Cytonn Investments Management Limited & Subsidiaries
Consolidated Annual Financial Statements
for the 15 month period ended December 31, 2015

General Information

Country of incorporation and domicile	Kenya
Governance board	Prof. Daniel N. Mugendi (Chairman) Antti-Jussi Ahveninen Madhav Bhalla James M. Maina Nasser Olwero Edwin H. Dande Elizabeth N. Nkukuu Patricia N. Wanjama
Registered office	3rd Floor, Liaison House State House Avenue P.O. Box 20695-00200 Nairobi
Bankers	Diamond Trust Bank Kenya Limited Lavington Curve Branch P.O. Box 61711-00200 Nairobi Standard Chartered Bank Limited Chiromo Branch P.O. Box 30003-00100 Nairobi Chase Bank Limited Riverside Branch P.O. Box 66015-00800 Nairobi
Independent auditor	Grant Thornton Certified Public Accountants (Kenya) 5th Floor, Avocado Towers Muthithi Road, Westlands P.O. Box 46986-00100 Nairobi
Secretary	Patricia Wanjama
Company registration number	CPR/2014/160492
Tax reference number	P051506458Z
Date of incorporation	September 12, 2014

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

Directors' Report

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

1. Review of activities

Main business and operations

The group is engaged in developing its owned properties, project management, developing software technologies and website design and operates principally in Kenya.

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

The net profit of the group after taxation was K Sh 630,770,023.

2. Events after the reporting period

There are sales agreements in place for units sold subsequent to the year end in Cytonn Integrated Project LLP and Cytonn Investment Partners Three LLP. These have been moved from investment property to inventories in accordance with the principles of IAS 40. The directors are not aware of any matter or circumstance arising since the end of the financial 15 month period.

3. Dividends

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

4. Directors

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

Edwin H. Dande
Elizabeth N. Nkukuu
Patricia N. Wanjama

5. Auditors

At the statutory general meeting of the company, the Auditor Messrs Grant Thornton, Certified Public Accountants (K) were appointed to office and have indicated their willingness to continue in office in accordance with the Kenyan Companies Act, 2015 and the Limited Liability Partnership Act of 2011.

Patricia Wanjama
Certified Public Secretaries (K)
August 24, 2016

Statement of Directors' Responsibilities on the Financial Statements

The directors are required in terms of the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated annual financial statements fairly present the state of affairs of the group as at the end of the financial 15 month period and the results of its operations and cash flows for the year then ended, in conformity with International Financial Reporting Standards. They are also responsible for safeguarding the assets of the company. The external auditors are engaged to express an independent opinion on the consolidated annual financial statements.

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

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

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

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

The external auditors are responsible for independently reviewing and reporting on the group's consolidated annual financial statements. The consolidated annual financial statements have been examined by the group's external auditors and their report is presented on pages 5.The consolidated annual financial statements set out on pages 7 to 34, which have been prepared on the going concern basis, were approved by the board on August 24, 2016 and were signed on its behalf by:

Director | **Director**

Wednesday, August 24, 2016

Grant Thornton

Independent Auditor's Report

To the members of Cytonn Investments Management Limited & Subsidiaries

Report on the Financial Statements

We have audited the consolidated annual financial statements of Cytonn Investments Management Limited & Subsidiaries, which comprise the statement of financial position as at December 31, 2015, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the 15 month period then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 34.

Directors' Responsibility for the Consolidated Annual Financial Statements

The company's directors are responsible for the preparation and fair presentation of these consolidated annual financial statements in accordance with International Financial Reporting Standards, and in the manner required by the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of consolidated annual financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated annual financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated annual financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated annual financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated annual financial statements.

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

Opinion

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

Report on Other Legal and Regulatory Requirements

As required by the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011 we report to you, based on our audit, that:
a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
b) In our opinion proper books of accounts have been kept by the company, so far as appears from our examination of those books;
c) The company's statement of financial position is in agreement with the books of accounts.

Grant Thornton,

Grant Thornton
Certified Public Accountants

Grant Thornton
Certified Public Accountants (Kenya)
Nairobi

24 AUGUST 2016

C/117/1215/435/0816/AUD

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

Statement of Financial Position as at December 31, 2015

		Group	Company
	Note(s)	31 December 2015 K Sh	31 December 2015 K Sh
Assets			
Non-Current Assets			
Property, plant and equipment	3	22,792,417	21,291,986
Investment property	4	5,756,259,819	-
Investments in subsidiaries	5	-	200,000
Investments in associates	6	10,736,600	10,736,600
		5,789,788,836	**32,228,586**
Current Assets			
Inventories	7	94,026,126	-
Trade and other receivables	8	97,089,424	129,248,232
Investments	9	528,304,889	30,236,572
Prepayments	10	3,312,051	-
Cash and cash equivalents	11	19,709,519	5,886,581
		742,442,009	**165,371,385**
Total Assets		**6,532,230,845**	**197,599,971**
Equity and Liabilities			
Equity			
Equity Attributable to Equity Holders of Parent			
Share capital	12	23,867,290	23,867,290
Accumulated profit		389,276,745	17,802,175
		413,144,035	41,669,465
Non-controlling interest		3,229,808,278	-
		3,642,952,313	**41,669,465**
Liabilities			
Non-Current Liabilities			
Land owners contribution	13	175,000,000	-
Borrowings	14	3,313,275	3,313,275
Other financial liabilities	15	431,307,502	-
		609,620,777	**3,313,275**
Current Liabilities			
Trade and other payables	16	187,793,626	82,689,481
Borrowings	14	1,934,758,039	1,029,160
Current tax payable	28	15,106,229	15,106,229
Unalloted share capital	17	53,792,361	53,792,361
Other liabilities	18	88,207,500	-
		2,279,657,755	**152,617,231**
Total Liabilities		**2,889,278,532**	**155,930,506**
Total Equity and Liabilities		**6,532,230,845**	**197,599,971**

The consolidated annual financial statements and the notes on pages 3 to 34, were approved by the board on the August 24, 2016 and were signed on its behalf by:

Director **Director**

The accounting policies on pages 10 to 20 and the notes on pages 21 to 34 form an integral part of the consolidated annual financial statements.

Statement of Profit or Loss and Other Comprehensive Income

	Note(s)	Group 15 month period ended 31 December 2015 K Sh	Company 15 month period ended 31 December 2015 K Sh
Revenue	19	185,704,917	144,273,112
Cost of sales	20	(18,922,644)	-
Gross profit		**166,782,273**	**144,273,112**
Other income	21	59,064,923	2,389,125
Operating expenses	22	(214,645,530)	(113,061,388)
Operating profit		**11,201,666**	**33,600,849**
Investment revenue	24	26,337,509	780,407
Fair value adjustments	25	611,437,265	-
Finance costs	26	(4,206,735)	(2,579,399)
Profit before taxation		**644,769,705**	**31,801,857**
Taxation	27	(13,999,682)	(13,999,682)
Profit for the 15 month period		**630,770,023**	**17,802,175**
Other comprehensive income		-	-
Total comprehensive income for the 15 month period		**630,770,023**	**17,802,175**
Profit attributable to:			
Owners of the parent		389,276,745	17,802,175
Non-controlling interest		241,493,278	-
		630,770,023	**17,802,175**
Total comprehensive income attributable to:			
Owners of the parent		389,276,745	17,802,175
Non-controlling interest		241,493,278	-
		630,770,023	**17,802,175**

The accounting policies on pages 10 to 20 and the notes on pages 21 to 34 form an integral part of the consolidated annual financial statements.

Statement of Changes in Equity

	Share capital	Share premium	Total share capital	Retained income	Total attributable to equity holders of the group / company	Non-controlling interest	Total equity
	K Sh	K Sh	K Sh	K Sh	K Sh	K Sh	K Sh
Group							
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the 15 month period	**-**	**-**	**-**	**389,276,745**	**389,276,745**	**241,493,278**	**630,770,023**
Issue of shares	8,400,000	15,467,290	23,867,290	-	-	-	23,867,290
Land owners contribution	-	-	-	-	-	2,988,315,000	2,988,315,000
Total contributions by and distributions to owners of company recognised directly in equity	**8,400,000**	**15,467,290**	**23,867,290**	**-**	**23,867,290**	**2,988,315,000**	**3,012,182,290**
Balance at December 31, 2015	**8,400,000**	**15,467,290**	**23,867,290**	**389,276,745**	**389,276,745**	**3,229,808,278**	**3,642,952,313**
Note(s)	12	12	12				
Company							
Profit for the 15 month period	-	-	-	17,802,175	17,802,175	-	17,802,175
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income for the 15 month period	**-**	**-**	**-**	**17,802,175**	**17,802,175**	**-**	**17,802,175**
Issue of shares	8,400,000	15,467,290	23,867,290	-	23,867,290	-	23,867,290
Total contributions by and distributions to owners of company recognised directly in equity	**8,400,000**	**15,467,290**	**23,867,290**	**-**	**23,867,290**	**-**	**23,867,290**
Balance at December 31, 2015	**8,400,000**	**15,467,290**	**23,867,290**	**17,802,175**	**41,669,465**	**-**	**41,669,465**
Note(s)	12	12	12				

The accounting policies on pages 10 to 20 and the notes on pages 21 to 34 form an integral part of the consolidated annual financial statements.

The amount within non-controlling interest of K Sh 2,988,315,000 relates to the land owners contribution in Mystic Plains LLP. The partners in Mystic Plains LLP consist of The Mutua Family, Cytonn Investments Management Limited, Cytonn Real Estate LLP (Referred to as Managing Partner) and Cytonn Investment Partners Four LLP as per the joint venture agreement dated 18th December, 2015. Majority of the control lies with Cytonn Group where Cytonn Group can take decisions on behalf of Mystic Plains LLP as per the joint venture agreement.

Included in the retained income above, is a fair value gain of K Sh 611,437,265 in respect to investment property which is non-distributable.

Statement of Cash Flows

	Note(s)	Group 15 month period ended 31 December 2015 K Sh	Company 15 month period ended 31 December 2015 K Sh
Cash flows from operating activities			
Cash used in operations	29	11,798,513	(6,435,282)
Interest income		26,337,509	780,407
Finance costs		(4,206,735)	(2,579,399)
Tax received	28	1,106,547	1,106,547
Fair value adjustments		611,437,265	-
Net cash from operating activities		**646,473,099**	**(7,127,727)**
Cash flows from investing activities			
Purchase of property, plant and equipment	3	(30,023,239)	(27,814,606)
Purchase of investment property	4	(5,756,259,819)	-
Purchase of financial assets		(528,304,889)	(30,236,572)
Investment in associate		(10,936,600)	(10,936,600)
Net cash from investing activities		**(6,325,524,547)**	**(68,987,778)**
Cash flows from financing activities			
Proceeds on share issue	12	23,867,290	23,867,290
Proceeds from borrowings		1,938,071,314	4,342,435
Movement in unalloted share capital		53,792,361	53,792,361
Movement in other liabilities		88,207,500	-
Movement in other financial liabilities		431,307,502	-
Land owners contribution		175,000,000	-
Movement in partners capital account		2,988,515,000	-
Net cash from financing activities		**5,698,760,967**	**82,002,086**
Total cash movement for the 15 month period		**19,709,519**	**5,886,581**
Total cash at end of the 15 month period	11	**19,709,519**	**5,886,581**

The accounting policies on pages 10 to 20 and the notes on pages 21 to 34 form an integral part of the consolidated annual financial statements.

Accounting Policies

1. Presentation of consolidated annual financial statements

The consolidated annual financial statements have been prepared in accordance with International Financial Reporting Standards, and the Kenyan Companies Act, 2015 and Limited Liability Partnership Act of 2011. The consolidated annual financial statements have been prepared on the historical cost basis, except for the measurement of investment properties and certain financial instruments at fair value, and incorporate the principal accounting policies set out below. They are presented in Kenyan Shillings and rounded off to the nearest Shilling.

1.1 Consolidation

Basis of consolidation

The consolidated consolidated annual financial statements incorporate the consolidated annual financial statements of the company and all entities, including special purpose entities, which are controlled by the company.

Control exists when the company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries are included in the consolidated consolidated annual financial statements from the effective date of acquisition to the effective date of disposal.

Adjustments are made when necessary to the consolidated annual financial statements of subsidiaries to bring their accounting policies in line with those of the group.

All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

Non-controlling interests in the net assets of consolidated subsidiaries are identified and recognised separately from the group's interest therein, and are recognised within equity. Losses of subsidiaries attributable to non-controlling interests are allocated to the non-controlling interest even if this results in a debit balance being recognised for non-controlling interest.

Transactions which result in changes in ownership levels, where the group has control of the subsidiary both before and after the transactions are regarded as equity transactions and are recognised directly in the statement of changes in equity.

The difference between the fair value of consideration paid or received and the movement in non-controlling interest for such transactions is recognised in equity attributable to the owners of the parent.

Where a subsidiary is disposed of and a non-controlling shareholding is retained, the remaining investment is measured to fair value with the adjustment to fair value recognised in profit or loss as part of the gain or loss on disposal of the controlling interest.

Accounting Policies

1.1 Segmental reporting (continued)

Investment in associates

An associate is an entity over which the group has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

An investment in associate is accounted for using the equity method, except when the investment is classified as held-for-sale in accordance with IFRS 5 Non-current assets held-for-sale and discontinued operations. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost adjusted for post acquisition changes in the group's share of net assets of the associate, less any impairment losses.

Losses in an associate in excess of the group's interest in that associate are recognised only to the extent that the group has incurred a legal or constructive obligation to make payments on behalf of the associate.

Any goodwill on acquisition of an associate is included in the carrying amount of the investment, however, a gain on acquisition is recognised immediately in profit or loss.

Profits or losses on transactions between the group and an associate are eliminated to the extent of the group's interest therein.

When the group reduces its level of significant influence or loses significant influence, the group proportionately reclassifies the related items which were previously accumulated in equity through other comprehensive income to profit or loss as a reclassification adjustment. In such cases, if an investment remains, that investment is measured to fair value, with the fair value adjustment being recognised in profit or loss as part of the gain or loss on disposal.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. A joint arrangement is either a joint operation or a joint venture.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

1.2 Significant judgements and sources of estimation uncertainty

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

Trade receivables, Held to maturity investments and Loans and receivables

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

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

Accounting Policies

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

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

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

Impairment testing

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

The group reviews and tests the carrying value of assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. In addition, goodwill is tested on an annual basis for impairment. Assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets and liabilities. If there are indications that impairment may have occurred, estimates are prepared of expected future cash flows for each group of assets. Expected future cash flows used to determine the value in use of goodwill and tangible assets are inherently uncertain and could materially change over time. They are significantly affected by a number of factors including [list entity specific variables, i.e. production estimates, supply demand], together with economic factors such as [list economic factors such as exchange rates inflation interest].

Taxation

Judgement is required in determining the provision for income taxes due to the complexity of legislation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The group recognises liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The group recognises the net future tax benefit related to deferred income tax assets to the extent that it is probable that the deductible temporary differences will reverse in the foreseeable future. Assessing the recoverability of deferred income tax assets requires the group to make significant estimates related to expectations of future taxable income. Estimates of future taxable income are based on forecast cash flows from operations and the application of existing tax laws in each jurisdiction. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the group to realise the net deferred tax assets recorded at the end of the reporting period could be impacted.

1.3 Investment property

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

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

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

Accounting Policies

1.3 Investment property (continued)

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.

1.4 Property, plant and equipment

Property, plant and equipment are tangible assets which the group holds for its own use or for rental to others and which are expected to be used for more than one period.

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

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

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 group. Leased assets are depreciated in a consistent manner over the shorter of their expected useful lives and the lease term. Depreciation is not charged to an asset if its estimated residual value exceeds or is equal to its carrying amount. Depreciation of an asset ceases at the earlier of the date that the asset is classified as held for sale or derecognised.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Furniture and fixtures	Diminishing balance	12.5%
Motor vehicles	Diminishing balance	25%
IT equipment	Diminishing balance	33.33%

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

The depreciation charge for each period is recognised in profit or loss unless it is included in the carrying amount of another asset.

Impairment tests are performed on property, plant and equipment when there is an indicator that they may be impaired. When the carrying amount of an item of property, plant and equipment is assessed to be higher than the estimated recoverable amount, an impairment loss is recognised immediately in profit or loss to bring the carrying amount in line with the recoverable amount.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its continued use or disposal. Any gain or loss arising from the derecognition of an item of property, plant and equipment is included in profit or loss when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Accounting Policies

1.5 Interests in subsidiaries

Company consolidated annual financial statements

In the company's separate consolidated annual financial statements, investments in subsidiaries are carried at cost less any accumulated impairment.

The cost of an investment in a subsidiary is the aggregate of:

- the fair value, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the company; plus
- any costs directly attributable to the purchase of the subsidiary.

An adjustment to the cost of a business combination contingent on future events is included in the cost of the combination if the adjustment is probable and can be measured reliably.

1.6 Investments in associates

Company consolidated annual financial statements

An investment in an associate is carried at cost less any accumulated impairment.

1.7 Financial instruments

Classification

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

- Held-to-maturity investment
- Loans and receivables
- Financial liabilities measured at amortised cost

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

Initial recognition and measurement

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

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

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

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

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

Subsequent measurement

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

Held-to-maturity investments are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

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

Derecognition

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

Accounting Policies

1.7 Financial instruments (continued)

Impairment of financial assets

At each reporting date the group assesses all financial assets, other than those at fair value through profit or loss, to determine whether there is objective evidence that a financial asset or group of financial assets has been impaired.

For amounts due to the group, significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments are all considered indicators of impairment.

In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator of impairment. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity as a reclassification adjustment to other comprehensive income and recognised in profit or loss.

Impairment losses are recognised in profit or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

Reversals of impairment losses are recognised in profit or loss except for equity investments classified as available-for-sale.

Impairment losses are also not subsequently reversed for available-for-sale equity investments which are held at cost because fair value was not determinable.

Where financial assets are impaired through use of an allowance account, the amount of the loss is recognised in profit or loss within operating expenses. When such assets are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

Due to land owners

These financial assets are classified as loans and receivables.

Trade and other receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within operating expenses. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against operating expenses in profit or loss.

Trade and other receivables are classified as loans and receivables.

Trade and other payables

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

Cash and cash equivalents

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

Accounting Policies

1.7 Financial instruments (continued)

Bank overdraft and borrowings

Bank overdrafts and borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the group's accounting policy for borrowing costs.

Held to maturity

These financial assets are initially measured at fair value plus direct transaction costs.

At subsequent reporting dates these are measured at amortised cost using the effective interest rate method, less any impairment loss recognised to reflect irrecoverable amounts. An impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Financial assets that the group has the positive intention and ability to hold to maturity are classified as held to maturity.

1.8 Tax

Current tax assets and liabilities

Current tax for current and prior periods is, to the extent unpaid, recognised as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess is recognised as an asset.

Current tax liabilities (assets) for the current and prior periods are measured at the amount expected to be paid to (recovered from) the tax authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Tax expenses

Current and deferred taxes are recognised as income or an expense and included in profit or loss for the period, except to the extent that the tax arises from:
- a transaction or event which is recognised, in the same or a different period, to other comprehensive income, or
- a business combination.

Current tax and deferred taxes are charged or credited to other comprehensive income if the tax relates to items that are credited or charged, in the same or a different period, to other comprehensive income.

Current tax and deferred taxes are charged or credited directly to equity if the tax relates to items that are credited or charged, in the same or a different period, directly in equity.

1.9 Inventories

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

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

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

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

Accounting Policies

1.9 Inventories (continued)

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

1.10 Impairment of assets

The group 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 group estimates the recoverable amount of the asset.

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

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

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

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

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

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

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

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

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

1.11 Share capital and equity

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

1.12 Share based payments

Goods or services received or acquired in a share-based payment transaction are recognised when the goods or as the services are received. A corresponding increase in equity is recognised if the goods or services were received in an equity-settled share-based payment transaction or a liability if the goods or services were acquired in a cash-settled share-based payment transaction.

When the goods or services received or acquired in a share-based payment transaction do not qualify for recognition as assets, they are recognised as expenses.

For equity-settled share-based payment transactions the goods or services received and the corresponding increase in equity are measured, directly, at the fair value of the goods or services received provided that the fair value cannot be estimated reliably.

Accounting Policies

1.12 Share based payments (continued)

If the fair value of the goods or services received cannot be estimated reliably, or if the services received are employee services, their value and the corresponding increase in equity are measured, indirectly, by reference to the fair value of the equity instruments granted.

Vesting conditions which are not market related (i.e. service conditions and non-market related performance conditions) are not taken into consideration when determining the fair value of the equity instruments granted. Instead, vesting conditions which are not market related shall be taken into account by adjusting the number of equity instruments included in the measurement of the transaction amount so that, ultimately, the amount recognised for goods or services received as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest. Market conditions, such as a target share price, are taken into account when estimating the fair value of the equity instruments granted. The number of equity instruments are not adjusted to reflect equity instruments which are not expected to vest or do not vest because the market condition is not achieved.

If the share based payments granted do not vest until the counterparty completes a specified period of service, group accounts for those services as they are rendered by the counterparty during the vesting period, (or on a straight line basis over the vesting period).

If the share based payments vest immediately the services received are recognised in full.

1.13 Employee benefits

Short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered, such as paid vacation leave and sick leave, bonuses, and non-monetary benefits such as medical care), are recognised in the period in which the service is rendered and are not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

The expected cost of profit sharing and bonus payments is recognised as an expense when there is a legal or constructive obligation to make such payments as a result of past performance.

Defined contribution plans

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due.

Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the group's obligation under the schemes is equivalent to those arising in a defined contribution retirement benefit plan.

1.14 Revenue

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:
- the group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the end of the reporting period. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the group;
- the stage of completion of the transaction at the end of the reporting period can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue shall be recognised only to the extent of the expenses recognised that are recoverable.

Accounting Policies

1.14 Revenue (continued)

Revenue is measured at the fair value of the consideration received or receivable and represents the amounts receivable for goods and services provided in the normal course of business, net of trade discounts and volume rebates, and value added tax.

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

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.15 Cost of sales

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

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

1.16 Borrowing costs

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

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

The capitalisation of borrowing costs commences when:

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

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

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

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

1.17 Translation of foreign currencies

Functional and presentation currency

Items included in the consolidated annual financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (functional currency).

The consolidated consolidated annual financial statements are presented in Kenyan Shilling which is the group functional and presentation currency.

Accounting Policies

1.17 Translation of foreign currencies (continued)

Foreign currency transactions

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

At the end of the reporting period:

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

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

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

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

Notes to the Consolidated Annual Financial Statements

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2. New Standards and Interpretations

2.1 Standards and Interpretations early adopted

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

IFRS 15 Revenue from Contracts with Customers

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

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

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

IFRS 15 also includes extensive new disclosure requirements.

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

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

The impact of the standard is not material.

2.2 Standards and interpretations not yet effective

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

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

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

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

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

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

IFRS 9 Financial Instruments

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

Key requirements of IFRS 9:

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

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

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

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

2.3 Standards and interpretations not yet effective or relevant

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

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

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

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

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

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

3. Property, plant and equipment

Group	2015		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	12,740,914	(1,703,711)	11,037,203
Motor vehicles	6,628,031	(1,881,926)	4,746,105
IT equipment	10,654,294	(3,645,185)	7,009,109
Total	**30,023,239**	**(7,230,822)**	**22,792,417**

Company	2015		
	Cost or revaluation	**Accumulated depreciation**	**Carrying value**
Furniture and fixtures	12,607,914	(1,687,086)	10,920,828
Motor vehicles	6,628,031	(1,881,926)	4,746,105
IT equipment	8,578,661	(2,953,608)	5,625,053
Total	**27,814,606**	**(6,522,620)**	**21,291,986**

Reconciliation of property, plant and equipment - Group - 2015

	Opening balance	**Additions**	**Depreciation**	**Total**
Furniture and fixtures	-	12,740,914	(1,703,711)	11,037,203
Motor vehicles	-	6,628,031	(1,881,926)	4,746,105
IT equipment	-	10,654,294	(3,645,185)	7,009,109
	-	**30,023,239**	**(7,230,822)**	**22,792,417**

Reconciliation of property, plant and equipment - Company - 2015

	Opening balance	**Additions**	**Depreciation**	**Total**
Furniture and fixtures	-	12,607,914	(1,687,086)	10,920,828
Motor vehicles	-	6,628,031	(1,881,926)	4,746,105
IT equipment	-	8,578,661	(2,953,608)	5,625,053
	-	**27,814,606**	**(6,522,620)**	**21,291,986**

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

4. Investment property

Group

	2015		
	Cost / Valuation	**Accumulated depreciation**	**Carrying value**
Investment property	5,756,259,819	-	5,756,259,819

Reconciliation of investment property - Group - 2015

	Opening balance	**Additions**	**Total**
Investment property	-	5,756,259,819	5,756,259,819

	Group 2015 K Sh	Company 2015 K Sh
Fair value of investment properties	5,285,292,690	-
Borrowing costs capitalised		
Borrowing costs capitalised to qualifying assets	118,890,067	-
Details of property		
L.R. No. 10051 I.R. No. 16453/4 - Amara Ridge		
- Purchase price	175,000,000	-
- Fair value gain	60,000,000	-
- Development costs	138,198,799	-
- Transfer to inventories	(66,584,284)	-
	306,614,515	**-**
L.R. No. 965, 3972, 3973, 5188, 5202, 5203, 5907, 5908, 5917, 6016		
- Purchase price	325,405,425	-
- Fair value gain	52,887,265	-
- Development cost	219,664,664	-
- Transfer to inventories	(46,364,486)	-
	551,592,868	**-**
L.R. No's 13208/2, 28055, 28056 - Athi River		
- Purchase price	3,123,450,000	-
- Fair value gain	284,550,000	-
	3,408,000,000	**-**
L.R. No. 5830/7 & 5954/2		
- Purchase price	1,050,000,000	-
- Fair value gain	214,000,000	-
- Capitalised expenditure	226,052,436	-
	1,490,052,436	**-**

4. Investment property (continued)

Details of valuation

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

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

5. Interests in subsidiaries including consolidated structured entities

The following table lists the entities which are controlled by the group, either directly or indirectly through subsidiaries.

Company

Name of company	**Carrying amount 2015**
Cytonn Investment Partners Two LLP	100,000
Cytonn Investment Partners Technologies LLP	100,000
	200,000

6. Investments in associates

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

Company

Name of company	**Carrying amount 2015**
Elective Africa Limited	10,736,600

The following associates are material to the group:

Summarised financial information of material associates

Summarised Statement of Profit or Loss and Other Comprehensive Income	**Elective Africa Limited**
	2015
Revenue	737,399
Other income and expenses	(2,378,743)
Profit before tax	(1,641,344)
Tax expense	488,803
Profit (loss) from continuing operations	(1,152,541)
Total comprehensive income	(1,152,541)

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

6. Investments in associates (continued)

Summarised Statement of Financial Position

	Elective Africa Limited
	2015
Assets	
Non-current	9,572,068
Current	6,029,752
Total assets	15,601,820
Liabilities	
Current	1,627,533
Total liabilities	1,627,533
Total net assets	13,974,287

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

7. Inventories

	Group	Company
Work in progress	94,026,126	-

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

	Group	Company
Transfer from investment property	112,948,770	-
Transfer to cost of sales	(18,922,644)	-
	94,026,126	**-**

8. Trade and other receivables

	Group	Company
Trade receivables	11,248,657	10,918,772
Directors current account	10,809,683	10,809,683
Other receivables	61,353,365	12,477,338
Related party receivables (Note 30)	13,677,719	95,042,439
	97,089,424	**129,248,232**

In the opinion of the directors, the carrying amount of trade and other receivables approximate their fair value.

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

9. Investments

	Group	Company
Held to maturity		
Cytonn Cash Management Solutions LLP (Note 30)	528,304,889	30,236,572
Current assets		
Held to maturity	528,304,889	30,236,572

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

10. Prepayments

Prepayments	3,312,051	-

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

The carrying amounts of prepayments are denominated in Kenya Shillings.

11. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	2,939	2,939
Bank balances	19,706,580	5,883,642
	19,709,519	**5,886,581**

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

12. Share capital

Authorised		
150,000,000 Ordinary shares of K Sh 0.1/= each	15,000,000	15,000,000
Issued		
84,000,000 Ordinary shares of K Sh 0.1/= each	8,400,000	8,400,000
Share premium	15,467,290	15,467,290
	23,867,290	**23,867,290**

13. Land owners contribution

Landowners contribution - Amara	175,000,000	-

In the opinion of the directors, the carrying amounts due to land owners approximate their fair value.

The carrying amounts of due to land owners are denominated in Kenya Shillings.

14. Borrowings

Held at amortised cost		
TT Africa - Loan (Amara)	444,909,589	-
Development Bank Limited - Loan	4,342,435	4,342,435
TT Africa - Loan (Situ)	1,488,819,290	-
	1,938,071,314	**4,342,435**

TT Africa - Loan (Amara): The loan from TT Africa has interest which shall be payable on any outstanding notes at a fixed rate of 18% per annum (Interest Rate) and be payable at the same time as the principle amount of the applicable Notes are repaid and/or converted. Interest shall accrue daily at the Interest Rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the date of actual payment.

Development Bank Limited - Loan: A Chattel's mortgage in favour of Development Bank of Kenya Limited over the vehicle to be held over the duration of the credit facility.

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

14. Borrowings (continued)

TT Africa - Loan (Situ): Interest shall be payable on any outstanding Notes at a rate of 21% per annum for the first six months and 14% per annum if expressly extended by the Noteholder for a further 15 months and shall be payable at the same time as the principal amount of the applicable. Interest shall accrue daily at the interest rate and shall be calculated on the basis of a 365-day year and the actual number of days elapsed from the date of issue of the Notes to the date of actual payment.

	Group	Company
Non-current liabilities		
At amortised cost	3,313,275	3,313,275
Current liabilities		
At amortised cost	1,934,758,039	1,029,160
	1,938,071,314	**4,342,435**

15. Other financial liabilities

	Group	Company
Cytonn Cash Management Solutions LLP - Loan (Note 30)	431,307,502	-

Cytonn Cash Management Solutions LLP has rolling one year investments in special purpose vehicles, with returns to Cytonn Cash Management Solutions LLP from Cytonn Intergrated Project LLP of 21.0% per annum.

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

The carrying amounts of other financial liabilities are denominated in Kenya Shillings.

16. Trade and other payables

	Group	Company
Trade payables	117,263,796	10,083,678
Advance receipts: Residual equity	-	50,000,000
Due to Elective Africa Limited	5,736,600	5,736,600
Other payables	33,220,801	16,869,203
Deposits received	31,572,429	-
	187,793,626	**82,689,481**

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

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

17. Unalloted share capital

	Group	Company
Unalloted share capital	53,792,361	53,792,361

18. Other liabilities

	Group	Company
Balance payable on land purchase	88,207,500	-

The above liability is to be repaid on request.

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

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

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

19. Revenue

Sale of houses	16,530,000	-
Rendering of services	169,174,917	144,273,112
	185,704,917	**144,273,112**

20. Cost of sales

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

21. Other income

Profit and loss on exchange differences	1,938,693	1,889,125
Gain on forfeited capital	500,000	500,000
Other income	56,626,230	-
	59,064,923	**2,389,125**

Other income represents the managing partners hurdle rate.

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

22. Operating expense

The following items are included within operating expenses:		
Advertising and marketing	20,230,074	17,082,078
Electricity and water	559,271	477,018
Auditors remuneration	3,944,804	1,835,820
Bank charges	728,182	586,644
Legal and professional fees	24,820,224	15,894,024
Office expenses	1,850,273	1,718,898
IT expenses	1,590	-
Commission paid	965,565	965,565
Client entertainment	1,443,813	1,443,813
Depreciation	7,230,822	6,522,620
Donations	574,487	574,487
Employee costs (Note: 23)	57,305,890	35,237,525
Licences	190,600	190,600
Board expenses	853,025	853,025
ESOP expenses	3,860,000	3,860,000
Search fees	4,000	-
Valuation fees	500,000	-
Research expenses	155,475	-
Residual charge	4,301,280	-
Workshop fees	80,000	-
Managing partners hurdle rate	56,626,230	-
Fines and penalties	3,041,246	3,031,246
Insurance	4,113,434	4,113,434
Lease rentals on operating lease	5,645,092	5,301,510
Medical expenses	197,748	197,748
Motor vehicle expenses	1,042,616	1,040,366
Printing and stationery	3,122,810	3,059,638
Realised exchange differences	7,350	-
Repairs and maintenance	513,403	513,403
Secretarial fees	1,512,045	1,312,045
Security	197,500	-
Staff welfare	1,200	-
Telephone and postage	3,851,662	3,775,302
Travelling and accomodation	5,173,819	3,474,579
	214,645,530	**113,061,388**

23. Employee costs

The following items are included within employee benefits expense:

Indirect Employee costs		
Salaries and wages	48,619,354	27,237,157
Staff meals and uniforms	5,228,261	5,087,058
Staff recruitment expenses	860,949	630,079
Staff training	2,293,210	1,979,115
Staff medical	304,116	304,116
	57,305,890	**35,237,525**

24. Investment revenue

Interest revenue		
Interest income	26,337,509	780,407

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

25. Fair value adjustments

Investment property (Fair value model)	611,437,265	-

26. Finance costs

Interest costs	1,931,672	1,931,672
Interest on loan	2,275,063	647,727
	4,206,735	**2,579,399**

27. Taxation

Major components of the tax expense

Current		
Taxation	13,999,682	13,999,682

Reconciliation of the tax expense

Reconciliation between accounting profit and tax expense.

Accounting profit	644,769,705	31,801,857
Tax at the applicable tax rate of 30% (2014: 0%)	193,430,912	9,540,557
Tax effect of adjustments on taxable income		
Expenses not deductible for tax purposes	-	4,459,125
Income not subject to tax	(179,431,230)	-
	13,999,682	**13,999,682**

28. Tax refunded

Current tax for the 15 month period recognised in profit or loss	(13,999,682)	(13,999,682)
Balance at end of the 15 month period	15,106,229	15,106,229
	1,106,547	**1,106,547**

29. Cash generated from (used in) operations

Profit before taxation	644,769,705	31,801,857
Adjustments for:		
Depreciation	7,230,822	6,522,620
Interest received	(26,337,509)	(780,407)
Finance costs	4,206,735	2,579,399
Fair value adjustments	(611,437,265)	-
Changes in working capital:		
Inventories	(94,026,126)	-
Trade and other receivables	(97,089,424)	(129,248,232)
Prepayments	(3,312,051)	-
Trade and other payables	187,793,626	82,689,481
	11,798,513	**(6,435,282)**

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015	2015
	K Sh	K Sh

30. Related parties

Related party balances

Other financial liabilities - Owing to related parties		
Cytonn Cash Management Solutions LLP	431,307,502	-
Amounts included in Trade receivable regarding related parties		
Cytonn Diaspora Limited LLC	12,448,459	-
Cytonn Investment Partners Eight LLP	76,300	-
Cytonn Cash Management Solutions LLP	1,152,960	-
Cytonn Investment Partners Four LLP (Athi)	-	60,200
Cytonn Partner VIII LLP	-	76,300
Cytonn Investment Partners One LLP (Situ)	-	248,420
Cytonn Investment Partners Three LLP (Amara)	-	1,768,975
Cytonn Investment Partners Technologies LLP	-	3,532,703
Cytonn Diaspora Limited LLC	-	12,448,459
Cytonn Investment Partners Two LLP (CRE)	-	17,635,014
Cytonn Integrated Project LLP (Alma)	-	59,272,368
Investments in related parties		
Cytonn Cash Management Solutions LLP	528,304,889	30,236,572

31. Risk management

Capital risk management

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

The capital structure of the group consists of debt, which includes the borrowings (excluding derivative financial liabilities) disclosed in notes 13, 14, cash and cash equivalents disclosed in note 11, and equity as disclosed in the statement of financial position.

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

There are no externally imposed capital requirements.

Financial risk management

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

The group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The group uses derivative financial instruments to hedge certain risk exposures. Risk management is carried out by a central treasury department (group treasury) under policies approved by the board. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the group's operating units. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

Notes to the Consolidated Annual Financial Statements

	Group	Company
	2015 K Sh	2015 K Sh

31. Risk management (continued)

Liquidity risk

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

Group

At December 31, 2015	Less than 1 year	Between 1 and 2 years
Borrowings	1,934,758,039	3,313,275
Other financial liabilities	-	431,307,502
Trade and other payables	187,793,626	-
Other liabilities	88,207,500	-

Company

At December 31, 2015	Less than 1 year	Between 1 and 2 years
Borrowings	1,029,160	3,313,275
Trade and other payables	82,689,481	-

Interest rate risk

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

Credit risk

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

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board. The utilisation of credit limits is regularly monitored. Sales to retail customers are settled in cash or using major credit cards. Credit guarantee insurance is purchased when deemed appropriate.

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

Financial instrument	Group - 2015	Company - 2015
Trade and other receivables	97,089,424	129,248,232
Prepayments	3,312,051	-
Investments	528,304,889	30,236,572

Foreign exchange risk

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

The group does not hedge foreign exchange fluctuations.

Notes to the Consolidated Annual Financial Statements

	Note(s)	Group 2015 K Sh	Company 2015 K Sh

32. Fair value information

Fair value hierarchy

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

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

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

Level 3: Unobservable inputs for the asset or liability.

Levels of fair value measurements

Level 1

Recurring fair value measurements

	Note(s)	Group 2015 K Sh	Company 2015 K Sh
Assets			
Investment property	4		
Investment property		5,285,292,690	-
Total		**5,285,292,690**	**-**