CYTONN INVESTMENTS PARTNERS FIVE LLP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

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Partners	Edwin H. Dande (In trust for Cytonn Investments Management PLC) 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
Independent Auditor	Parker Randall Eastern Africa Certified Public Accountants Galleria Business Park, Block 2(A) P.O. Box 25426 – 00100 Nairobi.
Statutory manager	Partricia N.Wanjama

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

1. Incorporation and registered office

The partnership was incorporated on 26 September 2014 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 activity

The principal activities of the partnership are holding property for capital appreciation and development of property on L.R No 5910 located in Ruiru, Kiambu known as Riverrun. The partnership operates principally in Kenya.

The property is being developed in phases. Phase 1 whose construction is already ongoing comprises 96 detached or semi-detached houses at various stages of construction covering an approximate area of 27 acres; while phase 2 which will comprise all the remaining units on 73 acres is yet to start. The project is currently inactive, vandalized and overgrown with bushes. Most of the foundations have also cracked and caved in or filled up with debris.

There have been no material changes to the nature of 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 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.

The partnership recorded a net loss for the year ended 31 December 2020 of Kshs (Kshs 631,303,133). This represented a decrease of 480.67% from the net profit of the prior year of Kshs 165,838,022.
Partnership cash flows used in operating activities decreased by 822% from Kshs (77,992,781) in the prior year to Kshs (719,095,440) for the year ended 31 December 2020.

4. Statement as to disclosure to the partnership's auditor

With respect to each person who is a partner on the day that this report was 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 partnership's auditors are aware of that information

5. Terms of appointment of the auditor

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

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

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

6. Approval of the financial statements

The annual report and financial statements set out on pages 8 to 31, which have been prepared on the going concern basis, were approved by the partners on ...23/12/21... and were signed on its behalf by;

By Order of the partners;

....
Partner
Nairobi

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

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

The partners accept responsibility for the preparation and presentation of these annual report and financial statements in accordance with the International Financial Reporting Standards and in the manner required by Limited Liability Partnership Act 2011. They also accept responsibility for;

- 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;

- selecting suitable accounting policies and applying them consistently; and

- making accounting estimates and judgments that are reasonable in the circumstances.

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

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

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

....

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

....

Partner
Cytonn Investments Management PLC

Parker Randall | Eastern Africa
Member firm of Parker Randall International

MEMBER OF THE FORUM OF FIRMS

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

Opinion

We have audited the accompanying financial statements of Cytonn Investment Partners Five LLP as set out on pages 8 to 31, which comprise the statement of financial position as at 31 December 2020; statement of comprehensive income, 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 present fairly, in all material respects a true and fair view of the financial position of Cytonn Investment Partners Five LLP as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Limited Liability Partnership Act of 2011.

Basis for Opinion

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

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

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

Other information

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

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

Partners' responsibility for the financial statements

The Partners are responsible for the preparation and fair presentation of the financial statements that give a true and fair view in accordance with the International Financial Reporting 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive 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 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.

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

- If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.
- Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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

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

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

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

Certified Public Accountants	20/1/2022
Nairobi	**Date**

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

	Notes	2020 Kshs	2019 Kshs
Cost Of Sales	2	-	(5,182,129)
Gross Loss		-	**(5,182,129)**
Operating Expenses	3	(30,737,086)	(11,878,027)
Operating Loss		**(30,737,086)**	**(17,060,156)**
Change in fair value-(loss)/gain on revaluation	4	(600,566,047)	182,898,178
(loss)/ Profit for the year		**(631,303,133)**	**165,838,022**

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

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

	Notes	2020 Kshs	2019 Kshs
Non-Current Assets			
Property, Plant And Equipment	5	224,535	357,756
Intangible Assets	6	75,248	100,330
Investment Properties	7	1,154,222,889	1,754,788,936
		1,154,522,671	1,755,247,022
Current Assets			
Development Properties For Sale	8	983,777,111	819,381,627
Trade And Other Receivables	9	318,377,805	303,570,305
Cash And Cash Equivalents	10	20,288	85,307
		1,302,175,204	1,123,037,239
Total Assets		**2,456,697,875**	**2,878,284,261**
Equity And Liabilities			
Retained Income		1,201,509,999	1,832,813,131
Non-Current Liabilities			
Other Financial Liabilities	11	1,055,836,153	890,628,269
Current Liabilities			
Trade and other payables	12	199,220,062	107,967,689
Bank Overdraft	10	131,661	-
Other financial liabilities	11	-	46,875,172
		199,351,723	154,842,861
Total Equity and Liabilities		**2,456,697,875**	**2,878,284,261**

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

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

Partner
Cytonn Investments PLC

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

For year ended 31 December 2019	**Kshs**
As at 1 January 2019	1,666,975,109
Profit for the year	165,838,022
As at 31 December 2019	**1,832,813,131**

For year ended 31 December 2020	
As at 1 January 2020	1,832,813,131
Loss for the year	(631,303,133)
As at 31 December 2020	**1,201,509,999**

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

CYTONN INVESTMENTS PARTNERS FIVE LLP
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 Kshs	2019 Kshs
CASHFLOW FROM OPERATING ACTIVITIES			
(loss)/ Profit before taxation		(631,303,133)	165,838,022
Adjustments for:			
Depreciation and amortization	3	158,304	157,324
Provision for expected credit loss		123,244	2,538,494
Fair value loss /(gains)	4	600,566,047	(182,898,178)
Changes in working capital			
Development properties for sale	8	(164,395,484)	(32,267,467)
Trade and other receivables	9	(14,807,500)	(116,924,851)
Trade and other payables	12	91,129,129	(97,334,303)
Net cash used in operating activities		**(118,529,393)**	**(260,890,959)**
Fair Value Adjustments	4	(600,566,047)	182,898,178
Net cash used in operating activities		**(719,095,440)**	**(77,992,781)**
CASHFLOW FROM INVESTING ACTIVITIES			
Purchase of equipment	5	-	(41,198)
Movement in investment property	4	600,566,047	(197,256,403)
Movement in development property	8	-	32,267,467
Net cash used in investing activities		**600,566,047**	**(165,030,134)**
CASHFLOW FROM FINANCING ACTIVITIES			
Movement in other Financial Liability	11	118,332,712	243,013,666
Net cash from financing activities		**118,332,712**	**243,013,666**
Movement for the year		**(196,681)**	**(9,249)**
Cash and cash equivalents at start of year		85,308	94,557
Cash and cash equivalents at end of the year	**10**	**(111,373)**	**85,308**

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

1. Summary of significant accounting policies

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

1.1. Basis of preparation

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

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

1.2. Significant judgements and sources of estimation uncertainty

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

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

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

Key sources of estimation uncertainty

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.

1. Summary of significant accounting policies (continued)

1.2. Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

Several assets and liabilities of the partnership are either measured at fair value or disclosure is made of their fair values. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date. The 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 it is available. The current use of the investment properties equates to the highest and best use.
The current use of the investment properties equates to the highest and best use.

Impairment testing

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

1.3. Investment property

Investment property is recognized as an asset when, and only when, it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise, and the cost of the investment property can be measured reliably.
Investment property is initially recognized at cost. Transaction costs are included in the initial measurement.

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

Fair value

Subsequent to initial measurement investment property is measured at fair value. A gain or loss arising from a change in fair value is included in net profit or loss for the period in which it arises.

1. Summary of significant accounting policies (continued)

1.3. Investment Property (continued)

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

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

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

1.4. Equipment

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

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

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

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

Depreciation of an asset commences when the asset is available for use as intended by management. Depreciation is charged to write off the asset's carrying amount over its estimated useful life to its estimated residual value, using a method that best reflects the pattern in which the asset's economic benefits are consumed by the partnership. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term.

Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognized

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

Item	**Depreciation**	**Rate per annum (%)**
Furniture and Fixtures	Straight Line	33.33
Office equipment	Straight Line	33.33

1. Summary of significant accounting policies (continued)

1.4. Equipment (continued)

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

Each part of an item of equipment with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each year is recognized in profit or loss unless it is included in the carrying amount of another asset

1.5. Intangible assets

An intangible asset is recognized when:

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

Intangible assets are carried at cost less any accumulated amortization and any impairment losses. The amortization period and the amortization method for intangible assets are reviewed every period-end.

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

Item	**Rate per annum (%)**
Computer software	20

1.6. 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. Summary of significant accounting policies (continued)

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); 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.

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.

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.

1. Summary of significant accounting policies (continued)

1.7. Financial instruments (continued)

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. Credit 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.

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.

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.

1. Summary of significant accounting policies (continued)

1.7. Financial instruments (continued)

Other financial liabilities

Classification
Other financial liabilities 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.

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

Trade and other payables

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

Recognition and measurement
They are recognized when the partnership becomes a party to the contractual provisions, and are measured, at initial recognition, at fair value plus transaction costs, if any.
They are subsequently measured at amortised cost using the effective interest method.
The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

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

1. Summary of significant accounting policies (continued)

1.7. Financial instruments (continued)

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 recognised in profit or loss.

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. Summary of significant accounting policies (continued)

1.8. 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.

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.

1. Summary of significant accounting policies (continued)

1.8 Borrowing costs

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

- Actual borrowing costs on funds specifically borrowed for the purpose of obtaining a qualifying asset less any temporary investment of those borrowings.

- Weighted average of the borrowing costs applicable to the entity on funds generally borrowed for the purpose of obtaining a qualifying asset. The borrowing costs capitalized do not exceed the total borrowing costs incurred.

The capitalization of borrowing costs commences when:

- expenditures for the asset have occurred;
- borrowing costs have been incurred, and
- activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization is suspended during extended periods in which active development is interrupted.

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

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

1.8. Revenue from contracts with customers

The partnership recognizes revenue from the 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.

Construction of residential properties
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 group due to 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. Summary of significant accounting policies (continued)

1.9. Cost of sales

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

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

		2020	2019
		Kshs	Kshs
2	**Cost of Sales**		
	Cost of Sales	-	5,182,129
3	**Operating expenses**		
	Asset Management Fees	28,782,442	-
	Provision for expected credit loss	123,244	2,538,494
	Security expenses	775,000	536,705
	Advertising	453,222	8,218,083
	Auditors remuneration	294,460	236,060
	Depreciation and amortization	158,304	157,324
	Consulting and professional fees	91,234	91,234
	Sales commissions	50,000	-
	Bank Charges	9,180	23,700
	Board expense	-	76,427
		30,737,086	11,878,027
4	**Other operating gains/losses**		
	Fair value (loss)/ gains- Investment Property	(600,566,047)	182,898,178

5 Property, plant and equipment

	Furniture, Fittings and Fixtures	Office Equipment	Total
	Kshs	Kshs	Kshs
Cost or valuation			
As at 1 January 2020	141,201	540,579	681,780
Additions	-	-	-
As at 31 December 2020	141,201	540,579	681,780
Accumulated Depreciation			
As at 1 January 2020	32,746	291,278	324,024
Charge for the year	15,444	117,778	133,221
As at 31 December 2020	48,190	409,056	457,245
Net Carrying Value 2020	93,011	131,523	224,535
Net Carrying Value 2019	108,455	249,301	357,756

		2020	2019
6	**Intangible assets**	**Kshs**	**Kshs**
	Cost or valuation		
	As at 1 January	195,957	195,957
	As at 31 December	195,957	195,957
	Accumulated amortization		
	As at 1 January	95,627	78,383
	Charge for the year	25,082	17,244
	As at 31 December	120,709	95,627
	Net Carrying Value	75,248	100,330
7	**Investment Property**		
	Cost/Valuation	1,154,222,889	1,754,788,936
	Reconciliation of Investment Property		
	Opening balance	2,138,000,000	2,574,170,563
	Less: Development property- Cost/Valuation	(983,777,111)	(819,381,627)
		1,154,222,889	1,754,788,936
	Consists of;		
	Opening balance	1,754,788,936	1,589,800,000
	Additions	-	-
	Transfers	-	-
	Fair Value Adjustments	(600,566,047)	164,988,936
	Total	1,154,222,889	1,754,788,936

The Riverrun development consists of developed and undeveloped property. The valuation of investment property at the reporting date was arrived at by reducing the accumulated value of developed property from the valuation of the entire property.

	2020	2019
Borrowing costs		
Borrowing cost capitalized to qualifying assets	36,236,111	36,236,111
Details of property		
L.R No 5910- Tatu City Neighbourhood		
Value/Purchase price	1,754,788,936	1,589,800,000
Fair Value gain	(600,566,047)	164,988,936
Capitalized expenditure	-	-
Transfer to development properties for sale	-	-
	1,154,222,889	1,754,788,936

8 Development properties for sale

Work in Progress	983,777,111	819,381,627
Transfers from investment property	363,979,572	363,979,572
Fair value adjustments	76,792,838	76,792,838
Capitalized expenditure	543,004,700	383,791,346
Transfers to cost of sales	-	(5,182,129)
	983,777,111	819,381,627

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

9 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 amortised cost, less any provision for impairment.

Trade receivables- related parties	60,000	1,390,000
Employee costs in advance	15,920	15,920
Prepayments	318,301,885	302,164,385
	318,377,805	303,570,305

Fair value of trade and other receivables approximates their carrying amounts

10 Cash and cash equivalents

	2020	2019
	Kshs	Kshs
Bank Balances	20,288	85,307
Overdraft Balances	(131,661)	-
	(111,373)	85,307

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

11 Other financial liabilities

Held at amortized cost	**2020 Kshs**	**2019 Kshs**
Cytonn High Yield Solutions LLP- Loan	943,887,081	839,359,615
Cytonn Real Estate Project Notes LLP –Loan	111,949,072	98,143,826
	1,055,836,153	937,503,441

Cytonn High Yield Solutions LLP a constituent company of Cytonn group has rolling one year investments in special purpose vehicles, with returns to Cytonn High Yield Solutions LLP of 21% per annum. The company. In the opinion of the partners, the carrying amount of other financial liabilities approximate their fair value.

The loans have been restructured to long term tenure in line with the planned project delivery that the partnership is undertaking in the Real Estate sector.

Split between non-current and current portions	**2020 Kshs**	**2019 Kshs**
Non-Current liabilities	1,008,960,981	890,628,269
Current liabilities	46,875,172	46,875,172
	1,055,836,153	937,503,441

12 Trade and other payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.
Payables are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Other payables are recognized at their nominal value.

	2020 Kshs	**2019 Kshs**
Amounts due to Related parties (Note 15)	109,632,708	32,864,807
Tax payables	52,262,048	40,009,829
Trade payables	31,297,752	30,424,536
Provision for expected credit losses	2,661,738	2,538,494
Amounts received in advance	3,196,962	59,160
Accrued expenses	168,856	173,901
Other payables	-	1,896,962
	199,220,062	107,967,689

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

13 Related party transactions

	2020 Kshs	2018 Kshs
Other financial liabilities		
Cytonn High Yield Solutions LLP	943,887,081	817,189,051
Cytonn Real Estate Project Notes LLP	111,949,072	98,143,826
	1,055,836,153	915,332,877
Trade receivables - related parties		
Cytonn Investment Partners Twelve LLP	10,000	-
Cytonn High Yield Solutions LLP	50,000	1,390,000
Cytonn Investments Partners Eleven LLP	-	-
	60,000	1,390,000
Trade payables - related parties		
Cytonn Investment Partners Two LLP	-	791,235
Cytonn Investment Partners Twelve LLP	-	368,787
Cytonn Investment Partners Eighteen LLP	1,000,000	-
Cytonn Properties	137,500	
Cytonn Intergrated Partners	6,687,682	5,994,949
Cytonn Investment Partners Ten LLP	50,000	
Cytonn Investments Management PLC	13,897,905	15,203,535
Cytonn Investment Partners Eleven LLP	10,987,930	10,506,300
	32,761,017	32,864,806

Cytonn Investment Partners Five LLP is related to the above companies and partnerships by virtue of common control.

14 Financial instruments and risk management

Introduction

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

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

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.

Credit risks

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 partnership through dealing with well-established financial institutions with high credit ratings.

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

	Notes	Gross carrying amount	Credit loss allowance	Amortized cost/ fair value
2020				
Trade and other receivables	9	318,377,805	112,207	318,265,598
Cash and cash equivalents	10	20,288	170	20,119
		318,398,093	112,376	318,285,717
2019				
Trade and other receivables	9	303,570,305	2,537,781	301,032,524
Cash and cash equivalents	10	85,307	713	84,594
		303,655,612	2,538,494	301,117,118

16 Financial instruments and risk management (continued)

Liquidity risk

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

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

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

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

2020	**Note**	**Less than 1 year**	**2-5 years**	**Total**	**Carrying amount**
Non-Current liabilities					
Other financial liabilities	11	-	1,008,960,981	1,008,960,981	1,008,960,981
Current Liabilities					
Trade and other payables	12	199,209,025	-	199,209,025	199,209,025
Other financial liabilities	11	47,006,833	-	47,006,833	47,006,833
		246,215,858	1,008,960,981	1,255,176,839	1,255,176,839
2019					
Non-Current liabilities					
Other financial liabilities	11	-	890,628,269	890,628,269	890,628,269
Current Liabilities					
Trade and other payables	12	105,429,194	-	105,429,194	105,429,194
Other financial liabilities	11	46,875,172	-	46,875,172	46,875,172
		152,304,366	890,628,269	1,042,932,635	1,042,932,635

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.

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

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 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.

18 Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities

2020	**Opening balance**	**Interest**	**Cash flows**	**Closing balance**
	Kshs	**Kshs**	**Kshs**	**Kshs**
Other financial liabilities	937,503,442	159,657,563	(41,193,191)	1,055,967,814
2019				
Other financial liabilities	694,489,775	-	(243,013,667)	451,476,108

19 Comparative figures

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

20 Commitments

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

21 Contingencies

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

22 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 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.