ACORN HOLDINGS LIMITED AND ITS SUBSIDIARIES

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

CONTENTS

Acorn Holdings Limited
Company information
For the year ended 31 December 2020

Board of directors

	Appointment date
Alykhan Nathoo	27-06-16
Ameel Somani	27-06-16
Dennis Aluanga	27-06-16
Vishma Dharshini Boyjanauth	19-06-17
York Shin Lim Voon Kee	19-06-17
Edward Kirathe Muturi	29-09-15
Kenneth Luusa	27-06-16
Peter Njenga	27-06-16

Company secretary

Intercontinental Trust Limited
Level 3, Alexander House
35 Cybercity, Ebene 72201
Mauritius

Registered office

Level 3, Alexander House
35, Cybercity
Ebene 72201,
Mauritius

Auditors

Ernst & Young
9th floor, NeXTeracom
Tower 1
Cybercity
Ebene
Mauritius

The directors submit their report together with the audited financial statements for the year ended 31st December 2020, which disclose the situation of Acorn Holdings Limited (the "Company") and its subsidiaries (altogether the "Group").

Incorporation

The Company is domiciled in Mauritius where it is incorporated under the Companies as a Company limited by shares and holds a Global Business category 2 licence. The Company was incorporated on 29 September 2015. The address of the registered office is set out on page 2. The Company has been converted into a GBC Company in June 2021.

Principal activities

The principal activity of the Company is that of being a holding company with subsidiaries operating at different levels of the value chain in the real estate sector.

Business review

The Group is a business set up jointly between the management and Helios, one of the largest private equity firms operating in Africa. The Group's objective is to develop rental accommodation for young people in Nairobi focusing on student accommodation, under the Qwetu and Qejani brands and subsequently extend into housing for young professionals, under the Palma brand.

The business was launched in November 2015 and involves two phases; an initial proof of concept phase over a three-year period, followed by a scaling up phase. The focus during the proof-of-concept phase was to construct a small number of properties and develop the operating platform to support the business in the scaled-up phase.

The nature of the business is such that there is a lead time of about three years from identifying a site through to the completed property becoming operational. During this period the construction and operations activities are funded by shareholder loans, supplemented by external debt. Effective 31 December 2019, the shareholders elected to convert the shareholder loans into capital, the same is shown in the statement of financial position.

The shareholders committed an initial amount of USD 15 million in November 2015 which had already been fully disbursed as at 31 December 2017. Further tranches have since been disbursed and as at 31 December 2020 a total of USD 52.3 million had been disbursed.

The first phase of the Group's operations is not profitable as minimal income is produced and costs to develop the platform are being incurred. The deficits in phase one include the impact of the capital structure. These deficits are supported by the shareholders and will be offset in the scale up phase through realisation of capital gains at exit of the properties to capital market funded vehicles upon stabilisation of tenancies.

In line with The Capital Markets (Real Estate Investment Trusts) (Collective Investment Schemes) Regulations, 2013, AHL will be sponsoring the launch of two Real Estate Investment Trusts (REITs), which will enable it to enter the next phase of long-term strategic growth. In light of this, the company launched REITs on the 8th of February 2021. Co-operative bank of Kenya Limited was appointed as the trustee while Acorn Holdings being the promoter of the REITs. The Acorn D-REIT will focus on developing rental housing projects focused on the young people in Kenya, initially in the purpose-built student accommodation space and then shortly moving into young professional's accommodation. The Acorn Student Accommodation I-REIT will be the entity that holds the income-generating operational student accommodation assets. The REITs will provide AHL with access to capital to sustain and grow its business model.

These accounts cover the early stage of the scale up phase. Currently four completed properties are operating. The reported operating deficits are expected to turnaround as the number of properties constructed increase and start to generate significant rental income and capital gains.

Results and dividends

The Company and Group profit/loss for the year was profit of KShs 412,912,106 (2019: loss KShs 926,773,035) and KShs 255,923,250 profit (2019: loss KShs 1,326,443,842) respectively.

The directors do not propose payment of any dividend.

Directorate

The directors who held office during the year and to the date of this report are set out on page 2.

By order of the board

....
Director

27th August 2021

Acorn Holdings Limited
Statement of directors' responsibilities
For the year ended 31 December 2020

As part of their fiduciary duties the directors are required to prepare financial statements for each financial year that give a true and fair view of the financial position of the Company and its subsidiaries (together "the Group") as at 31 December 2020 and of their financial performance and cash flows for the year then ended. It also requires the directors to ensure that the Group maintains proper accounting records that disclose, with reasonable accuracy, the financial position of the Group. The directors are also responsible for safeguarding the assets of the Group.

The directors accept responsibility for the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error. They also accept responsibility for:

i) designing, implementing, and maintaining internal control relevant to the preparation and fair presentation of the financial statements.
ii) selecting and applying appropriate accounting policies; and
iii) making accounting estimates and judgements that are reasonable in the circumstances.

The directors are of the opinion that the financial statements give a true and fair view of the financial position of the Group as at 31 December 2020 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Adequate financial support is available for the Group to remain in operational existence for the foreseeable future and nothing has come to the attention of the directors to indicate that the Group will not remain a going concern for at least twelve months from the date of these financial statements.

Approved by the board of directors on ......27th August...... 2021 and signed on its behalf by:

....	....
Director	**Director**

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACORN HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Opinion

We have audited the consolidated and separate financial statements of **Acorn Holdings Limited** (the "Company") and its subsidiaries (the "Group") set out on pages 9 to 56 which comprise the consolidated and separate statements of financial position as at 31 December 2020, and the consolidated and separate statements of profit or loss and other comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including significant accounting policies.

In our opinion, the consolidated and separate financial statements give a true and fair view of the consolidated and separate financial position of Group and Company as at 31 December 2020, and of their consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards.

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 Consolidated and Separate Financial Statements section of our report. We are independent of the Group and the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (the "IESBA Code") and other independence requirements applicable to performing audits of financial statements of the Group and Company and in Mauritius. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits of the Group and Company and in Mauritius. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Acorn Holdings Limited and its subsidiaries Financial statements for the year ended 31 December 2020", which includes the report of the Directors and the statement of directors' responsibilities.

The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACORN HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 2001, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and Company'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 directors either intend to liquidate the Group and the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate 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 consolidated and separate financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated and separate 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 control 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 Group and the Company's internal control.

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

- Conclude on the appropriateness of the directors' 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 Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate 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 our auditor's report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.

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

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ACORN HOLDINGS LIMITED

REPORT ON THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS (CONTINUED)

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements (Continued)

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

We communicate with the directors 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.

Use of our report

This report is made solely to the Company's members, as a body.. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

ERNST & YOUNG
Ebène, Mauritius

LI KUNE LAN POOKIM, F.C.A, F.C.C.A.
Licensed by FRC

Date: 27 August 2021

Acorn Holdings Limited
Consolidated Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 KShs 000	2019 KShs 000
Rent income	5	187,326	271,607
Revenue from services to tenants	5	952	767
Property operating expenses	8	(119,292)	(143,148)
Net rental income		**68,986**	**129,226**
Valuation gain/(loss) from completed investment properties	12	48,120	(163,373)
Valuation gain from investment properties under construction	12	2,594,645	246,977
Net gain on investment property		**2,642,765**	**83,604**
Other revenue	5	3,101	4,605
Cost of Sales	7(b)	(2,536)	-
Administrative expenses	8	(435,180)	(503,813)
Establishment expenses	7(a)	(63,204)	(37,357)
Operating profit		**2,213,932**	**(323,735)**
Other income	6	21,784	36,432
Finance costs	17(b)	(258,216)	(176,221)
Exchange (loss)/gain	17(c)	(588,301)	36,759
Profit/(loss) before interest on shareholders' capital		**1,389,199**	**(426,765)**
Interest expense on shareholders' capital	18(a)	(1,127,813)	(894,052)
Profit/(Loss) before tax		**261,386**	**(1,320,817)**
Income tax expense	9	(5,463)	(5,627)
Profit/(loss) for the year and total comprehensive income		**255,923**	**(1,326,444)**
Total other comprehensive income		**-**	**-**
Total profit/(loss) and other comprehensive income attributable to:		**255,923**	**(1,326,444)**
Equity holders of the parent		**138,665**	**(1,300,051)**
Non-controlling interests		**117,258**	**(26,393)**
		255,923	**(1,326,444)**

The notes on pages 17 to 56 form an integral part of these financial statements

Acorn Holdings Limited
Company Statement of Profit or Loss and other Comprehensive Income
For the year ended 31 December 2020

	Notes	2020 KShs 000	2019 KShs 000
Other income	6	5	-
Administrative expenses	8	(90,293)	(33,773)
Fair value gain/(loss) on investment in subsidiaries	10	2,219,314	(35,706)
Foreign exchange (loss)/gain	17(c)	(588,301)	36,758
Profit/(loss) before interest on shareholders'capital		1,540,725	(32,721)
Interest expense on shareholders' capital	18(a)	(1,127,813)	(894,052)
Profit/(loss) before tax		412,912	(926,773)
Income tax expense	9	-	-
Profit/(loss) for the year		412,912	(926,773)
Other comprehensive income		-	-
Total comprehensive profit/(loss) for the year		412,912	(926,773)

The notes on pages 17 to 56 form an integral part of these financial statements

Acorn Holdings Limited
Consolidated Statement of Financial position
For the year ended 31 December 2020

	Notes	2020 KShs 000	2019 KShs 000
Non-current assets			
Investment properties	12	9,432,866	5,122,927
Equipment	11(a)	79,059	91,666
Intangible assets	11(b)	11,687	26,581
Right of use asset	11(c)	74,132	93,470
		9,597,744	5,334,644
Current assets			
Inventory		1,873	2,184
Trade and other receivables	13	425,123	622,537
Tax recoverable	9	5,115	2,851
Cash and cash equivalents	14	626,332	1,109,755
		1,058,443	1,737,327
Total assets		**10,656,187**	**7,071,971**
EQUITY AND LIABILITIES			
Equity			
Stated capital	20	-	-
Capital contribution	18(b)	9,232,048	7,074,439
Accumulated losses		(2,754,941)	(2,893,607)
Equity attributable to equity holders of the Parent		6,477,107	4,180,832
Non-controlling interests		351,550	228,078
Total equity		**6,828,657**	**4,408,910**
Non-current liabilities			
Interest bearing loan and borrowings	17(a)	3,203,282	1,970,151
Lease liabilities	16	82,324	102,139
		3,285,606	2,072,290
Current liabilities			
Lease liabilities	16	21,940	25,944
Interest bearing loans and borrowings	17(a)	62,855	43,338
Trade and other payables	15	457,129	521,489
		541,924	590,771
Total liabilities		**3,827,530**	**2,663,061**
Total shareholders' equity and liabilities		**10,656,187**	**7,071,971**

The financial statements were approved for issue by the board of directors

on 27 AUGUST .... 2021 and were signed on their behalf by:

....

Director **Director**

The notes on pages 17 to 56 form an integral part of these financial statements

Acorn Holdings Limited
Company Statement of Financial position
For the year ended 31 December 2020

	Notes	2020 KShs 000	2019 KShs 000
ASSETS			
Non-current assets			
Investment in subsidiaries	10	7,944,700	5,401,767
Current assets			
Other receivables	13	66,739	413
Cash at bank	14	4,893	-
Total assets		**8,016,332**	**5,402,180**
EQUITY AND LIABILITIES			
Equity			
Stated capital	20	-	-
Capital contribution	18(b)	9,232,048	7,074,439
Accumulated losses		(1,265,546)	(1,678,458)
Total equity		**7,966,502**	**5,395,981**
Current liabilities			
Other payables	15	49,830	6,199
Total liabilities		49,830	6,199
Total equity and liabilities		**8,016,332**	**5,402,180**

The financial statements were approved for issue by the board of directors on 27th August 2021 and were signed on their behalf by:

Director **Director**

The notes on pages 17 to 56 form an integral part of these financial statements

Acorn Holdings Limited
Statements of changes in equity
For the year ended 31 December 2020

Group

	Capital Contribution KShs 000	Accumulated losses KShs 000	Total KShs 000	Non-Controlling Interest KShs 000	Total equity KShs 000
As at 1st January 2019	**-**	**(1,593,411)**	**(1,593,411)**	**254,471**	**(1,338,940)**
IFRS 16 adjustment	-	(145)	(145)	-	(145)
Capital contribution (Note 18b)	7,074,439	-	7,074,439	-	7,074,439
Loss for the year	-	(1,300,051)	(1,300,051)	(26,393)	(1,326,444)
Other comprehensive income	-	-	-	-	-
At 31st December 2019	**7,074,439**	**(2,893,607)**	**4,180,832**	**228,078**	**4,408,910**
Opening balance	**7,074,439**	**(2,893,607)**	**4,180,832**	**228,078**	**4,408,910**
Capital contribution (Note 18b)	**441,594**	**-**	**441,594**	**6,214**	**447,808**
Interest expense on shareholders' capital (Note 18b)	**1,716,016**	**-**	**1,716,016**	**-**	**1,716,016**
Profit for the year	**-**	**138,665**	**138,665**	**117,258**	**255,923**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**
At 31st December 2020	**9,232,049**	**(2,754,941)**	**6,477,107**	**351,550**	**6,828,657**

The notes on pages 17 to 56 form an integral part of these financial statements

Acorn Holdings Limited
Statements of changes in equity
For the year ended 31 December 2020

Company

	Capital Contribution KShs 000	Accumulated losses KShs 000	Total equity KShs 000
Opening balance Jan 2019	-	(751,685)	(751,685)
Capital contribution (Note 18b)	7,074,439	-	7,074,439
Loss for the year	-	(926,773)	(926,773)
Other comprehensive income	-	-	-
At 31st December 2019	7,074,439	1,678,458	5,395,981
Opening balance	7,074,439	1,678,458	5,395,981
Capital contribution	441,593	-	441,593
Interest expense on shareholders'capital (Note 18b)	1,716,016	-	1,716,016
Profit for the year	-	412,912	412,912
Other comprehensive income	-	-	-
At 31st December 2020	**9,232,048**	**(1,265,546)**	**7,966,502**

The notes on pages 17 to 56 form an integral part of these financial statements

Acorn Holdings Limited
Consolidated Statement of Cash flows
For the year ended 31 December 2020

	Notes	2020 KShs 000	2019 KShs 000
OPERATING ACTIVITIES			
Profit/(loss) before tax		261,386	(1,320,817)
Adjustments for:			
Interest income	6	(18,337)	(14,291)
Fair value (gain)/ investment properties	12	(2,642,765)	(83,604)
Interest cost on shareholders' capital	18(a)	1,127,813	894,052
Depreciation and amortization charge	11(a &b)	35,679	29,132
Depreciation of right -of-use asset	11(c)	19,339	19,339
Gain on disposal of assets	6	-	(4,469)
Interest expense on senior loans and leases	17(b)	258,216	176,221
Foreign exchange difference	17(c)	588,301	(36,759)
Operating loss before working capital changes		(370,368)	(341,196)
Decrease/(increase) in inventories		311	(861)
Decrease/(increase) in trade and other receivables		197,414	(301,342)
Decrease in trade and other payables		(64,360)	226,434
Cash flows generated from operating activities		(237,003)	(416,965)
Interest received		18,337	14,291
Interest paid on borrowings and leases		(258,216)	(176,221)
Tax paid	9	(7,727)	(10,618)
Net cash flows used in operating activities		**(484,609)**	**(589,513)**
INVESTING ACTIVITIES			
Additions to investment properties	12	(1,667,174)	(1,797,174)
Disposal of Investment Property		-	6,500
Purchase of property and equipment and intangible assets	11	(8,179)	(67,142)
Net cash flows generated from investing activities		**(1,675,353)**	**(1,857,816)**
FINANCING ACTIVITIES			
Proceeds from interest bearing loans and borrowings		1,252,650	993,504
Contribution from non-controlling interests		6,214	-
Capital repayment of lease liability		(23,819)	(11,608)
Proceeds from shareholders		441,494	2,239,260
Net cash flows generated from financing activities		**1,676,539**	**3,221,156**
Net movement in cash and cash equivalents		**(483,423)**	**773,827**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR	14	1,109,755	335,928
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**626,332**	**1,109,755**

The notes on pages 17 to 56 form an integral part of these financial statements

Acorn Holdings Limited
Company Statement of Cash flows
For the year ended 31 December 2020

	Notes	2020 KShs 000	2019 KShs 000
OPERATING ACTIVITIES			
Profit/(loss) before tax		412,912	(926,772)
Adjustments for:			
Interest expense	18(a)	1,127,813	894,052
Interest income		(5)	-
Foreign exchange differences	17(c)	588,301	(36,759)
Fair value (loss)/gain on Investment in subsidiaries	10	(2,219,314)	35,704
Operating loss before working capital change		**(90,293)**	**(33,775)**
Increase in other payables		43,631	3,239
Increase in other receivables		(66,325)	(414)
Cash flows generated from operating activities		(112,987)	(30,950)
Interest received		5	-
Net cashflows used in operating activities		**(112,982)**	**(30,950)**
INVESTING ACTIVITIES			
Investment in subsidiaries	10	(323,619)	(2,208,313)
Net cash flows used in investing activities		**(323,619)**	**(2,208,313)**
FINANCING ACTIVITIES			
Proceeds from shareholders		441,494	2,239,263
Net cash flows generated from financing activities		**441,494**	**2,239,263**
Net movement in cash and cash equivalents		**4,893**	**-**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		-	-
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**4,893**	**-**

The notes on pages 17 to 56 form an integral part of these financial statement

1. General information

Acorn Holdings Limited (the "Company") is incorporated in Mauritius under the Companies Act 2001 as a private limited liability company and is domiciled in Mauritius. The Financial Services Commission ("FSC") issued a Category 2 Global Business Licence ("GBL2") to the Company on 29 September 2015. Further to the changes made by the Finance (Miscellaneous Provisions) Act 2018 ("FMPA 2018") to the Financial Services Act ("FSA"), the FSC cannot issue any GBL2 as from 1 January 2020. The GBL 2 of the company shall lapse on 30 June 2021 under section 96A(1)I(i) of the FSA. The amendments of FSA of 2007 repealed the regime of category 2 Global Business, with all Category 2 Global Business Licences lapsing on 30th June 2021. The regime of Category 1 Global Business Licences which was valid until 30 June 2021, subject to transitional provisions, will after 30 June 2021, be deemed Global Business License. Subsequently, Acorn Holdings was granted a Global Business Licence under section 72(6) of the Financial Services Act subject to the company conducting business outside Mauritius and that for any proposed activities under the laws of Mauritius, the Company is required to seek the appropriate authorisation or license. The principal activity of the Company is that of being a holding company with subsidiaries operating in different levels of the value chain in the real estate sector. The financial statements for the year ended 31 December 2020 comprise the accounts of the Company and its subsidiaries (together referred to as "the Group").

The financial statements were approved by the board of directors and authorised for issue on the date stamped on Pages 11 and 12.

2. Accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below:

2.1) Basis of preparation and statement of compliance

The financial statements are prepared on the going concern basis and in compliance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). They are presented in Kenya Shillings, which is also the functional currency (see note 2.4 (b) below), rounded to the nearest thousand (KShs' 000). Financial Statement are consolidated as per IFRS 10 requiring the entity having power over investees to consolidate entities it controls.

Measurement basis

The measurement basis used is the historical cost basis for all except for investment properties and investment in subsidiaries which are carried at fair value.

Use of estimates and judgements

The preparation of financial statements in compliance with adopted IFRS requires the use of certain critical accounting estimates. It also requires Group's management to exercise judgement in applying the Group's accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effects are disclosed in Note 3.

2.2) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and can affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

2. Accounting policies (Continued)

2.2) Basis of consolidation (Continued)

Generally, there is a presumption that most voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income, and expenses of a subsidiary acquired or disposed of during the year are included in the financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

All intra-group assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest, and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

2.3) New and amended standards and interpretations.

On 1 January 2020, the Group adopted the following new standards, new Interpretations and amendments to standards.

	Effective for accounting period beginning on or after.
Amendments to IFRS 3 Definition of a Business	1 January 2020
Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform	1 January 2020
Amendments to IAS 1 and IAS 8 Definition of Material	1 January 2020
Conceptual Framework for Financial Reporting	1 January 2020
Amendments to IFRS 16 Covid-19 Related Rent Concessions	1 June 2020

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together, significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the financial statements of the Group but may impact future periods should the Group enter into any business combinations.

2. Accounting policies (Continued)

2.3) New and amended standards and interpretations (continued)

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the financial statements of the Group as it does not have any IBOR relationships.

Definition of Material - Amendments to IAS 1 and IAS 8

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the financial statements of, nor is there expected to be any future impact to the Group.

The Conceptual Framework for Financial Reporting

The IASB issued the Conceptual Framework in March 2018. It sets out a comprehensive set of concepts for financial reporting, standard setting, guidance for preparers in developing consistent accounting policies and assistance to others in their efforts to understand and interpret the standards. The Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the financial statements of the Group.

Covid-19-Related Rent Concessions – Amendment to IFRS 16

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The amendment applies to annual reporting periods beginning on or after 1 June 2020. Earlier application is permitted. These amendments had no impact on the financial statements of the Group.

Standards issued but not yet effective

New or revised standards and interpretations:

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below.

2. Accounting policies (Continued)

2.3) New and amended standards and interpretations (continued)

The Group intends to adopt these new and amended standards and interpretations, if applicable, when they become effective.

	Effective for accounting period beginning on or
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
IFRS 1 First-time Adoption of International Financial Reporting Standards Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 10 and IAS 28- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Postponed indefinitely

The above new standards and amendments to existing standards issued but not yet effective are not expected to have an impact on the Group.

2.4) Summary of significant accounting policies

a) Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances, and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree. Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IFRS 9 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in profit or loss.

Goodwill is initially measured at cost (being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests) and any previous interest held over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is more than the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

2. Accounting policies (Continued)

2.4) Summary of significant accounting policies (continued)

a) Business combinations and goodwill (continued)

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units. Where goodwill has been allocated to a cash-generating unit (CGU) and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

b) Functional and presentation currency

The financial statements are presented in Kenyan Shilling (KShs), which is the Group's functional currency. All financial information presented in KShs have been rounded to the nearest thousand shillings, except where otherwise indicated.

Transactions and balances

Transactions in foreign currencies are initially recorded at their respective functional currency spot rates at the date the transaction first qualifies for recognition.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency spot rate of exchange ruling at the reporting date. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of gain or loss on change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

Where the functional currency of the subsidiaries at the reporting date is not the presentation currency of the Group (KShs), the assets and liabilities of these subsidiaries are translated into KShs at the rate of exchange ruling at the reporting date and, income and expenses are translated at the average exchange rates for the year. The exchange differences arising on the translation are taken through other comprehensive income. On disposal of a foreign entity, the deferred cumulative amount recognised in other comprehensive income relating to that foreign operation is recognised in profit or loss.

c) Current versus non-current classification

The Group presents assets and liabilities in the statement of financial position based on current/non-current classification.

An asset is current when it is:

Expected to be realised or intended to be sold or consumed in the normal operating cycle.
Held primarily for the purpose of trading.
Expected to be realised within twelve months after the reporting period.
Or

Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

2. Accounting policies (Continued)

2.4) Summary of significant accounting policies (continued)

c) Current versus non-current classification (continued)

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in the normal operating cycle
- It is held primarily for the purpose of trading
- It is due to be settled within twelve months after the reporting period

Or

There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities respectively.

d) Revenue recognition

The Group recognises revenue from the following major sources:

- Rental income
- Project management
- Interest income
- Revenue from service to tenants

Rental income

Rental income comprises direct properties let to students and lets of the Group's office space to commercial tenants. This revenue is recognised in the statement of profit or loss over the length of the tenancy period as the Group provides the services to its customers. Included in some rental contracts is the use of broadband facilities and room cleaning services. The Group does not offer these services as stand-alone products. Under IFRS 15 the Group does not consider these services to be individually material and has, consequently, bundled these obligations as a single contract. The transaction prices for rental income are explicitly stated in each contract. A contract liability can result from payments received in advance, until the date at which control is transferred to the customer and at that point the revenue begins to be recognised over the tenancy period. Lease incentives (Rent free period) are sometimes recognised on commercial units; these are recognised as an integral part of the total rental income and spread over the term of the lease.

Project management fees

The Group acts as project manager for the development of commercial properties which entails offering the following services: building management, commissioning and maintenance, construction contract management, construction contract procedures, statutory and compliance, cash flow, construction economics and financial

programming, reporting and meetings, design reviews and quality control, consultant appointments, liaison with legal and business case. The Group concludes that the contract contains a single performance obligation because the promised services in the contract are not distinct. This is because a company may be able to fulfil its promise to transfer each service in the contract independent of the other, but each service may significantly affect the other's utility to the customer such that the combination of the services are transformational in nature as opposed to being additive. Therefore, the services are not separately identifiable. The project management fees are earned over the life of the project. The Group recognizes revenue initially for the first four months of the project at a predetermined amount to reflect the work done at this stage and the remainder, equally over time of the performance obligation as specified in the contract. The transaction prices for project management fees are explicitly stated in each contract; at a rate of 4% of the project cost.

2. Accounting policies (Continued)

2.4) Summary of significant accounting policies (continued)

d) Revenue recognition (continued)

Project management fees (continued)

This arrangement satisfies the criteria for over-time recognition as the contractor's performance creates an asset that the customer controls.

Interest income

Interest income is recognised as it accrues using the effective interest rate (EIR) method. The EIR is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income is included in finance income in the statement of profit or loss.

e) Borrowing costs

Borrowing costs, net of any temporary investment income on those borrowings, that are attributable to acquisition, construction or production of a qualifying asset are capitalised as part of the asset. The net borrowing cost capitalised is either the actual borrowing cost incurred on the amount borrowed specifically to finance the asset; or in the case of general borrowings, the borrowing cost is determined using the overall weighted average cost of the borrowings on all outstanding borrowings during the year less any specific borrowings directly attributable to the asset and applying this rate to the borrowing attributable to the asset. Capitalisation of borrowing costs ceases when all activities necessary to prepare the qualifying asset for its intended use or sale are complete. All other borrowing costs are recognised in profit or loss in the year in which they are incurred.

f) Taxation

Income tax

Income tax expense is the aggregate amount charged/(credited) in respect of current tax and deferred tax in determining the profit or loss for the year. Tax is recognised in the profit and loss account except when it relates to items recognised in other comprehensive income, in which case it is also recognised in other comprehensive income, or to items recognised directly in equity, in which case it is also recognised directly in equity.

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred income tax

Deferred tax is determined for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, using tax rates and laws enacted or substantively enacted at the reporting date and expected to apply when the asset is recovered, or the liability is settled.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the way the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets or liabilities. However, for investment property that is measured using the fair value model, there is a rebuttable presumption that the carrying amount of the investment property will be recovered through sale.

2. Accounting policies (Continued)

2.4) Summary of significant accounting policies (continued)

f) Taxation (continued)

Deferred income tax (continued)

Deferred tax liabilities are recognised for all taxable temporary differences except those arising on the initial recognition of an asset or liability, other than through a business combination, that at the time of the transaction affects neither the accounting nor taxable profit or loss.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Recognised and unrecognised deferred tax assets are reassessed at the end of each reporting period and, if appropriate, the recognised amount is adjusted to reflect the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

g) Share capital

Ordinary shares are recognised at par value and classified as 'share capital' in equity. Any amounts received over and above the par value of the shares issued are classified as 'share premium' in equity.

h) Dividends

Dividends on ordinary shares are recognised as a liability in the year in which they are declared.

i) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price as disclosed in section Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset.

2. Accounting policies (Continued)

2.4) Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

• Financial assets at amortised cost (debt instruments)
• Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified, or impaired.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument, when appropriate, a shorter period to the net carrying amount of financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instruments but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

The Group's financial assets at amortised cost includes trade and other receivables and cash at banks.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.
This category includes equity investments which the Group had not irrevocably elected to classify at fair value through OCI.

iii) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- The rights to receive cash flows from the asset have expired

Or

- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2. Accounting policies(continued)

2.4) Summary of significant accounting policies (continued)

i) Financial instruments (continued)

Financial assets (continued)

iv) Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The Group holds receivables with no financing component, and which have maturities of less than 12 months at amortised cost and, as such, has chosen to apply an approach like the simplified approach for expected credit losses (ECL) under IFRS 9 to all its receivables. Therefore, the Group does not track changes in credit risk, but instead, recognises a loss allowance based on lifetime ECLs at each reporting date.

The Group's approach to ECLs reflects a probability-weighted outcome, the time value of money and reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

The other receivables are expected to be settled within one month net of invoice date and determined that the ECL is insignificant. 12-month expected credit losses is determined for financial assets which 30 days pas due. Receivables aged more than 90 days are deemed impaired and loss allowance is provided.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

ii) Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified as financial liabilities at amortised cost.

Financial liabilities at amortised cost

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings and payables

2. Accounting policies(continued)

2.4) Summary of significant accounting policies (continued)

i) Financial instruments (continued)

iii) Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability.

The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iv) Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

j) Fair value of financial instruments

The Group measures its financial instruments, such as derivatives, and non-financial assets such as investment properties and investment in subsidiaries, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset considers a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable data.

All assets and liabilities, for which fair values are measured or disclosed in the financial statements, are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For financial instruments where there is no active market, fair value is determined using valuation techniques. Such techniques may include using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis or other valuation models.

k) Investments in subsidiaries

A subsidiary is an entity which the Company controls. Control is achieved when the Company is exposed or has right to variable returns from its investments with the investee and has ability to affect those returns through its power over the investee. Investments in subsidiaries are carried in the Company's statement of financial position at fair value. The majority of the Company's subsidiaries are limited liability partnerships, which own investment property, either completed or under construction.

2. Accounting policies(continued)

2.4) Summary of significant accounting policies (continued)

l) Post-employment benefit

The Group and its employees also contribute to the National Social Security Fund (NSSF), a national defined contribution scheme. Contributions are determined by local statute and the Group's contributions are charged to the profit and loss account in the year to which they relate.

m) Equipment

All categories of equipment are initially recognised at cost. Cost includes expenditure directly attributable to the acquisition of the assets. All categories of equipment are subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Repairs and maintenance expenses are charged to the profit and loss account in the year in which they are incurred.

Depreciation is calculated using both reducing balance method and straight-line method to write down the cost or the revalued amount of each asset to its residual value over its estimated useful life using the following annual rates:

	Rate - %	
Motor vehicles	25	Reducing balance
Furniture & fittings	17	Straight line
Computers, copiers & faxes	25	Straight line
Computer software	20	Straight line

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Gains and losses on disposal of equipment are determined by reference to their proceeds and their carrying amount and are taken into account in determining operating profit.

n) Investment properties

The assets of the limited liability partnerships in which the Group has an interest comprise primarily investment properties. Investment property is property held to earn rentals or for capital appreciation or both. Investment property, including interest in leasehold land, is initially recognised at cost including the transaction costs. Subsequently, investment property is carried at fair value based on Income capitalization, cost and market comparable method. Gains or losses arising from changes in the fair value are included in determining the profit or loss of the limited liability partnerships in the year to which they relate.

Subsequent expenditure on investment property where such expenditure increases the future economic value more than the original assessed standard of performance is added to the carrying amount of the investment property. All other subsequent expenditure is recognised as an expense in the year in which it is incurred. Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

o) Impairment of non-financial assets

Non-financial assets that are carried at amortised cost are reviewed at the end of each reporting period for any indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell, the gain goes through profit and loss.

2. Accounting policies(continued)

2.4) Summary of significant accounting policies (continued)

p) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.
The right of use asset should be depreciated over the shorter of the useful life or the end of the lease term, if ownership doesn't transfer nor does the lessee have a purchase option.

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease term.

The right-of-use assets are presented within note 11(b) Right-of-use assets and are subject to impairment in line with the Company's policy as described in note 2(p) Impairment of non-financial assets.

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (less any lease incentives receivable), variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

q) Provisions for liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the effect of time value of money is material, provisions are discounted using the current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provisions due to the passage of time is recognised as finance cost.

r) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of finished goods such as stock sold by Loresho Properties LLP (Qmart Supermarket), work in progress, investment properties held for sale and other related costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

s) Cash and cash equivalents

Cash and cash equivalents include cash in hand and demand and term deposits, with maturities of three months or less from the date of acquisition, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts. In the statement of financial position, bank overdraft in this case referred to as credit cards repayable on demand (short term debts readily convertible to cash) are included as borrowings under current liabilities.

3. Significant judgements and key sources of estimation uncertainty

In the process of applying the accounting policies adopted by the Group, the directors make certain judgements and estimates that may affect the amounts recognised in the financial statements. Such judgements and estimates are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the current circumstances. However, actual results may differ from those estimates. The judgements and estimates are reviewed at each financial reporting date to ensure that they are still reasonable under the prevailing circumstances based on the information available, and any revisions to such judgements and estimates are recognised in the year in which the revision is made.

The judgements made by the directors in the process of applying the group's accounting policies that have the most significant effect on the amounts recognised in the financial statements include:

Classification of investment properties

Whether property is held to earn rentals or for capital appreciation or both, in which case it is classified as investment property. However, the investment property held for sale are classified as inventory.

Going Concern

The Group strategy and capital structure results in the regular drawdowns of shareholder loans to fund the Group's construction programme and operating costs and the returns achieved on this investment will procure the long-term success and viability of the Group. The details of this are explained more fully in the business review in the Directors' Report. Having evaluated the Group's position, in particular the commitment of shareholders to invest the necessary funds and the risks associated with returns that will be achieved on this investment it is considered that the Group is a going concern and it is therefore appropriate to adopt the going concern basis for the financial statements.

Determination of functional currency

The majority of the Group's transactions occur in Kenyan Shillings, although the Group does have significant borrowings denominated in US dollars. The cash flows of the Group are managed, and its financial performance is assessed in Kenyan shillings. It is therefore considered that the Group's functional currency is Kenyan Shillings.

b) Key sources of estimation uncertainty

Key assumptions made about the future and other sources of estimation uncertainty that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year include:

i) Deferred tax asset

Recognition of deferred tax assets requires assessment of future taxable profits against which carry forward tax losses can be used. A deferred tax asset is recognised only to the extent that it is probable that future taxable profit will be available against which the tax asset can be utilised. Deferred tax is measured at the tax rates that are expected to apply to temporary differences when they reverse, on the basis of the tax rates enacted or substantively enacted at the reporting date. The unrecognized deferred tax asset for year is Kshs 691,976,967 (Note 9). The deferred tax asset has not been recognized because it is uncertain when the taxable profits will be available against which the temporary difference will be utilised (IAS 12.44). The increase from last year is due to surge in non-taxable fair value gain.

ii) Fair value measurement

Fair value of investment properties: The outturn of variables used to derive fair values may differ from the assumptions used. The estimate used include cap rate of 8% which is based on the market average, vacancy rate of 8% is based on the operating property performance over the previous years, and rental incomes are based on the various room rates. Further details are set in notes 10 and 19. Investment in subsidiaries are measured at net asset value (NAV) of the property or project which is the fair value of equity investments in the respective partnerships or using discounted cashflow.

4. Financial risk management objectives and policies

a. Financial risk management

The Group's activities expose it to a variety of financial risks including credit, liquidity and market risks. The Group's overall risk management policies are set out by the board and implemented by the management and focus on the unpredictability of changes in the business environment and seek to minimise the potential adverse effects of such risks on the Group's performance by setting acceptable levels of risk. The Group does not hedge against any risks.

i) Market risk

Market risk is the risk that fair value of or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risks comprise three types of risks: interest rate risk, currency risks or foreign exchange fluctuations and other price risk, such as equity price risk and commodity risk. The financial instruments affected by market risk are loans and borrowings which are mainly exposed to interest rate and currency risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rate.

The Group has a mix of fixed and variable rate debt and monitors its exposure to movement in market rates on a regular basis. The shareholders' capital have a fixed rate while the other borrowings have a variable rate.

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	KShs 000	**KShs 000**	**KShs 000**	**KShs 000**
Variable interest rate				
Borrowings				
- Shelter Afrique	430,198	432,362	-	-
- Stanbic Bank Kenya Ltd	437,308	437,308	-	-
- NCBA Bank	323	-	-	-
-OPIC	369,308	357,819	-	-
-MTN	2,029,000	786,000	-	-
	3,266,137	**2,013,490**	-	-
-Lease liability	104,264	128,083	-	-

Shelter Afrique facility was drawn down at a variable interest rate of 14.5%p.a and margin of 1.23%p.a repayable quarterly. Stanbic Bank facility was acquired at variable Central Bank Base rate of 7% per annum plus a margin of 3.75%. NCBA Bank loan was an asset finance facility at fixed interest rate of 13%. The operating lease liability is at fixed borrowing rate of 13%. OPIC loan was accessed at fixed interest rate of 6.37% per annum plus guaranty fee of 3.5% p.a. Medium-Term Loan Notes Green Bond drawn down at 12,25%. An increase of 1% interest rate at the reporting date would have cumulative increase in loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	KShs 000	**KShs 000**	**KShs 000**	**KShs 000**
At 31 December 2020	**33,704**	**21,416**	**-**	**-**

4. Financial risk management objectives and policies (continued)

a. Financial risk management (continued)

i) Market risk (continued)

Currency Risk

Currency risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has significant shareholder loans denominated in US dollars. The Group manages the exposure to this by assessing both the Kenyan shilling and US dollar returns on its project build in a rate of Kenyan shilling depreciation in line with historical trends and future forecast. There are no other significant currency exposures.

The maximum exposure of the Group to currency risk namely, the USD as at the reporting date is as follows:

	Group		Company	
	2020 USD 000	2019 USD 000	2020 USD 000	2019 USD 000
At 31 December 2020				
Capital contribution	68,846	69,811	68,846	69,811
Interest accrued	15,735	-	15,735	-
Maximum exposure to credit risk	**84,581**	**69,811**	**84,581**	**69,811**

A 10 percent strengthening of the Kenya Shilling against the US Dollar would have decreased loss for the year. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis as for 2019. A weakening of the Kenya Shilling against the US Dollar would have the opposite impact on loss for the year.

	Group		Company	
	2020 USD 000	2019 USD 000	2020 USD 000	2019 USD 000
At 31 December (Strengthening)	**8,456**	**6,981**	**8,456**	**6,981**
At 31 December (Weakening)	**(8,456)**	**(6,981)**	**(8,456)**	**(6,981)**

ii) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from financial assets and is managed on a company-wide basis. The Group does not grade the credit quality of financial assets that are neither past due nor impaired. The company measures its financial assets at fair value through profit and loss and separate these from financials assets held for trading. Financial liabilities are carried at amortised cost as per IFRS 7.17.

Credit risk on financial assets with banking institutions is managed by dealing with institutions with good credit ratings and placing limits on deposits that can be held with each institution.

The majority of the Group's income comprise rental income payable in advance; credit risk associated with tenants is managed, in the case of individuals, by basic financial checks before accepting a tenant and by prompt follow up of any arrears. For commercial tenants' leases are only entered with parties where the assessment of credit risk is satisfactory and again is further controlled through prompt follow up of arrears. Credit risk on other trade receivables is managed by ensuring that credit is extended to customers with an established credit history. The credit history is determined by considering the financial position, past experience and other relevant factors.

The Group has no significant credit risk. Credit risk is managed by setting the credit limit and the credit period for each customer. The utilisation of the credit limits and the credit period is monitored by management monthly.

4. Financial risk management objectives and policies (continued)

a. Financial risk management (continued)

ii) Credit risk (continued)

The maximum exposure of the Group to credit risk as at the reporting date is as follows:

Group	Neither past Due nor impaired KShs 000	Past due but not impaired KShs 000	Impaired KShs 000	Total KShs 000
At 31 December 2020				
Trade and other receivables	14,765	-	-	14,765
Cash at bank	626,332	-	-	626,332
Maximum exposure to credit risk	**641,097**	**-**	**-**	**641,097**
At 31 December 2019				
Trade and other receivables	9,940	-	-	9,940
Cash at bank	1,109,755	-		1,109,755
Maximum exposure to credit risk	**1,119,695**	**-**	**-**	**1,119,695**

Company

The Company had no significant exposure to credit risk as at the reporting date.

	Neither past Due nor impaired KShs 000	Past due but not impaired KShs 000	Impaired KShs 000	Total KShs 000
At 31 December 2020				
Trade and other receivables	65,036	-	-	65,036
Cash at bank	4,893	-	-	4,893
Maximum exposure to credit risk	**69,929**	**-**	**-**	**69,929**
At 31 December 2019				
Trade and other receivables	413	-	-	413
Cash at bank	-	-		-
Maximum exposure to credit risk	**413**	**-**	**-**	**413**

iii) Liquidity risks

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group controls liquidity risk through producing regular cash flow forecasts and the timely draw down of shareholder loans to fund activities. In addition, the Group does not commit to entering a construction contract for a property unless both equity and debt funding have been committed.

4. Financial risk management objectives and policies (continued)

a. Financial risk management (continued)

iii) Liquidity risks (continued)

The table below illustrates the maturity analysis for the Company's and the Group's financial liabilities based on their undiscounted contractual maturity

Group

	1-3 months	3-12 months	More than 12 months	Total
	KShs 000	KShs 000	KShs 000	KShs 000
At 31 December 2020				
Interest bearing loans and borrowings	-	65,425	3,203,282	3,268,707
Trade and other payables	116,202	170,436	-	286,638
Lease liability	-	21,940	82,324	104,264
Future interest up to maturity of loan	-	-	7,234,181	7,234,181
	116,202	**257,801**	**10,519,787**	**10,893,790**
At 31 December 2019				
Interest bearing loans and borrowings	-	43,338	1,970,152	1,993,089
Trade and other payables	60,745	324,206	-	384,951
Lease liability	-	25,944	102,139	101,346
Future interest up to maturity of loan	-	-	5,668,081	5,668,081
	60,745	**393,488**	**7,740,372**	**8,147,467**

Company

	1-3 months	3-12 months	More than 12 months	Total
	KShs 000	KShs 000	KShs 000	KShs 000
At 31 December 2020				
Trade and other payables	10,441	27,845	-	38,286
Future interest up to maturity of loan	-	-	7,234,181	7,234,181
	10,441	**27,845**	**7,234,181**	**7,272,467**
At 31 December 2019				
Trade and other payables	413	-	-	413
Future interest up to maturity of loan	-	-	5,668,081	5,668,081
	413	**-**	**5,668,081**	**5,668,494**

The Company only has shareholder capital and accruals with liquidity risk profile as shown above. Other payables which are not cash such as accruals are excluded.

4. Financial risk management objectives and policies (continued)

b) Capital risk management

The Group's objective in managing its capital is to ensure that it supports the development of its business and is able to continue as a going concern, while at the same time maximising the return to its shareholders. The group is not subject to any external capital requirements.

The group finances its operations by shareholders' capital, borrowing from banks, issuance of listed bond. In 2019, the board resolved to convert shareholders' capital and interest accrued to capital contribution.

Group Gearing Ratio

	2020 KShs 000	2019 KShs 000
Interest bearing loans and borrowings (Note 16 & 17)	3,370,401	2,141,571
Less: Bank and cash balances (Note 14)	(626,332)	(1,109,755)
Net debt	**2,744,069**	**1,031,816**
Group Equity	6,828,657	4,408,911
Capital and debt	9,572,726	831,801
Gearing ratio	**29%**	**19%**

5. Rental income and Revenue from contracts with customers

Rental income is recognized at the start of the month when it's probable that measurable economic benefit or cash will flow into the business and such income. The revenue is measure at market value of the consideration received or cash receivable. The company receives fixed residentials monthly rents, and variable retail rents based on tenants' turnover.

	Group 2020 KShs 000	2019 KShs 000
Rental income		
Rental income-income from tenants	187,326	271,607
	187,326	**271,607**
Other revenue		
Project management income	-	2,111
Retail income	3,101	2,494
	3,101	**4,605**
Revenue from services to tenants		
Parking fees	952	767
Service charge	-	-
	952	**767**

6. Other income

	Group		Company	
	2020	2019	2020	2019
	KShs 000	KShs 000	KShs 000	KShs 000
Interest income at EIR	18,337	14,291	5	-
Write back of payables	-	2,144	-	-
Laundry, key cards, properties parking spaces	3,387	10,067	-	-
Booking fee and tenant charge	-	5,211	-	-
Gain on disposal of assets	-	4,468	-	-
Meeting room	21	85	-	-
Printing income	39	166	-	-
	21,784	**36,432**	**5**	**-**

7(a). Establishment expenses

	Group	
	2020	2019
	KShs 000	KShs 000
Rents and rates	325	85
Depreciation and Amortization (Note 11a & b)	35,679	29,132
Amortization ROU Asset	19,339	-
Subscriptions-professional & clubs	2,532	6,119
Insurance & Utilities	5,329	2,021
	63,204	**37,357**

7(b). Cost of Sales-Loresho Qmart

Cost of Sales-Loresho Qmart	2,536	-
	2,536	**-**

8. Administrative & Property Operation expenses

The following items have been recognised as expenses in determining consolidated loss before tax:

Administrative expenses	Group		Company	
	2020	2019	2020	2019
	KShs 000	KShs 000	KShs 000	KShs 000
Office expenses	54,243	67,660	1,666	368
Audit remuneration	10,061	11,124	769	2,172
Professional fees	40,976	41,698	28,123	31,233
Staff Costs	311,316	327,496	59,734	-
Business set up & marketing expenses	12,185	44,272	-	-
Bad debts provision	6,399	11,563	-	-
	435,180	**503,813**	**90,293**	**33,773**

Property Operation expenses	Group		Company	
	2020	2019	2020	2019
	KShs 000	KShs 000	KShs 000	KShs 000
Utilities and maintenance costs	21,695	30,662	-	-
Central costs	38,608	34,771	-	-
Marketing and sales	2,554	834	-	-
Customer Experience (DSTV, internet & events)	5,663	5,876	-	-
Staff costs	36,176	33,031	-	-
Consumables	6,457	7,016	-	-
Shuttle Service	8,139	10,553	-	-
Rent charges	-	20,405	-	-
	119,292	**143,148**	**-**	**-**

9 Taxation

Mauritius

The company being the holder of a category 2, Global business licence, is not liable to income tax in Mauritius.

Kenya

Tax rate is 30% on taxable profits. Dividend payments are subject to withholding tax at 10% for non-residents.

	Group		Company	
	2020	2019	2020	2019
	KShs 000	KShs 000	KShs 000	KShs 000
STATEMENT OF FINANCIAL POSITION				
Tax recoverable/(payable) at 1 January	2,851	(2,140)	-	-
Paid during the year	7,727	10,618	-	-
Charge for the year	(5,463)	(5,627)	-	-
Tax recoverable	**5,115**	**2,851**	-	-
STATEMENT OF PROFIT OR LOSS				
Current income tax charge	**5,463**	**5,627**	**-**	**-**
Reconciliation of tax charge to tax based on accounting loss is as follows:				
(Loss)/profit before tax	261,387	(1,320,817)	412,912	(926,773)
Tax thereon starts at 30%	78,416	(396,245)	(541,921)	(278,032)
Non-deductible expenses & non-taxable income for tax purposes	(764,930)	1,641	-	-
Deferred tax not recognized on temporary difference (ROU Asset, PPE & Total Oher qualifying temporary difference)	7,206	-	-	-
Tax effect of non-taxable (income)/loss	-	-	541,921	278,032
Deferred tax asset on losses not recognised	684,771	400,208	-	-
	5,463	**5,627**	-	**-**

Tax expense

Deferred tax assets have not been recognized in respect of tax losses for some subsidiaries other than AMSL because the stream of future taxable profit against which the subsidiaries can use the benefit therefrom cannot be reliably estimated. If recognised it would decrease the loss after tax. The Group has KShs 692 million (2019: KShs 400 million) of tax losses carried forward and inclusive of taxable temporary difference or any tax planning opportunities available that could support the recognition of these losses as deferred tax assets. On this basis, the Group has determined that it cannot recognise deferred tax assets on the tax losses and other temporary differences as there is no certainty that sufficient taxable profits will be available against which the tax losses and temporary differences can be utilised. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by KShs 692 million (2019: KShs 400 million).

10 Investment in subsidiaries

At 31 December 2020, each of the following subsidiaries: Edenvale Developments LLP, Kipkabus Development LLP and Rowan Properties LLP are partly owned by non-controlling partners. The amounts movement in the subsidiaries were as follows:

	At 1 January KShs 000	Fair Value Gain/(loss) KShs 000	Additional Investment KShs 000	At 31 December KShs 000
Spring Green Properties LLP	386,269	(135,798)	45,773	296,244
Acorn Management Services Ltd	2,195,716	-	(116,250)	2,079,466
Kipkabus Development LLP	359,481	354	14,834	374,668
Acorn Project One LLP	512,920	(98,040)	11,064	425,944
Loresho Properties LLP	782	(1,487)	924	219
Acorn Project Two LLP	1,936,670	2,465,657	350,706	4,753,033
Acorn Investment Management Ltd	9,929	(11,372)	16,569	15,126
	5,401,767	**2,219,314**	**323,619**	**7,944,700**

2019

	At 1 January KShs 000	Fair Value Gain/(loss) KShs 000	Additional Investment KShs 000	Re-allocation from payables KShs 000	Transfer to Acorn Project One KShs 000	Transfer to Acorn Project Two KShs 000	At 31 December KShs 000
Spring Green Properties LLP	425,655	(57,589)	18,203	-	-	-	386,269
Edenvale Developments LLP	395,732	-	-	-	(395,732)	-	-
Acorn Management Services Ltd	1,147,208	(110,168)	1,158,676	-	-	-	2,195,716
Kipkabus Development LLP	396,525	(103,865)	66,819	-	-	-	359,481
Acacia Vale Properties LLP	337,624	-	-	-	-	(337,624)	-
Rowan Properties LLP	99,640	-	-	-	-	(99,640)	-
Beech Properties LLPP	333,591	-	-	-	-	(333,591)	-
Linden Properties LLP	93,185	-	-	-	-	(93,185)	-
Acorn Project One LLP	-	(817)	514,446	(708)	-	-	512,920
Loresho Properties LLP	-	(1,300)	2,082	-	-	-	782
Acorn Project Two LLP	-	238,109	1,698,562	-	-	-	1,936,670
Acorn Investment Management Ltd	-	(76)	10,005	-	-	-	9,929
	3,229,160	**(35,706)**	**3,468,793**	**(708)**	**(395,732)**	**(864,040)**	**5,401,767**

As explained in note 2.4(j) the fair values of the LLPs are based on their net asset values which have underlying properties valued with reference to the market valuation. Details of the Group's property valuations are set out in note 12 and the fair values are classified within Level 3 of the fair value hierarchy with further details given in note 19.

10 **Investment in subsidiaries (Continued)**

Below is a summary of the subsidiaries, held by the Company at 31 December 2020.

Direct subsidiaries	Ownership %	Voting rights	Country of Incorporation	Activity
- Spring Green Properties LLP	100%	100%	Kenya	Student accommodation
- Acorn Management Services Ltd	100%	100%	Kenya	Project Management Services
- Kipkabus Development LLP*	50%	50%	Kenya	Student accommodation
- Acorn Project One LLP	100%	100%	Kenya	Student accommodation
- Loresho Properties LLP	100%	100%	Kenya	Retail
- Acorn Project Two LLP	100%	100%	Kenya	Student accommodation
- Acorn Investment Management Ltd	100%	100%	Kenya	REIT Manager

*AHL has control over Kipkabus Development LLP since it has:

- Existing rights that give the ability to direct its activities.
- Exposure, or rights, to variable returns.
- The ability to use its power to affect its returns

Indirect subsidiaries

Below is a summary of the indirect subsidiary, held by the Acorn Project One LLP at 31 December 2020

	Ownership %	Voting rights	Country of Incorporation	Activity
- Edenvale Developments LLP	50%	50%	Kenya	Student accommodation

Acorn Project One LLP has control over Edenvale Development LLP since it has:

- Existing rights that give the ability to direct its activities.
- Exposure, or rights, to variable returns.
- The ability to use its power to affect its returns

Below is a summary of the indirect subsidiaries, held by the Acorn Project Two LLP at 31 December 2020

	Ownership %	Voting rights	Country of Incorporation	Activity
- Acacia vale Properties LLP	100%	100%	Kenya	Student accommodation
- Beech Properties LLP	100%	100%	Kenya	Student accommodation
- Scotchpine Properties LLP	100%	100%	Kenya	Student accommodation
- Spruce Properties LLP	100%	100%	Kenya	Student accommodation
- Mahogany Properties LLP	100%	100%	Kenya	Student accommodation
- Linden Properties LLP	100%	100%	Kenya	Student accommodation
- Rowan Properties LLP	50%	50%	Kenya	Student accommodation
- Hemlock Properties LLP	100%	100%	Kenya	Student accommodation
- Ashvale Properties LLP	100%	100%	Kenya	Student accommodation

Acorn Project Two LLP has control over Rowan Properties LLP since it has:

- Existing rights that give the ability to direct its activities.
- Exposure, or rights, to variable returns.
- The ability to use its power to affect its returns

11(a) Equipment

Group	**Motor vehicles KShs 000**	**Office equipment KShs 000**	**Computers KShs 000**	**Work in Progress KShs 000**	**Total KShs 000**
2020					
Cost					
At 1 January 2020	69,731	29,607	14,847	19,834	134,019
Addition	-	226	1,563	5,262	7,051
At 31 December 2020	69,731	29,833	16,410	25,096	141,070
Depreciation					
At 1 January 2020	(17,743)	(17,089)	(7,522)	-	(42,354)
Charge for the year	(11,785)	(4,950)	(2,922)	-	(19,657)
At 31 December 2020	(29,528)	(22,039)	(10,444)	-	(62,011)
Net book value as at 31 December 2020	40,203	7,794	5,966	25,096	79,059

2019
Group

	Motor vehicles KShs 000	**Office equipment KShs 000**	**Computers KShs 000**	**Work in Progress KShs 000**	**Total KShs 000**
At 1 January 2018	40,989	26,807	10,427	-	78,223
Disposal	(5,319)	-	183	-	(5,502)
Addition	34,061	2,800	4,603	19,834	61,297
At 31 December 2018	69,731	29,607	14,847	19,834	134,019
Depreciation					
At 1 January 2019	(9,034)	(12,395)	(4,397)	-	(25,826)
Disposal	3,333	-	137	-	3,470
Charge for the year	(12,041)	(4,694)	(3,262)	-	(19,997)
At 31 December 2019	(17,743)	(17,089)	(7,522)	-	(42,354)
Net book value as at 31 December 2019	51,989	12,518	7,325	19,834	91,666

Work in Progress relates to cost incurred in setting up a new ERP and CRM system that will be completed in 2021

11(b) Intangible Assets (Software)

Group	2020 KShs 000	2019 KShs 000
Cost		
At 1 January	50,231	44,386
Addition	1,128	5,845
Disposal	(5,188)	-
At 31 December	46,171	50,231
Depreciation		
At 1 January	(23,649)	(14,515
Charge for the year	(16,022)	(9,135)
Disposal	5,187	-
At 31 December	(34,484)	(23,649)
Net book value as at 31 December 2020 c/f	**11,687**	**26,581**

11(c) Right of Use Asset

	2020	2019
COST		
At 1 January	112,809	112,809
Depreciation		
As at January	19,338	-
Charge for the year	19,339	19,339
At 31 December	38,678	19,339
Net book value	**74,132**	**93,470**

The Group recognizes lease liability and right of use asset as per the requirement of IFRS16. The operating lease was based on 6-year period at a standard borrowing rate of 13%. The rental charge is projected to escalate at 8.5% annually to adjust for rent appreciation and inflations and related costs. There is a no guarantee for the residual value of the lease as in the lease agreement. Associated cost costs such as service and parking fee were considered in the lease computation on assumption that they will be monthly obligations. The current monthly rent charge inclusive of parking and service charge is KShs 2,179,700. This is expected to escalate to KShs 2,361,326 in 2021.

Depreciation and amortisation charge for the year is recorded in the profit or loss as follows

	Group	
	2020 KShs 000	**2019 KShs 000**
Depreciation and Amortization (Note 7)	35,679	29,132
Right of Use Asset- Amortization (Note 7)	19,339	-
	55,018	**29,132**

	Group 2020	2019
12 Investment properties	**KShs 000**	**KShs 000**
Investment properties – complete		
Capital expenditure	4,081,035	2,718,160
Fair value gain on fair valuation of investment properties	48,120	(163,373)
	4,129,155	**2,554,787**
Investment properties – under construction		
Capital expenditure	2,645,924	2,228,032
Interest capitalised*	63,142	93,131
Fair value gain on investment property	2,594,645	246,977
	5,303,711	**2,568,140**
At 31 December	**9,432,866**	**5,122,927**
7Movement in investment properties		
Opening balance	5,122,927	3,242,149
Disposal	-	-
Additions	1,667,174	1,797,174
Fair value gain/(loss) from completed investment properties	48,120	(163,373)
Fair value gain/(loss) from properties under construction	2,594,645	246,977
At 31 December 2020	**9,432,866**	**5,122,927**

*Interest capitalized at 12.25% on the listed medium-term green bond

The fair value of investment properties under construction has been determined using the Market comparable, cost and income capitalisation methods, as described in note 19. The Group's investment properties were valued on 31 December 2020 by an external valuer, Axis Real Estate Kenya Ltd, accredited independent valuers with a recognised and relevant professional qualification and recent experience of the location and category of the investment properties being valued. The valuations were in accordance with the requirements of the RICS Valuation – Global Standards, July 2017. The valuation of the properties was based on Market Value and the valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied. These valuation models are consistent with the requirements of IFRS 13.

The direct income and expenses realised from investment properties are as shown below

	2020 KShs 000	2019 KShs 000
Rental income derived from investment properties (Note 5)	187,326	271,607
Direct operating expense (operations, maintenance, and repairs) generating income (Note 8)	(119,292)	(143,148)
Direct operating expense (operations, maintenance, and repairs) that did not generate income	(6,182)	(21,523)
Profit arising from investment properties carried at fair value	**61,852**	**106,936**

The Group has no limitation or restrictions on realizability of its investment properties. In addition, the Group has no contractual obligations to purchase, construct or develop investment properties or for maintenance, repairs and enhancements.

12 Investment properties (continued)

The completed properties are:

a) 340 rooms and retail space for rent on LR No.209/12306 Jogoo road, Nairobi
b) 380 rooms and retail space for rent on LR No.26921/1 Ruaraka, Nairobi
c) 336 rooms and retail space for rent on LR No.209/118/54 Ngara, Nairobi
d) 465 rooms and retail space for rent on LR No.209/11654, Madaraka area, Nairobi

The properties under construction are:

a) 450 rooms and retail space for rent on LR No.8393/26 Safari Park area, Nairobi
b) 518 rooms for rent on LR No.9509/44 Safari Park area, Nairobi
c) 555 rooms and retail space for rent on LR No.209/5663/2 Hurlingham area, Nairobi
d) 672 rooms and retail space for rent on LR No.209/5663/2 Karen area, Nairobi
e) 1278 rooms and retail space for rent on LR No.209/5663/2 Chiromo area, Nairobi

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	KShs 000	**KShs 000**	**KShs 000**	**KShs 000**
13 Trade and other receivables				
Trade receivables (Commercial & Student)	14,765	9,940	-	-
Other receivables and prepayments			-	-
VAT recoverable	9,334	52,112	-	-
Deposits and prepayments	277,557	547,133	-	-
Advance payment for construction main account	6,185	12,166	-	-
Other receivables	149,426	-	66,739	413
Other receivables and prepayments	442,502	633,517	66,739	413
Expected Credit losses	(17,379)	(10,980)	-	-
	425,123	**622,537**	**66,739**	**413**

Deposits relates to business office rent and service charge deposits and service agreement deposits such as Safaricom & Airtel telephone deposit and utility deposits. Advance payment for construction relates to prepayments made to constructors to initiate the project. The deposits are recoverable or realised upon termination of service contract. Other receivables include accrued income, funds receivables, withheld taxes receivables and advances referral commissions.

Trade and other receivables are non-interest bearing and are generally on terms of 30 to 90 days. As at 31 December, the analysis of unimpaired trade receivables is set out below:

		Past due but not impaired			
	0-30 days	31–60 days	61–90 days	> 91 days	**Total**
	KShs 000	KShs 000	KShs 000	KShs 000	**KShs 000**
31 December 2020	14,765	-	-	-	**14,765**
31 December 2019	9,940	-	-	-	**9,940**

14 Cash and cash equivalents

	Group 2020 KShs 000	Group 2019 KShs 000	Company 2020 KShs 000	Company 2019 KShs 000
Cash at bank and in hand	517,540	402,905	4,893	-
Short term deposits	108,792	706,850	-	-
	626,332	**1,109,755**	**4,893**	**-**

15 Trade and other payables

	Group 2020 KShs 000	Group 2019 KShs 000	Company 2020 KShs 000	Company 2019 KShs 000
Trade payables	116,202	60,745	-	-
Retention	134,126	134,126	-	-
Tenant deposit	20,937	27,977	-	-
Deferred income	465	-	-	-
Other payables	185,399	298,641	49,830	6,199
	457,129	**521,489**	**49,830**	**6,199**

Retention relates to contractors' payments withheld (retainage) for period of 6 month to cover for any defects or liability that may arise after completion of contraction work. Tenant deposits are refundable upon expiry or termination of the tenancy, Other payables referred to here include accruals for business expenses, payroll liabilities, leave liability provision, withheld tax liability and VAT payable.

Terms and conditions of the above financial liabilities:

- Trade payables are non-interest bearing, unsecured and are normally settled on 60-day terms.
- Other payables are non-interest bearing, unsecured and have an average term of six months.
- Retention is normally settled 6 months after completion of the project

16 Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the period:

Operating leases	**2020 KShs 000**	**2019 KShs 000**
At 1 January	101,346	-
Effect of adoption of IFRS 16	-	112,954
Accretion of interest	12,878	14,548
Payment of principal and interest	(24,440)	(26,156)
As at 31 December	89,784	101,346
Non-current portion of the lease at 31 December	**72,228**	**87,704**
Current portion of the lease at 31 December	**17,556**	**13,642**

16 **Lease liabilities (continued)**

NCBA Bank Asset finance (finance lease)

As at 1 January	26,737	3,112
Additions	-	24,346
Interest accrued	3,185	2,465
Interest and principal paid	(15,442)	(3,886)
As at 31 Decmber	**14,480**	**26,737**
Non-current portion asset finance lease	**10,096**	**14,435**
Current portion of asset finance lease	**4,384**	**12,302**
Total non-current lease liabilities	**82,324**	**102,139**
Total current lease liabilities	**21,940**	**25,944**

The operating lease liability is at fixed borrowing rate of 13% over a term of 6 years. The initial recognition of leases liability was at 1 January 2019 when the Group first applied IFRS 16. The rental payment includes the monthly rent and service charges and is subject to 8.3% annual increase.

The Company had total cash outflows for leases of KShs 39.8 million (2019:30.0million). The adoption of IFRS 16 resulted in non-cash additions to right-of-use assets and lease liabilities of KShs 93.4 million and 101.3 million respectively as at 1 January 2020. There were no leases of low value or addition during the year.

NCBA Bank loan is an asset finance facility of principal amount of KShs 29.8 as at the date of acquisition million repayable over a term of 36 months. Monthly instalment is expected to be KShs 991,918. Interest is charged at a fixed rate of 13% per annum.

17(a). Interest bearing loans and borrowings

	Group	
	2020	**2019**
	KShs 000	**KShs 000**
Borrowings – current		
Shelter Afrique (note a)	9,988	108
Stanbic Bank Kenya Ltd (note b)	28,213	28,212
NCBA Bank	323	-
OPIC (note c)	24,331	15,018
	62,855	**43,338**
Borrowings - non-current		
Stanbic Bank Kenya Ltd (note b)	409,095	409,095
Shelter Afrique (note a)	420,210	432,254
OPIC (note c)	344,977	342,803
MTN (note d)	2,029,000	786,000
	3,203,282	**1,970,152**
	3,266,137	**2,013,490**

17(a). Interest bearing loans and borrowings (continued)

(a) Shelter Afrique loan was originated on 2 November 2016 for a principal amount Kshs 370,241,266 repayable over a term of 12 years inclusive of the 36 months grace period. The facility was drawn down at a variable interest rate of 14.5% and a margin of 1.23% repayable on a quarterly basis. The loan is primarily secured by a first ranking legal charge over LR No. 26921/1 situated at Ruaraka, off Outer Ring Road. In addition, it has the following security enhancements: (i) deed of assignment of rental proceeds from the project, (ii) debt service account to cater for two quarters of interest during the grace period and one quarter of principal and interest payment after the grace period, (iii) corporate guarantee from Acorn Holdings Limited to cover for any shortfall of equity during the implementation period and/or shortfall of rent proceeds post completion up to the limit of the loan. (iv) escrow agreement between the borrower, Shelter Afrique, and the escrow bank, (v) subordination agreement from the shareholders of Acorn Holdings Limited.

(b) Stanbic Bank loan principal amount is repayable over a term of 120 months with effect from signing date. The interest rate is variable, currently at Central Bank of Kenya base rate of 7% plus margin of 3.75% per annum. The interest repayment will be made quarterly in arrears commencing from the end of the availability period, which is 24 months from signing date but no later than 6 months after practical completion date. Principal repayments will be made quarterly in arrears commencing 6 months from the end of the availability period.

(c) OPIC borrowing relates to a loan from the Overseas Private Investment Corporation (OPIC). The drawn down amount was USD 3.53 million as at the reporting date. The tenor of the loan is 15 years with a grace period of 12 months on the principal repayment. Interest on the loan is payable on the 15th day of each February, May, August and November each year at a fixed interest rate of 6.37% per annum plus guaranty fee of 3.5%p.a. The loan is secured by: i) the Completion Guarantor Reserve Account and the AHL Distribution Account; (ii) All of the applicable borrower's bank accounts; (iii) The applicable project's real estate and fixtures; (iv) Any shareholders'capital if required by OPIC; (v) All borrower insurance policies or proceeds (vi) All intangible and intellectual property rights of the applicable borrower; (vii)Charge over each collection account and the debt service reserve account; and (viii) All performance bonds provided by contractors to the applicable Project.

(d) Medium Term Note was issued by Acorn Project Two Partnership and were subscribed up to KShs 4.3 billion. The notes were issued through a restricted public offer to professional investors. The purpose of the loan is to finance construction of purpose-built student accommodation in Nairobi and its environs. The loan is secured by (i) a composite debenture over all the assets of the issuer and the project entities, (ii) a legal charge over each title of land held by the project entities over which the project development will be constructed, (iii) 50% guarantee from GuarantCo on principal and interest payments, (iv) corporate guarantee by Acorn Holdings Ltd, (v) pledge in respect of the partnership interest of Acorn Holdings Limited in the Issuer and the partnership interest of the Issuer in each of the project entities including various subordination agreements, (vi) charge over each collection account and the debt service reserve account. The principal amount is repayable over a term of 5 years with yearly redemption clause at issuer's option. The interest rate is at a fixed rate of 12.25% per annum. The drawdown will be in 14 quarterly tranches as actual project development progresses. The interest repayment will be made quarterly from the first drawdown.

17(b) Interest expense

	Group	
	2020	**2019**
	KShs 000	**KShs 000**
Interest on debts and borrowings	258,216	176,221
	258,216	**176,221**

17(c) Foreign exchange (loss)/gain

	2020	**2019**
	KShs 000	**KShs 000**
Exchange gain or loss	**(588,301)**	**36,759**

18(a) Interest cost on shareholders' capital

	Group	
	2020	**2019**
	KShs 000	**KShs 000**
Interest cost:		
Accord Hold co	1,105,257	874,927
Acorn Investments Ltd	22,556	19,125
	1,127,813	**894,052**

18(b) Capital contribution

	Group and Company	
	2020	**2019**
	KShs 000	**KShs 000**
Subordinated shareholder loans converted to capital contribution		
Accord Hold co	7,419,656	5,304,295
Acorn Investments Ltd	96,376	65,548
	7,516,032	5,369,843
Interest accruals subordinated shareholder loans converted to capital contribution		
Accord Hold co	1,681,695	1,638,709
Acorn Investments Ltd	34,321	65,887
	1,716,016	1,704,596
Total capital and accrued interest	**9,232,048**	**7,074,439**

At 31 December 2019 the shareholder resolved to convert the subordinated loan notes and the accrued interest thereon into shares. The shares were not yet issued as at 31 December 2020 and these are accounted as capital contribution until the shares will be allotted. Shareholders have funded the Group by way of subordinated loan notes accruing interest at 17.5% per annum. These notes were secured by a fixed and floating charge over the Company's assets and ranked behind the Group's other debt liabilities. The notes are payable at the option of the Company.

19 Fair value measurement

The following tables show an analysis of the fair values of investment property and investments recognised in the statement of financial position by level of the fair value measurement hierarchy (as disclosed in note 12).

Group	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Total gain or (loss) in the year in the statement of profit or loss
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
31 December 2020					
Investment properties	-	-	9,432,866	9,432,866	2,577,747
31 December 2019					
Investment properties	-	-	5,122,927	5,122,927	83,604

Transfers between hierarchy levels

Company	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total	Total gain or (loss) in the year in the statement of profit or loss
	KShs 000	KShs 000	KShs 000	KShs 000	KShs 000
31 December 2020					
Investment in Subsidiaries	-	-	7,944,700	7,944,700	2,219,314
31 December 2019					
Investment in Subsidiaries	-	-	5,401,767	5,401,767	(35,706)

Transfers between hierarchy levels

There were no transfers between Levels 1, 2 or 3 during the year.

Gains recorded in profit or loss for recurring fair value measurements for the Company and Group are categorised within Level 3 of the fair value hierarchy amount to profit of KShs 2,219,314,263 (2019: loss of KShs 35,706,335) and KShs 2,577,746,955(2019: loss of KShs 83,603,554 respectively. They are presented in the statement of profit or loss in line item 'Fair value (loss)/gain on investment in subsidiaries' for the Company and 'Fair value loss on revaluation of investment properties' for the Group.

Valuation techniques used to derive Level 3 fair values

The table below presents the following for each class of property:

- The fair value measurements at the end of the reporting period.
- The level of the fair value hierarchy (e.g., Level 2 or Level 3) within which the fair value measurements are categorised in their entirety.
- A description of the valuation techniques applied
- The inputs used in the fair value measurement, including the ranges of rent charged to different units within the same building.
- For Level 3 fair value measurements, quantitative information about the significant unobservable inputs used in the fair value measurement.

19 **Fair value measurement (continued)**

Valuation techniques used to derive Level 3 fair values (continued)

2020

Investment properties	**Fair value**	**Valuation technique**	**Key unobservable inputs**	**Range**
	KShs 000			
Kipkabus Development LLP	915,921	DCF		
LR 209/118/54			Estimated Rental Income (p.a)	
		Residential	KShs 000	62,125
			Occupancy rate	93.5%
			Outgoings	47%
			Net yield p.a.	8.06%
		Commercial	Estimated Rental Value (p.a)	1,732
			Occupancy rate	93.5%
			Net yield p.a.	8.06%
Spring Green Properties LLP	798,030	DCF		
LR 26921/1			Estimated Rental Income (p.a)	
		Residential	KShs 000	94,365
			Occupancy rate	93.5%
			Outgoings	45%
			Net yield p.a.	8.01%
		Commercial	Estimated Rental Value (p.a)	5,193
			Occupancy rate	93.5%
			Net yield p.a.	8.01%
Edenvale Developments LLP	751,756	DCF		
LR 209/12306			Estimated Rental Income (p.a)	
		Residential	KShs 000	55,544
LR 209/12306		Residential	Occupancy rate	80%
			Outgoings	45%
			Net yield p.a.	8.13%
		Commercial	Estimated Rental Value (p.a)	6,116
			Occupancy rate	80%
			Net yield p.a.	8.13%

19 Fair value measurement (continued)

2020

Investment properties	**Fair value**	**Valuation technique**	**Key unobservable inputs**	**Range**
	KShs 000			
Acacia Vale Properties LLP	1,663,447	DCF		
LR 209/11654			Estimated Rental Income (p.a)	
		Residential	KShs 000	66,227
			Occupancy rate	93.5%
			Outgoings	46%
			Net yield p.a.	8.13%
		Commercial	Estimated Rental Value (p.a)	3,063
			Occupancy rate	93.5%
			Net yield p.a.	8.16%
Rowan Properties LLP	1,440,429	DCF	Projected revenues Kshs 000	71,624
LR 9509/44			Average % of completion	47%
			Plinth area (sq. ft)	145,016
			Average cost per sq. ft	4,200
			Apportioned prof. fees	28,269
			Land value Kshs 000	120,000
Linden Properties LLP	928,840	DCF	Projected revenues Kshs 000	80,731
LR 8393/26			Average % of completion	4.5%
			Plinth area (sq. ft)	122,793
			Average cost per sq. ft	5,000
			Apportioned prof. fees	15,840
			Land value Kshs 000	85,000
			Average % of completion	4.5%
Beech Properties LLP	1,121,800	DCF	Projected revenues Kshs 000	109,780
LR 8393/26			Average % of completion	52.52%
			Plinth area (sq. ft)	149,344
			Average cost per sq. ft	4,033
			Apportioned prof. fees	72,248
			Land value Kshs 000	150,000
			Projected revenues Kshs 000	133,9253
Spruce Properties LLP	685,174	DCF	Average % of completion	19.23%
LR 7820/1			Plinth area (sq. ft)	115,434
			Average cost per sq. ft	9,751
			Apportioned prof. fees	24,229
			Land value Kshs 000	159,000
			Projected revenues Kshs 000	319,613
Ashvale Properties	1,127,469	DCF	Average % of completion	15.71%
LLP			Plinth area (sq. ft)	145,016
			Average cost per sq. ft	4,200
			Apportioned prof. fees	11,706
			Land value Kshs 000	310,656
Total	**9,432,866**			

19 Fair value measurement (continued)

Sensitivity 2020 -Investment properties

	Impact on valuation of 5% change in nominal equivalent yield		Impact on valuation of 5% change in estimated occupancy	
	Increase KShs 000	Decrease KShs 000	Increase KShs 000	Decrease KShs 000
Kipkabus Development LLP	(240,000)	370,000	230,000	(190,000)
Spring Green Properties LLP	(212,000)	331,000	71,000	(71,000)
Edenvale Developments LLP	(200,000)	310,000	190,000	(150,000)
Acacia Vale Properties LLP	(430,000)	670,000	110,000	(100,000)

	Impact on valuation of 5% change in cost	
	Increase KShs 000	Decrease KShs 000
Rowan Properties LLP	13,472	(13,472)
Linden Properties LLP	20,275	(20,275)
Beech Properties LLP	32,452	(32,452)
Spruce Properties LLP	27,034	(27,034)
Ashvale Properties LLP	39,697	(39,697)

The sensitivity for project assumed changes in outstanding projects costs to completion and its equivalent impact on the fair value valuation.

2020

Investment in subsidiaries	Fair value	Valuation technique	Key unobservable inputs	Range
	KShs 000			
Kipkabus Development LLP LR 209/118/54	374,668	NAV	-	-
Spring Green Properties LLP LR 26921/1	296,244	NAV	-	-
Acorn Project Two LLP	4,753,033	NAV	-	-
Acorn Management Services Ltd	2,079,466	DCF	Discount rate	22.5%
			Income (NPV) Kshs 000	1,607,676
			Period	2021-2030
			Terminal growth rate	9%

19 Fair value measurement (continued)

2020

Investment in subsidiaries	**Fair value**	**Valuation technique**	**Key unobservable inputs**	**Range**
	KShs 000			
Loresho Properties LLP LR 9509/44	219	NAV	-	-
Acorn Investment Management Ltd	15,126	NAV	-	-
Acorn Project One LLP	425,944	NAV	-	-
Total	**7,944,700**			

In line with IAS 27 and IFRS 9, the group measures investment in subsidiaries at fair value and not the original cost of equity investments. The group accounts for share of profit or loss through profit and loss account against investment in subsidiary. The fair value is measured on a recurring value using income approach.

Sensitivity 2020 Investments in Subsidiaries

Sensitivity analysis to show the impact of changes in major assumptions used in DCF to fair values. The key assumptions used in sensitivity analysis include 1% change in discount rate and terminal growth, 5% change in occupancy rate and a 13% drop in build plan.

	Assumption used	**Change**	**Impact on fair value KShs 000**
Discount rate	22.5%	+1%	(147,034)
		-1%	172,358
Terminal growth rate	9%	+1%	65,565
		-1%	(56,521)
Occupancy rate	93.5%	+5%	69,238
		-5%	(69,238)
Build plan	Current/high plan	Best case	5,703,637
	Low build plan	-13%	4,382,703

The terminal growth rate shows rate of growth at the end of last forecasted at cashflow in DCF and imply the value of investments will grow in perpetuity at 9%.

Build plan sensitivity analysis assumes that projects which have been planned and still on paper for which no land has yet been acquired, never get to the launching pad. As at December 2020, the Group projected high build plan of 69 projects yielding a fair value of KShs 5.7 Billion. Assuming that only 60 projects are realised as per the representing 13% fall off , the fair value would drop to KShs 4.38 Billion.

19 Fair value measurement (continued)

2019 Investment properties	Fair value	Valuation technique	Key unobservable inputs	Range
	KShs 000			
Kipkabus Development LLP LR 209/118/54	904,921	DCF	Estimated Rental Income (p.a) KShs 000	105,032
			Occupancy rate	92%
			Outgoings	30%
			Net yield p.a.	8%
Spring Green Properties LLP LR 26921/1	821,030	DCF	Estimated Rental Income (p.a) KShs 000	102,638
			Occupancy rate	92%
			Outgoings	30%
			Net yield p.a.	8%
Edenvale Developments LLP LR 209/12306	814,756	DCF	Estimated Rental Income (p.a) KShs 000	55,544
			Occupancy rate	92%
			Outgoings	30%
			Net yield p.a.	8%
Acacia Vale Properties LLP LR 209/11654	1,312,447	DCF	Estimated Rental Income (p.a) KShs 000	167,148
			Occupancy rate	92%
			Outgoings	30%
			Net yield p.a.	8%
Rowan Properties LLP LR 9509/44	523,736	DCF	Average % completion	47%
			Plinth Area (Sq. ft)	145,016
			Average cost per sq. ft	4,200
			Apportioned prof. fees Kshs 000	28,269
			Land value KShs"000"	120,000

19 Fair value measurement (continued)

2019 Investment properties	**Fair value**	**Valuation technique**	**Key unobservable inputs**	**Range**
	KShs 000			
Linden Properties LLP LR 8393/26	108,831	DCF		
			Average % completion	4.5%
			Plinth Area (Sq. ft)	122,793
			Average cost per sq. ft	5,000
			Apportioned prof. fees Kshs 000	15,840
			Land value KShs"000"	85,000
Beech Properties LLP LR 8393/26	312,206	DCF		
			Plinth Area (Sq. ft)	20,575
			Average cost per sq. ft	500
			Apportioned prof. fees Kshs 000	29,500
			Land value KShs"000"	280,000
Spruce Properties LLP LR 7820/1	325,000	DCF		
			Acre	5
			Market rate per acre KShs 000	65,000
Total	**5,122,927**			

Sensitivity 2019 -Investment properties

1	**Impact on valuation of 5% change in nominal equivalent yield**		**Impact on valuation of 5% change in estimated occupancy**	
	Increase KShs 000	**Decrease KShs 000**	**Increase KShs 000**	**Decrease KShs 000**
Kipkabus Development LLP	(44,000)	48,000	4,000	(4,000)
Spring Green Properties LLP	(40,000)	44,000	4,000	(4,000)
Edenvale Developments LLP	(39,000)	43,000	4,000	(3,000)
Acacia Vale Properties LLP	(70,000)	77,000	6,000	(7,000)

	Impact on valuation of 5% change in cost	
	Increase KShs 000	**Decrease KShs 000**
Rowan Properties LLP	21,000	(21,000)
Linden Properties LLP	1,000	(2,000)
Beech Properties LLP	2,000	(2,000)
Spruce Properties LLP	16,000	(16,000)

19 Fair value measurement (continued)

2019

Investment in subsidiaries	Fair value	Valuation technique	Key unobservable inputs	Range
	KShs 000			
Kipkabus Development LLP LR 209/118/54	359,479	NAV	-	-
Spring Green Properties LLP LR 26921/1	386,269	NAV	-	-
Acorn Project One LLP	512,920	NAV	-	-
Acorn Management Services Ltd	2,195,716	DCF	Discount rate	22.5%
			Income Kshs 000	3,818,130
			Period	2021-2029
			Terminal growth rate	9%
Loresho Properties LLP LR 9509/44	782	NAV	-	
Acorn Investment Management Ltd	9,929	NAV	-	
Acorn Project Two LLP	1.936,671	NAV	-	
Total	**5,401,787**			

Sensitivity 2019 Investments in Subsidiaries

For the fair value to changes in major assumptions used in DCF

	Assumption used	Change	Impact on fair value KShs 000
REIT entry	June 2020	+9 months	(99,834)
		+12 months	(206,444)
Discount rate	22.5%	+1%	(147,034)
		-1%	172,358
Terminal growth rate	9%	+1%	65,565
		-1%	(56,521)

20 Stated Capital

The issued share capital is KShs 200 with no authorised share capital. There are two ordinary shares for KShs 100 each. The group recognizes partners' capital contribution in cash and non-cash asset at market in the period in the asset transferred or registered as per joint venture agreement. The policy applied is consistent with IAS 8.

21 Shareholding

The Company is jointly owned by Accord Holdco Ltd and Acorn Investments Ltd as at the reporting date.

22 Contingencies and commitments

Legal Claim contingency

The Company has no contingencies arising from legal claims as at 31 December 2020 (2019: Nill)

Contingent liabilities

There are no contingent liabilities as at 31 December 2020 (2019: Nill).

23 Covid-19 Outbreak

Outbreak of Covid 19 continues to disrupt business activity globally and market volatility since mid-January 2020 to date. The estimates and judgements applied to determine the financial position at 31 December 2020, most specifically as they relate to the calculation of impairment of trade and other receivables, were based on a range of forecast economic conditions as at that date. As of the date of approval of this report, the directors have determined that due to the high level of uncertainty and the unpredictable outcome of this disease, it may make it difficult to estimate the financial effects of the pandemic. Since universities were closed as part of the containment measures for the outbreak, majority of the customers kept their deposits as an indication they will be returning to the property. Consequently, the directors have assessed the post year-end effects of the outbreak as a non-adjusting event.

Whereas the pandemic will have some effects on future business performance, the directors have considered these facts and taken certain action such as adhering the Government measures and internal restructuring to mitigate the increased burden.

In addition, at the date of the issue of these financial statements, the partners believe the Company will be a going concern for the foreseeable future.

24 Events after reporting date

As had been forecasted, the Company moved its assets into Income and Development Real Estate Investments Trusts in the final quarter of the year under review as a way of sustaining long term strategic goal and lessen heavy reliance on costly bank borrowings. This transfer was realised on 8th of February 2021. The fund (REITs) is required to raise equity through unquoted securities market.

On 16 July 2021, the capital contribution was converted to 84,580,895 redeemable preference shares at no par value. The redeemable preference shares are repayable at the option of the Company

The Directors 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.