

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

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

Partners	Cytonn Investments Management PLC Cytonn Real Estate LLP
Registered Office	3 rd Floor, Liaison House State House Avenue P.O Box 20695-00200 Nairobi
Principal Bankers	SBM Bank Kenya Limited Riverside Drive Branch P.O Box 34886-00100 Nairobi
Independent Auditor	Parker Randall Eastern Africa Certified Public Accountants Galleria Business Park, Block 2(A) P.O. Box 25426 – 00100 Nairobi.
Statutory Manager	Patricia N Wanjama

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

1. Incorporation and registered office

The partnership was incorporated as a Limited Liability Partnership on 20 February 2017 with registration number LLP/2017/21 and is domiciled in Kenya. The address of the registered office is set out on page 1.

2. Principal activities

The principal activity of the partnership is the holding and development of property located on L.R 1055/29 along Miotoni Road, Karen in Nairobi known as Applewood

This is a residential redevelopment site situated along Miotoni road and about 200 meters from the junction of Ngong road and the Southern by-pass in Karen area of Nairobi. In the year ended 31 December 2019, the property was converted into 18 fully serviced plots.

3. Business review of financial results and activities

The annual report and financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Limited Liability Partnership Act of 2011. The accounting policies have been applied consistently compared to the prior year.

The partnership recorded a net loss for the year ended 31 December 2020 of Kshs 5,472,085. This represented a significant increase from the net loss in the prior year of Kshs 12,417,633.

The cash flows from operating activities decreased by 80% from Kshs (1,327,596,700) in the prior year to Kshs (265,858,441) for the year ended 31 December 2020.

4. Statement of disclosure to the partnership's auditors

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

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

5. Terms of appointment of the auditors

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

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

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

6. Approval of financial statements

The annual report and financial statements set out on pages 9 to 26, which have been prepared on the going concern basis, were approved by the partners on23/12/21..... and were signed on its behalf by;

By Order of the partners;



.....
**Partner
Nairobi**

.....23/12/21.....2021



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

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

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

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

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

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

The financial statements set out on pages 9 to 26 were approved by the Partners on 23/12/2021 and were signed on their behalf by:



.....
Partner
Cytonn Investments Management PLC



.....
Partner
Cytonn Real Estate LLP

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

Opinion

We have audited the accompanying financial statements of Cytonn Investments Partners Eighteen LLP set out on pages 8 to 25, which comprise the statement of financial position as at 31 December 2020, the statement of comprehensive income and statements of changes in equity and cash flows for the year then ended, and notes, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects a true and fair view of the financial position of Cytonn Investment Partners Eighteen LLP as at December 31, 2020, and of its financial performance and its cash flows for the year then ended in accordance with the International Financial Reporting Standards and the Limited Liability Partnership Act of 2011.

Basis for Opinion

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

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

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

Other information

Other information comprises the information included in the Annual Report but does not include the financial statements and our auditor's report thereon. The Partners are responsible for the other information.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Partners' responsibility for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the partnership's internal controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the partnership's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the partnership to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the partnership to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with the partners, we determine those matters that were of most significance in the audit of the partnership's financial statements of the current period and are therefore the key audit matters.

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


Certified Public Accountants
Nairobi

20/1/2022
.....
Date

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



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

	Notes	2020 Kshs	2019 Kshs
Operating Expenses	2	<u>(5,472,085)</u>	<u>(19,325,299)</u>
Operating Loss		(5,472,085)	(19,325,299)
Change in fair value-gain on revaluation	3	<u>-</u>	<u>6,907,666</u>
Loss for the year		<u>(5,472,085)</u>	<u>(12,417,633)</u>

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

CYTONN INVESTMENT PARTNERS EIGHTEEN LLP
 STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED 31 DECEMBER 2020

		2020	2019
		Kshs	Kshs
CURRENT ASSETS			
Inventory	4	1,559,149,098	1,241,152,318
Trade and other receivables	5	<u>347,454,628</u>	<u>172,119,536</u>
TOTAL ASSETS		<u>1,906,603,726</u>	<u>1,413,271,854</u>
EQUITY AND LIABILITIES			
Retained income		<u>145,345,850</u>	<u>150,817,935</u>
NON-CURRENT LIABILITIES			
Other Financial Liabilities	8	<u>1,442,576,592</u>	<u>1,190,972,957</u>
CURRENT LIABILITIES			
Trade and other payables	7	300,832,996	67,887,480
Bank Overdraft	6	<u>17,848,288</u>	<u>3,593,481</u>
		<u>318,681,284</u>	<u>71,480,961</u>
Total Equity and liabilities		<u>1,906,603,726</u>	<u>1,413,271,854</u>

The financial statements on pages 8 to 25 were approved by the Partners on^{23/12/}.....2021 and signed on its behalf by:



.....
Partner
Cytonn Investment Management PLC



.....
Partner
Cytonn Real Estate LLP

The notes set out on pages 13 to 26 form an integral part of the financial statements.

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

Retained earnings	2019
	Kshs
As at 1 January 2019	163,235,568
Loss for the year	<u>(12,417,633)</u>
As at 31 December 2019	<u>150,817,935</u>
	2020
	Kshs
As at 1 January 2020	150,817,935
Loss for the year	<u>(5,472,085)</u>
As at 31 December 2020	<u>145,345,850</u>

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

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

	Notes	2020 Kshs	2019 Kshs
CASHFLOW FROM OPERATING ACTIVITIES			
Loss before taxation		(5,472,085)	(12,417,633)
Adjustments for:			
Provision for expected credit loss	2	2,371,660	1,438,411
Fair value gains		-	(6,907,666)
<i>Changes in working capital</i>			
Trade and other receivables	5	(175,335,092)	(107,875,767)
Inventories	4	(317,996,780)	(1,241,152,318)
Trade and other payables	7	232,945,515	33,849,017
Net cash used in operating activities		(263,486,781)	(1,333,065,956)
Fair Value Adjustments		-	6,907,666
Provision for expected credit loss	2	(2,371,660)	(1,438,411)
Net cash used in operating activities		(265,858,441)	(1,327,596,701)
CASHFLOW FROM INVESTING ACTIVITIES			
Transfer of investment property	4	-	1,041,500,000
Net cash generated from investing activities		-	1,041,500,000
CASHFLOW FROM FINANCING ACTIVITIES			
Movement in other Financial Liability	8	251,603,635	282,498,692
Net cash generated from financing activities		251,603,635	282,498,692
Movement for the year		(14,254,806)	(3,598,009)
Cash and cash equivalents at start of year		(3,593,482)	4,528
Cash and cash equivalents at end of the year	6	(17,848,288)	(3,593,481)

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

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

1.2 Significant judgements and sources of estimation uncertainty

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

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

Critical judgements in applying accounting policies

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

Impairment of financial assets

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

Impairment testing

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

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

1. Summary of Significant accounting policies (continued)

1.2 Significant judgements and sources of estimation uncertainty (continued)

Fair value estimation

Several assets and liabilities of the partnership are either measured at fair value or disclosure is made of their fair values. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The partnership contracted an external, independent and professional qualified real estate projects valuers who hold recognized professional qualifications and have wide experience in similar real estate projects to assess and advise the fair value of the projects. In determining the fair market value of the projects, the valuer conducted a physical inspection of the property, asking prices for similar parcels of the land in the area, the proposed and approved project plans, current costs, presales as well as the economic conditions prevailing at the time. The partnership then contracted an independent and qualified consultant to undertake an independent review on the fair market values received. Observable market data is used as inputs to the extent that it is available. The current use of the investment properties equates to the highest and best use.

Several assets and liabilities of the partnership are either measured at fair value or disclosure is made of their fair values.

A valuation committee was established in order to determine the appropriate valuation techniques and inputs for each valuation. The committee reports to the financial controller. Significant valuation issues are reported to the audit committee.

Observable market data is used as inputs to the extent that it is available. Qualified external valuers are consulted for the determination of appropriate valuation techniques and inputs.

1.3 Investment property

Property held to earn rentals or for capital appreciation or both is classified as investment property.

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

Subsequently Investment property is re-measured at fair value, which is the price that would be received to sell or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Gains or losses arising from changes in the fair value of investment property are included in net profit or loss for the period in which it arises.

1. Summary of significant accounting policies (continued)

1.4 Financial instruments

Financial instruments held by the partnership are classified in accordance with the provisions of IFRS 9 Financial Instruments.

Broadly, the classification possibilities, which are adopted by the partnership, as applicable, are as follows:

Financial assets which are debt instruments

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

Financial liabilities:

- Amortized cost.

Note 10 Financial instruments and risk management presents the financial instruments held by the partnership based on their specific classifications.

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

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

Trade and other receivables;

Classification

Trade and other receivables, excluding, when applicable, VAT and prepayments, are classified as financial assets subsequently measured at amortised cost.

They have been classified in this manner because their contractual terms give rise, on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding, and the partnership's business model is to collect the contractual cash flows on trade and other receivables.

Recognition and measurement

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

They are subsequently measured at amortised cost.

The amortised cost is the amount recognised on the receivable initially, minus principal repayments, plus cumulative amortisation (interest) using the effective interest method of any difference between the initial amount and the maturity amount, adjusted for any loss allowance.

1. Summary of significant accounting policies (continued)

1.4 Financial instruments (continued)

Trade and other receivables (continued)

Impairment

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

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

Measurement and recognition of expected credit losses

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

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

Write off policy

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

Derecognition

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

Borrowings and loans from related parties

Classification

Other financial liabilities are classified as financial liabilities subsequently measured at amortised cost.

Recognition and measurement

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

1. Summary of significant accounting policies (continued)

1.4 Financial instruments (continued)

Borrowings and loans from related parties (continued)

Recognition and measurement (continued)

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

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

Borrowings expose the partnership to liquidity risk and interest rate risk.

Trade and other payables

Classification

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

Recognition and measurement

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

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

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

Cash and cash equivalents

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

1. Summary of significant accounting policies (continued)

1.4 Financial instruments(continued)

Derecognition

Financial assets

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

Financial liabilities

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

Reclassification

Financial assets

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

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

Financial liabilities

Financial liabilities are not reclassified.

1.5 Borrowing costs

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

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

1. Summary of Significant accounting policies (continued)

1.5 Borrowing costs (continued)

The capitalization of borrowing costs commences when:

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

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

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

1.6 Development properties for sale

As at 31st December 2021, the property was held as development properties for sale. The property comprises a plot measures 4.209 hectares or 10.40 acres approximately. The property is developed into 18 serviced plots for sale to purchasers with concepts of the houses they are expected to develop. Plans are underway to erect a boundary wall and a gatehouse on the property

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

	2020	2019
	Kshs	Kshs
2 Operating Expenses		
Expected Credit Loss	2,371,660	1,438,411
Advertising and Marketing	1,390,749	14,297,584
Legal Fees	1,251,260	-
Audit Fees	219,996	219,208
Tax Fees	101,234	90,543
Land Rent and Rates	75,000	75,000
Bank Charges	30,598	11,568
Foreign Exchange Loss	17,915	-
Office Expense	9,674	-
Telephone Charges	3,999	-
Sales Commissions	-	2,688,750
Security Expenses	-	324,723
Repairs and Maintenance	-	104,980
Business Licenses and Permits	-	35,000
Staff Meals and Entertainment	-	15,700
Printing and Stationaries	-	15,000
Electricity and Water	-	8,832
	<u>5,472,085</u>	<u>19,325,299</u>
3 Other operating gains		
Fair value gains	-	6,907,666
	<u>-</u>	<u>6,907,666</u>
4 Inventory		
Reconciliation of inventory:		
Opening Balance	1,241,152,318	-
Transfer from investment properties	-	1,041,500,000
Additional capitalized expenditure	317,996,780	199,652,318
	<u>1,559,149,098</u>	<u>1,241,152,318</u>
Break down of capitalized expenditure		
Finance charges	298,539,087	161,405,761
Construction costs	12,419,270	22,342,618
Advertisement costs	-	5,562,789
Fair value adjustments	-	4,732,586
Professional fees	5,645,822	3,695,439
Disbursements	295,800	1,021,497
Site personnel and contingency	669,862	650,348
Topographical survey	426,939	241,280
	<u>317,996,780</u>	<u>199,652,318</u>

5 Trade and other receivables

Receivables are amounts due from investments and sales in the ordinary course of business. If collection is expected in one year or less they are accounted for as current assets. If not, they are non-current assets.

Receivables are recognized initially at fair value and subsequently recognized at amortized cost, less any provision for impairment.

	2020	2019
	Kshs	Kshs
Related Party Receivables	215,955,044	104,875,767
Prepaid Expenses	67,243,769	67,243,769
Other receivables	64,255,815	-
	<u>347,454,628</u>	<u>172,119,536</u>

6 Cash and cash equivalents

Cash and Bank balance	<u>(17,848,288)</u>	<u>(3,593,481)</u>
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Cash and cash equivalents above are accounted for at amortised cost in accordance with the accounting policies.

7 Trade and Other Payables

Payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Payables are recognized initially at fair value and subsequently at amortized cost using the effective interest method. Other payables are recognized at their nominal value.

	2020	2019
	Kshs	Kshs
Other Payables	84,808,457	52,873,681
Trade Payables	207,858,674	5,238,570
Provision for expected credit loss	3,810,071	1,438,411
Related Party Payables	3,068,527	7,739,387
Accrued Expenses	792,061	597,431
Other Payables	495,204	-
	<u>300,832,995</u>	<u>67,887,480</u>

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

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

8 Other financial liabilities	2020	2019
	Kshs	Kshs
Cytonn High Yield Solutions LLP	947,306,048	827,940,181
Cytonn High Yield Fund	36,192,779	-
Cytonn Project Notes LLP	459,077,765	363,032,776
	<u>1,442,576,592</u>	<u>1,190,972,957</u>

Cytonn High Yield Solutions LLP has investments in special purpose vehicles, with returns to Cytonn High Yield Solutions LLP of 21 % per annum. Cytonn Project Notes LLP has investments in special purpose vehicles, with returns of 21 % per annum.

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

9 Related party Transactions	2020	2019
	Kshs	Kshs
Amounts due to related parties		
Cytonn High Yield Solutions LLP	947,306,048	827,940,181
Cytonn High Yield Fund	36,192,779	-
Cytonn Project Notes LLP	459,077,765	363,032,776
	<u>1,442,576,592</u>	<u>1,190,972,957</u>
Amounts due from related parties		
Cytonn Investments Management PLC	183,875,767	83,117,363
Cytonn Investments Partners Eleven LLP	8,832,573	8,832,573
Cytonn Investment Partners Twenty LLP	7,510,196	7,510,196
Cytonn Investment Partners Nine LLP	2,285,911	2,285,911
Cytonn Investment Partners Three LLP	-	1,413,513
Cytonn Investment Partners Five LLP	1,320,000	1,000,000
Cytonn Investment Partners One LLP	380,000	380,000
Cytonn Integrated Project LLP	11,750,597	336,210
	<u>215,955,044</u>	<u>104,875,766</u>
Trade payables - related parties		
Cytonn Investment Partners Eleven LLP	2,817,284.35	7,488,144
Cytonn Investment Partners Sixteen LLP	246,243	246,243
Cytonn Investment Partners Three LLP	5,000	5,000
	<u>3,068,527</u>	<u>7,739,387</u>

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

10. Financial instruments and risk management

Introduction

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

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

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

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

Credit risk

Credit risk is the risk of financial loss to the partnership if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The partnership is exposed to credit risk on trade and other receivables, contract receivables, lease receivables, cash and cash equivalents, loan commitments and financial guarantees.

Credit risk exposure arising on cash and cash equivalents is managed by the group through dealing with well-established financial institutions with high credit ratings.

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

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

Credit risk (continued)

	Gross carrying amount	Credit loss allowance	Amortized cost/ fair value
2020			
Trade and other receivables	283,198,813	2,367,480	280,831,333
Cash and cash equivalents	500,000	4,180	495,820
	<u>283,698,813</u>	<u>2,371,660</u>	<u>281,327,153</u>
2019			
Trade and other receivables	172,063,285	1,438,411	170,624,874
	<u>172,063,285</u>	<u>1,438,411</u>	<u>170,624,874</u>

Liquidity risk

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

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

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

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

	Less than 1 year Kshs
2020	
Current Liabilities	
Trade and other payables	<u>84,808,457</u>
2019	
Current Liabilities	
Trade and other payables	<u>66,449,069</u>

11. Capital risk management

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

The partnership manages capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain the capital structure, the partnership may adjust the amount of dividends paid to the shareholder, return capital to the shareholder, repurchase shares currently issued, issue new shares, issue new debt, issue new debt to replace existing debt with different characteristics and/or sell assets to reduce debt.

12. Changes in liabilities arising from financing activities

Reconciliation of liabilities arising from financing activities-2020

2020	Opening balance Kshs	Interest Kshs	Cash flows Kshs	Closing balance Kshs
Other financial liabilities	<u>1,190,972,957</u>	<u>298,539,087</u>	<u>(47,828,231)</u>	<u>1,441,683,813</u>
2019				
Other financial liabilities	<u>908,474,266</u>	<u>161,405,761</u>	<u>121,092,930</u>	<u>1,190,972,957</u>

13. Comparatives

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

14. Commitments

There were no commitments during the year 31 December 2020.

15. Contingencies

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

16. Events after the reporting date

The outbreak of Covid-19 (Corona virus disease) in March 2020 resulted in disruption of business activity globally and created market volatility. The estimates and judgments applied to determine the financial position as at 31st December 2020, most specifically as they relate to calculation of impairment of trade and other receivables, were based on a range of forecasted economic conditions as at that date.

During the Financial year 2021, Cytonn High Yield Solutions LLP – which is the principle financier to Cytonn Investment Partners Four LLP was put under voluntary administration through a court order issued on 6th October 2021. Currently, this event hasn't affected the operations of the company but management is closely monitoring this situation