safeguarding the assets of the partnership, and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The partners accept responsibility for the preparation and presentation of these financial statements in accordance with the International Financial Reporting Standards and in the manner required by the Limited Liability Partnership 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 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 29 were approved by the Partners on ..13/10/.........2021 and were signed on their behalf by:

....	....
Partner	**Partner**
Cytonn Investments Management PLC	**Edwin Dande**

REPORT OF THE INDEPENDENT AUDITOR
TO THE PARTNERS OF CYTONN INVESTMENT PARTNERS THREE LLP
FOR THE YEAR ENDED 31 DECEMBER 2019

Opinion

We have audited the accompanying financial statements of Cytonn Investment Partners Three LLP as set out on pages 8 to 29, which comprise the statement of financial position as at 31 December 2019; statement of profit or loss, statement of changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements show a true and fair view in all material respects of the state of the financial affairs of Cytonn Investment Partners Three LLP and of its results and 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.

Going Concern

The partnerships net current liabilities is Kshs 508,304,736 (2018: 524,819,552), against the current assets of Kshs 361,299,802 (2018; Kshs 419,882,591). These conditions indicate a material uncertainty, over the partnership's ability to meet its short-term obligations as and when they fall due.

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.

Other information (continued)

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 partnership or to cease operations, or have no realistic alternative but to do so.

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

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

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

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

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

- 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 partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's.

- report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the partnership to cease to continue as a going concern.

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

We 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 13/10/2021

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

	Notes	2019 Kshs	2018 Kshs
Revenue	2	105,000,000	230,125,372
Cost of sales	3	(139,243,542)	(544,531,957)
Gross loss		**(34,243,542)**	**(314,406,585)**
Other operating income	4	1,119	1,157,364
Other operating gains	5	-	8,352
Other operating expenses	6	(7,858,527)	(56,316,803)
Operating loss		**(42,100,949)**	**(369,557,672)**
Loss for the year		**(42,100,949)**	**(369,557,672)**

The notes set out on pages 12 to 29 form an integral part of the financial statements.

CYTONN INVESTMENT PARTNERS THREE LLP
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 Kshs	2018 Kshs
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	8	131,904	164,880
CURRENT ASSETS			
Development properties for sale	9	204,688,483	238,580,335
Cash and cash equivalents	10	65,567	62,968
Investment at fair value	11	2,911	2,911
Trade and other receivables	12	156,542,841	181,236,377
		361,299,802	419,882,591
TOTAL ASSETS		**361,431,706**	**420,047,471**
EQUITY AND LIABILITIES			
EQUITY			
Retained income		(280,453,365)	(238,352,416)
NON-CURRENT LIABILITIES			
Land owners' contribution	13	133,580,335	133,580,335
CURRENT LIABILITIES			
Trade and other payables	15	108,983,988	62,091,450
Other financial liabilities	14	399,320,748	462,727,558
Bank overdraft		-	544
		508,304,736	524,819,552
TOTAL EQUITY AND LIABILITIES		**361,431,706**	**420,047,471**

The financial statements on pages 8 to 29 were approved by the Partners on 13/1/9/.....2021 and signed on its behalf by:

....
Partner
Cytonn Investment Management PLC

....
Partner
Edwin Dande

The notes set out on pages 12 to 29 form an integral part of the financial statements.

	Retained income Kshs
As at 1 January 2018	131,205,256
Loss for the year	(369,557,672)
As at 31 December 2018	(238,352,416)
As at 1 January 2019	(238,352,416)
Loss for the year	(42,100,949)
As at 31 December 2019	**(280,453,365)**

The notes set out on pages 12 to 29 form an integral part of the financial statements.

	Notes	2019 Kshs	2018 Kshs
Loss before taxation		(42,100,949)	(369,557,672)
Adjustments for			
Finance costs	7	-	-
Depreciation and amortization	8	32,976	41,220
Provision for expected credit loss	6	1,276,528	-
Changes in working capital			
Development properties for sale	9	33,891,852	357,570,494
Trade and other receivables	12	24,693,536	(20,414,163)
Other payables	15	46,892,538	28,581,082
Cash from/(used in) operations		64,686,481	(3,779,039)
Finance costs	7	-	-
Expected credit loss	8	(1,276,528)	-
Net cash from/ (used in) operating activities		63,409,953	(3,779,039)
Cash flows from financing activities			
Movement in other financial liabilities	14	(63,406,810)	33,619,510
Repayment of shareholders loan		-	(41,419,666)
Net cash used in financing activities	14	(63,406,810)	(7,800,156)
Cash and cash equivalents for the year		3,143	(11,579,195)
Cash and cash equivalents at the start of the year	10	62,424	11,641,619
Cash and cash equivalents at the end of the year	10	**65,567**	**62,424**

The notes set out on pages 12 to 29 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 judgments 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 judgments, 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 judgments in applying accounting policies
Management did not make critical judgments 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 participant at the measurement date. The Partnership contracted an external, independent and professional qualified real estate projects Valuers who hold recognized professional qualifications and have wide experience in similar real estate projects to assess and advise the fair value of the projects in determining the fair market value of the projects, the valuer conducted a physical inspection of the property, asking prices for similar parcels of the land in the area, the proposed and approved project plans, current costs, presales as well as the economic conditions prevailing at the time. The Partnership then contracted an independent and qualified consultant to undertake a reasonableness test on the fair market values received. There were no signs of impairment. Significant valuation issues are reported to the audit committee. Observable market data is used as inputs to the extent that are 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.

1. Summary significant accounting policies (continued)

1.2 Significant judgments and sources of estimation uncertainty (continued)

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 determines 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 Financial instruments

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

- Amortized cost. (This category applies only when the contractual terms of the instrument give rise, on specified dates, to cash flows that are solely payments of principal and interest on principal, and where the instrument is held under a business model whose objective is met by holding the instrument to collect contractual cash flows); or

- Designated at fair value through profit or loss. (This classification option can only be applied when it eliminates or significantly reduces an accounting mismatch).

Financial liabilities:

- Amortized cost.

Note 16 Financial instruments and risk management presents the financial instruments held by the partnership based on their specific classifications.

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

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

Trade and other receivables

Classification
Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortized cost (note 11).

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)

1.3 Financial instruments (continued)

Trade and other receivables (continued)

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

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

1. Summary of significant accounting policies (continued)

1.3 Financial instruments (continued)

Trade and other receivables (continued)

Credit risk
Details of credit risk are included in the trade and other receivables note (note 11) and the financial instruments and risk management note (note 16).

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
Borrowings 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.

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)

1.3 Financial instruments (continued)

Trade and other payables

Classification
Trade and other payables (note 14), excluding VAT and amounts received in advance, are classified as financial liabilities subsequently measured at amortized cost.

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

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

Trade and other payables expose the partnership to liquidity risk and possibly to interest rate risk. Refer to note 18 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.

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)

1.3 Financial instruments (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.

1.4 Impairment of assets

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

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

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

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

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

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

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

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

1. Summary of significant accounting policies (continued)

1.4 Impairment of assets (continued)

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

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortization other than goodwill is recognized immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase. An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities.

1.5 Revenue from contracts with customers

The partnership recognizes revenue from the following major sources:

Construction of residential 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 recognizes revenue when it transfers control of a product or service to a customer.
The partnership develops and sells residential properties. Revenue is recognized when control over the property has been transferred to the customer. The properties have generally no alternative use for the Partnership due lo contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognized at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

1.6 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)

1.7 New and revised standards

i. Adoption of new and revised standards

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

IFRS 16
From 1 January 2019, to comply with IFRS16, Leases, which replaced IAS17, Leases, the Company should recognize lease liabilities relating to leases under which the Company is the lessee that had previously been classified as operating leases (other than leases with less than 12 months to run from 1 January 2019 and leases of low value items). Such liabilities should be measured at 1 January 2019 at the present value of the remaining lease payments discounted using the Company's incremental borrowing rate as at 1 January 2019.

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

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

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

		2019	2018
		Kshs	**Kshs**
2	**Revenue**		
	Revenue from contracts with customers		
	Sale of houses	105,000,000	230,125,372
3	**Cost of sales**		
	Development Costs	137,676,924	238,858,984
	Written down net realizable value	1,566,618	305,672,973
		139,243,542	544,531,957
4	**Other Income**		
	Other Income	1,119	807,364
	Gain on forfeited capital	-	350,000
		1,119	1,157,364
5	**Other Operating Gains**		
	Foreign exchange Gain	-	8,352
6.	**Operating Expenses**		
	Sales commissions	5,692,500	2,976,557
	Allowance for expected credit loss	1,276,528	-
	Legal fees	393,875	-
	Repairs and maintenance	351,530	8,915
	Office expenses	85,344	5,074
	Depreciation and amortization costs	32,976	41,220
	Electricity and water	13,978	248,212
	Bank charges	11,796	23,059
	Printing and stationeries	-	12,396
	Security expenses	-	166,562
	Telephone charges	-	3,000
	Travelling, transport and accommodation	-	8,091
	Discount and adjustments	-	3
	Audit fees	-	765,600
	Tax fees	-	165,880
	Residual equity	-	50,000,000
	Staff meals & entertainment	-	193,770
	Advertising and marketing	-	978,464
	Service charge	-	720,000
		7,858,527	56,316,803

7 Intangible assets - Computer software	2019	2018
Cost	**Kshs**	**Kshs**
As at 1 January	257,625	257,625
Additions	-	-
As at 31 December	257,625	257,625
Accumulated amortization		
As at 1 January	92,745	51,525
Charge for the year	32,976	41,220
As at 31 December	125,721	92,745
Net carrying amount		
As at 31 December	131,904	164,880

8 Development properties for sale		
Work in Progress	510,361,456	544,253,308
	510,361,456	544,253,308
Written down net realizable value	(305,672,973)	(305,672,973)
	204,688,483	238,580,335

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

	Kshs	Kshs
Capitalized expenditure	343,932,025	783,112,292
Transfer to cost sales	166,429,431	(238,858,984)
Written down net realizable value	(305,672,973)	(305,672,973)
	204,688,483	238,580,335

Breakdown of additions	
Finance Charges	29,964,954
Mechanical and electrical consultancy	2,457,364
Disbursements	(8,316)
Topographical survey	(16,830)
Stamp duty	(784,004)
Site personnel and contingency	(991,928)
Professional fees	(1,184,831)
Project management fees	(1,360,069)
Research and development costs	(1,566,618)
Land at cost	(17,500,000)
Construction costs	(42,901,574)
	(33,891,852)

9 Cash and cash equivalent	2019	2018
	Kshs	Kshs
Cash and cash Equivalent consist of		
Bank Balances	65,567	62,968
Bank Overdraft	-	(544)
	65,567	62,424

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

10 Investments at fair value	2019	2018
	Kshs	Kshs
Debt investments at fair value through profit or loss	2,911	2,911
Designated at fair value through profit or loss		
Cytonn High Yield Solutions LLP-Loan	2,911	2,911

11 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.

	2019	2018
	Kshs	Kshs
Trade receivables	98,144,555	82,814,044
Related party receivables	54,485,707	97,650,000
Tax receivables	3,140,246	-
Loans and advances	101,078	101,078
Prepayments	671,255	671,255
	156,542,841	181,236,377

Exposure to credit risk
Trade receivables inherently expose the partnership to credit risk, being the risk that the partnership will incur financial loss if customers fail to make payments as they fall due.

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

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

12 Land owners contribution

	2019	2018
	Kshs	Kshs
Land owner contribution	133,580,335	133,580,335

13. Other financial liabilities

Cytonn High Yield Solutions LLP- Loan	399,320,748	462,727,558

Cytonn High Yield Solutions LLP is a constituent entity of Cytonn group has rolling one year investments in special purpose vehicles, with returns to Cytonn High Yield Solutions LLP of 21.0% per annum.

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

14 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.

	2019	2018
	Kshs	Kshs
Tax payables	49,968,177	34,552,972
Related party payables	36,564,216	10,873,161
Trade payables	17,581,282	11,836,131
Accrued expenses	3,593,785	4,829,186
Provision for expected credit loss	1,276,528	-
	108,983,988	62,091,450

15 Related parties

	2019	2018
	Kshs	Kshs
Relationships		
Related party Balance		
Investments in related parties		
Cytonn High Yield Solutions LLP	2,911	2,911
Other Financial Liabilities		
Cytonn High Yield Solutions LLP	399,320,748	462,727,558
Amount due to related parties		
Cytonn Integrated Project LLP	12,840,722	455,291
Cytonn Investments Management PLC	10,268,894	4,362,557
Cytonn Investment Partners Eleven LLP	10,081,400	896,604
Cytonn Investments Partners Two LLP	3,301,727	3,301,727
Ololua Estates	71,472	71,472
Cytonn Properties LLP	-	1,425,510
Amara Ridge Management Company	-	360,000
	36,564,216	10,873,161
Amount due from related parties		
Manabo Holdings Limited	45,600,307	97,650,000
Cytonn Investment Partners Eleven LLP	7,505,000	-
Cytonn High Yield Solutions LLP	1,130,400	-
Cytonn Integrated Project LLP	200,000	-
Cytonn Investment Partners Ten LLP	15,000	-
Cytonn Investment Partners Twelve LLP	10,000	-
Cytonn Investment Partners Thirteen LLP	10,000	-
Cytonn Investment Partners Eighteen LLP	5,000	-
Cytonn Investment Partners Twenty LLP	5,000	-
Cytonn Investment Partners Sixteen LLP	5,000	-
Amara ManCo	-	-
	54,485,707	97,650,000
Related Party Transactions		
Interest received from related parties		
Cytonn High Yield Solutions LLP	-	-
Compensation to partners and any other key management		
Short-term employee benefits	-	-

Cytonn Investments Partners Three LLP is related to the above entities and partnerships by virtue of common control

16 Financial Instruments and risk management (continued)

Introduction

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

- Credit risk
- Liquidity risk and
- Market Risk

The partners have the 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 of directors 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 financial instruments 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 Partnership through dealing with well-established financial institutions with high credit ratings.

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

2019	**Gross carrying amount**	**Credit Loss allowance**	**Amortized cost/fair value**
	Kshs	**Kshs**	**Kshs**
Investments at fair value through profit or loss	2,911	24	2,887
Related Party Receivables	54,485,707	455,489	54,030,218
Trade and other receivables	98,144,554	820,467	97,324,087
Cash and cash equivalent	65,567	548	65,019
	152,698,739	1,276,528	151,422,211
2018			
Investments at fair value Through profit or loss	2,911	-	2,911
Trade and other receivables	180,565,124	-	180,565,124
Cash and cash equivalent	62,968	-	62,968
	180,631,003	-	180,631,003

16 Financial Instruments and risk management (continued)

Financial risk management

Liquidity Risk

The partnership is exposed to liquidity risk, which is the risk that the partnership will encounter difficulties in meeting its obligation as they become due. The Partnership manages its liquidity risk by effectively managing working capital, capital expenditure and cash flows. The financing requirements are met through a mixture of cash generated from operations and long term 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 year 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 obligations.

2019	Less than 1 year	2 to 5 years	Total	Carrying Amount
	Kshs	Kshs	Kshs	Kshs
Non-Current Liabilities				
Loans from shareholders	-	133,580,335	133,580,335	133,580,335
Current Liabilities				
Trade and other payables	107,707,461	-	107,707,461	107,707,461
Other Financial Liabilities - CMS	399,320,748		399,320,748	399,320,748
Bank overdraft	-	-	-	-
Total	507,028,209	133,580,335	644,608,543	640,608,543

2018	Less than 1 year	2 to 5 years	Total	Carrying Amount
	Kshs	Kshs	Kshs	Kshs
Non-Current Liabilities				
Loans from shareholders	-	133,580,335	133,580,335	133,580,335
Current Liabilities				
Trade and other payables	62,091,452	-	62,091,452	62,091,452
Other Financial Liabilities - CMS	462,727,558		462,727,558	462,727,558
Bank overdraft	544	-	544	544
Total	**524,819,554**	**133,580,335**	**658,399,889**	**658,399,889**

16 Financial Instruments and risk management (continued)

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 procedures since the prior year reporting period.

Exposure in Shillings

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

US Dollar Exposure:	**Note**	**2019**	**2018**
Current Assets			
Cash and cash Equivalents		43,256	43,256
Euro Exposure:			
Current assets			
Cash and Cash equivalent		-	-
Net Exposure to foreign currency in Shillings		43,256	43,256

Exposure in Foreign Currency

The net carrying amounts of the various exposures are demonstrated in Foreign Currency of the above exposure was as follows:

US Dollar Exposure:

	2019	**2018**
Current Assets		
Cash and cash Equivalents	405.04	424.70
Euro Exposure:		
Current assets		
Cash and Cash equivalent	-	-
Exchange Rates		
Shillings per unit of foreign currency		
US Dollar	106.795	101.850
Euro	118.725	116.450

16 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 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.
However though, there were no finance costs in the year.

17 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 sustainability.

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 shareholders, return capital to the shareholders, 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.

18 Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities 2019

	Opening balance	Other non-cash movements	Cash Flows	Closing balance
Other financial liabilities	462,727,558	29,964,954	(93,371,763)	399,320,748
Landowners Contribution	133,580,335	-	-	133,580,335
Total Liabilities	596,307,892	29,964,954	(93,371,763)	532,901,083

Reconciliation of liabilities arising from financing activities 2018

	Opening balance	Other non-cash movements	Cash Flows	Closing balance
Other financial liabilities	429,108,048	114,066,197	(80,446,687)	462,727,558
Landowners Contribution	175,000,000	-	(41,419,665)	133,580,335
Total Liabilities	604,108,048	114,066,197	(121,866,352)	596,307,893

20 Comparative Figures

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

21 Commitments

There were no commitments during the year ended 31 December 2019.

22 Contingencies

There were no contingencies during the year ended 31 December 2019.

23 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 2019, 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.

As at the date of approval of this report, the partners were not able to accurately determine the impact of the disease on the business, making it difficult to estimate the financial effects of the pandemic. Consequently, the partners have assessed the post year-end effects of the outbreak as a non-adjusting event. In addition, as at the date of issue of these financial statements, the partners believe the company will continue as a going concern into the foreseeable future.

The partners are not aware of any other event after the reporting date as defined by IAS 10: Events after the Reporting Period, that require disclosure in or adjustments to the financial statements as at the date of this report.