

REPUBLIC OF KENYA



*Enhancing Accountability*



**REPORT**

THE NATIONAL ASSEMBLY  
PAPERS LAID

DATE: 13 AUG 2024 DAY.

TABLED BY: Hon. Owen Bayart OF Deputy leader of Majority  
CLERK-AT-THE-TABLE: Chebet Koskei

PARLIAMENT  
OF KENYA  
LIBRARY

**THE AUDITOR-GENERAL**

**ON**

**ADCAFC DEVELOPMENT LIMITED  
LIABILITY PARTNERSHIP**

**FOR THE YEAR ENDED  
31 DECEMBER, 2023**



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**ADCAFC DEVELOPMENT LIMITED LIABILITY PARTNERSHIP**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED**

**DECEMBER 31, 2023**

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Prepared in accordance with the International Financial Reporting Standards (IFRS)



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## 1. Acronyms and Glossary of Terms

LLP	Limited Liability Partnership
ADC	Agricultural Development Corporation
AFC	Agricultural Finance Corporation
Covid-19	Coronavirus Disease 2019
GDP	Gross Domestic Product
CSR	Corporate Social Responsibility
IFRS	International Financial Reporting Standards
PPE	Property, Plant, and Equipment
ROI	Return on Investment
KPI	Key Performance Indicator
COGS	Cost of Goods Sold
OSHA	Occupational Safety and Healthy Occupation

## 2. Key Entity Information

### a) Background Information

The ADCAFC DEVELOPMENT LLP is a Partnership between the Agricultural Development Corporation (ADC) & Agricultural Finance Corporation (AFC). The Partnership, previously christened Development House Management Committee (DHMC), was established to manage the Development House owned by the two state Corporations which occupy part of the building and leases out the extra space.

The DHMC was formed following a directive from the Office of the President in 1988 and, to enable it comply with the Income Tax Act, the LLP was registered in 2017.

### b) Principal Activities

The partnership is engaged in property management on behalf of the partners.

### c) Committee Membership

The members of the committee who served the Partnership during the year/period were as follows:-

S/No	Name	Designation	Date of Appointment
1	Dr. Winnie Macharia	Chairperson	27 <sup>th</sup> May,2022
2	Mr. Nicholas Njeru	Secretary	15 <sup>th</sup> December,2022
3	Mr. Bernard Mwangangi	Treasurer	27 <sup>th</sup> June,2017
4	Mr. Cornelius Onsongo	Member	7 <sup>th</sup> March,2016
5	Mr. Philip Odoyo	Member	22 <sup>nd</sup> February,2023
6	Mr. Eurry Mabonga	Legal Officer	8 <sup>th</sup> November,2022

### d) Partnership Legal Officer

Eurry Mabonga  
Development House,  
Moi Avenue,  
P.O Box 30367 – 00100 GPO  
Nairobi.

**Key Entity Information (continued)**

**e) Registered Office**

Development House,  
Moi Avenue,  
P.O Box 47101 – 00100  
Nairobi.

**f) Partnership Contacts**

Telephone: (254) 724 253521  
E-mail: [procurement.developmenthouse@gmail.com](mailto:procurement.developmenthouse@gmail.com)

**g) Corporate Bankers**

National Bank of Kenya Ltd,  
P.O Box 41862 – 00100  
GPO Nairobi.  
Harambee Avenue Branch,  
National Bank Building,  
Nairobi.

**h) Independent Auditor**

The Auditor General,  
Office of the Auditor General,  
P.O Box 30084 - 00100 GPO  
Nairobi.

**i) Principal Legal Advisers**

The Attorney General,  
State Law Office,  
Harambee Avenue,  
P.O. Box 40112 – 00200 City Square  
Nairobi.

### 3. Members of the Committee

The Management Committee of the partnership is appointed by the Chief Executive Officers to oversee the management of Development House Building. The Partners have assigned the committee the task of ensuring proper running of the building as a business entity through rent collection and advising the Partners on how to maximize the returns from the building. The committee has a supervisory role over members of staff hired to carry out its mandate.

The members of the committee who served the Partnership during the year/period were as follows:-



**Winnie Macharia (Dr.)**

Dr. Winnie Macharia is the Chairman of the committee and is charged with spearheading the business agenda of the partnership.

Dr. Macharia is the Head of Corporate Planning and Administration in Agricultural Development Corporation. She holds a Doctor of Philosophy in Business Administration from the University of Nairobi as well as a Master of Business Administration from Kenyatta University. She also holds a Bachelor of Education Degree from the same University as well as a Higher Diploma in Information Technology among other professional qualifications. She is a member of the Kenya Institute of Management and Kenya Association of Public Administration professional bodies




She is a professional and accomplished administrator and manager with over 20 years of experience in senior management, administration, and leadership in a diverse work environment. Dr. Macharia has four years of experience as Head of Corporate Planning and Administration in ADC, three years' experience as Provincial Director Youth Development Nairobi under the Ministry of Youth Affairs and sports and Head of Department for four years at Parklands Boys High School as well as a teacher for nine years. She has attended many management courses and seminars including the Senior Strategic Leadership program as well as leading with impact from Kenya School of Government, Corporate governance training for Directors, senior internal Auditor training.



	<p>Mr. Bernard Mwangangi is the Treasurer to the committee and is charged with overseeing the management staff with regard to financial matters.</p> <p>Mr. Mwangangi holds a Diploma in Internal Audit from KCA University and has served as Internal Auditor of Agricultural Development Corporation from 2004-2019. Currently he holds the Office of Credit Controller in Agricultural Development Corporation.</p>
<p><b>Bernard N Mwangangi</b></p> 	<p>Mr. Nicholas Njeru is the Secretary to the committee.</p> <p>Mr. Njeru is a seasoned practitioner in Procurement with practical experience of over 16 years, 10 of which have been in senior management. He previously worked for Kenya Revenue Authority (KRA), Kenya Vision 2030 Delivery Secretariat, BOC Gases Kenya, Africa Online Holdings Ltd, Safaricom Ltd and the National Treasury (Ministry of Finance).</p> <p>Njeru holds a Master's Degree in Economics and Bachelors of Arts Degree in Economics from the University of Nairobi. He also has a post graduate Diploma in Procurement &amp; Supply (CIPS) and is a certified Strategic Supply Chain Practitioner and CPA Finalist.</p>
<p><b>Mr. Nicholas Njeru</b></p> 	<p>Mr. Eurry S. Mabonga is an Advocate of the High court of Kenya charged with providing legal advice and legal services to the partnership and has extensive experience in Environmental matters, litigation, Conveyance and Commercial transactions. He has a solid track record in drafting of environment legal related documents, success in advising and representing clients in court, and achieving positive outcomes. Mr. Mabonga has worked as a Programme Assistant at Foundation for Women Rights in Kenya, Associate at Gichana BwÓmwando Advocates and Lecturer at Kenya Institute of Management.</p> <p>Mr Mabonga is a holder of a Master's Degree in Environmental Studies (Climate Change and Sustainability), Higher Diploma in Advocates Training Programme (ATP) and Bachelor Degree in Law. He is currently a PHD candidate pursuing Doctor of Philosophy in Environmental Studies (Sustainable Urban Development).</p>

 <p><b>Mr. Philip Odoyo Odindo</b></p>	<p>Mr. Philip Odoyo Odindo is a member of the committee and is charged with advising the committee on all procurement matters.</p> <p>He has served in various positions in State Corporations such as Postbank, Agrochemical &amp; Food Company Limited and currently holds the position of Head of Procurement in Agricultural Development Corporation. He has over ten years' experience as a procurement professional.</p> <p>He is a holder of a Bachelor's Degree in Procurement from Jomo Kenyatta University of Agriculture &amp; Technology (JKUAT). He is a member of Chartered Institute of Purchasing &amp; Supplies(CIPS) &amp; Kenya Institute of Supplies Management(KISM)</p>
 <p><b>Cpa Cornelius Getita</b></p>	<p>CPA Cornelius Getita is a member of the committee and is charged with advising the committee on financial and accounting matters.</p> <p>CPA Getita is an accomplished finance specialist with extensive financial management experience in the financial services sector. His practical and professional experience spans over thirteen (13) years, part of which is in audit, operations, accounting and administrative functions in both the private and the public sector. Previously, he worked with Kenya Women Finance Trust and RSM Ashvir Audit, Tax and Consulting.</p> <p>He has led initiatives meant to automate the financial reporting framework, key cash handling controls and spearheaded the implementation of various operational systems. In addition, through various partnerships and engagements, he has instrumentally supported in resource mobilization to tunes exceeding \$5 Million.</p> <p>CPA Getita holds a Master's Degree in Business Administration specializing in Strategic Management, a Bachelor of Commerce Degree in accounting and a Certification in Public Accountancy with the Institute of Certified Public Accountants of Kenya (ICPAK).</p>

#### 4. Key Management Team

 <p><b>Rose Kinyua</b></p>	<p>Rose Kinyua is the Property Manager and is responsible for the efficient management of Development House. Some of her responsibilities include establishing systems and procedures for better management of the property, letting of the facility, administration of leases, administration of service &amp; maintenance contracts, rent collection, tenant liaison and procurement of works &amp; services.</p> <p>She is a holder of a Bachelor's Degree in Land Economics from the University of Nairobi. She has over twenty years' experience in property management gained while working for various organizations like Kiambu Murutani Company, Naccico Sacco, Valuewise Management and DHMC.</p>
 <p><b>Danson Mutiso</b></p>	<p>Mr. Danson Mutiso is the building Caretaker and is charged with supervising the day to day operations of the facility.</p> <p>Some of his responsibilities include rent collection, supervision of service providers like cleaning and security, regular inspection of the facility and attending to emergency breakdowns/call backs.</p> <p>He is a holder of O Level Certificate. He has attended training in safety and health of building facilities.</p>
 <p><b>Sarah Ongayo</b></p>	<p>Miss Sarah Ongayo is the Accountant. She has extensive experience in Commercial Property Management finances. She has worked as an accountant for ADCAFC Development LLP for over 7 years with a proven track record of meeting deadlines.</p> <p>Some of her responsibilities include posting daily financial transactions, maintaining books of accounts, bank reconciliations, and preparation of monthly tenant financial reports and proper maintenance of records relating to Development House.</p> <p>Sarah is a holder of Bcom from K.U &amp; CPA (K) with full membership in ICPAK &amp; AWAK.</p>

## 5. Chairman's Statement

ADCAFC DEVELOPMENT LLP has faced significant challenges amidst the complex economic landscape, marked not only by the spillover effects of the COVID-19 pandemic and the aftermath of the Russia-Ukraine conflict but also by the transition to a new government in August 2022.

In 2023, there was a high turnover of tenants arising from the harsh economic situation sited globally with many businesses unable to meet their rental obligations with others opting to surrender their leases or reduce the spaces they occupy. The occupancy rate has also decreased due to the existing oversupply of office spaces in the market and some of the businesses are still embracing the working from home initiative or the hybrid business model. The adverse working and business environment created by stationing of matatus and hawkers around the perimeter of the building has also led to some tenants of good standing vacating the building. The twin problems make the facility noisy, insecure, and dirty along the pavements and accessibility for both pedestrians and vehicles is hindered.

### Performance Overview

A profit of Kshs.114,941,576 was recorded during the year representing a 7.6% increase compared to the previous period. The underlying trends of the income statement remained strong with total revenues growing to Kshs.174,814,550 (2022: Kshs.160,663,872). The operating costs remained low against the approved budget limits. In the period 2023, the total expenditure stood at Kshs. 59,872,974 against the budgeted amount of Kshs. 79,057,136.

### Looking Forward

Our positioning remains a great focus for our brand. We have plans to expand our footprint, offer seamless and exceptional service. The outlook beyond the economic conditions remains optimistic, while the timing remains fluid. We are well positioned to weather this period and grow further.

### Conclusion

I wish to thank my management team for contributing their business expertise and industry knowledge. In particular, I extend my entire appreciation to the members of the committee for their invaluable contributions and advice in a turbulent year

  
.....  
**Chairman**

## 6. Report of the Property Manager

As the PM of ADCAFC Development LLP, responsible for property management at Development House, I appreciate insights on the challenges facing the real estate sector. Allow me to provide a concise report that addresses our performance in 2023 and outlines our strategic priorities moving forward.

### Financial Review

ADCAFC Development LLP achieved a commendable profit of Kshs.114,941,576 in 2023, marking a 7.6% increase from the previous year's profit of Kshs.106,838,177. Our total revenue rose to Kshs.174,814,550 from Kshs.160,663,872 in 2022, reflecting strong underlying income trends. We maintained stringent cost controls, with cost of sales at Kshs.35,819,480 and total operating expenses managed at Kshs.2,897,987, down from Kshs.3,179,150 in the prior year. Administrative expenses were Kshs. 21,155,507, slightly higher than the previous year's Kshs.17,646,951

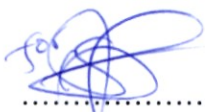
1. **Facility Management Enhancement:** We recognize the need to improve our facility management practices. This includes maintaining and upgrading our property to enhance tenant satisfaction and operational efficiency.
2. **Performance Optimization:** Our focus is on delivering consistent performance across our portfolio. We aim to maximize returns for our partners while ensuring sustainable growth.
3. **Building Trust:** Trust is essential in our sector. We will prioritize transparent communication with tenants, addressing their needs promptly, and fostering positive relationships.

### Outlook and Expansion

Despite economic uncertainties, we remain optimistic about our outlook. Our brand positioning emphasizes expansion, exceptional service, and seamless experiences. While the timing remains fluid, we are well-prepared to weather challenges and continue growing.

### Acknowledgement

I take this opportunity to express my sincere gratitude to our tenants for their loyalty and continued support. My appreciation also goes out to the committee members whose leadership and guidance have continued to inspire and challenge us.



.....  
**Property Manager**

## **7. Statement of Performance against Predetermined Objectives**

ADCAFC Development LLP has three strategic themes/issues and objectives within the current Strategic Plan. These strategic themes/issues focus on Real Estate Development, Financial Performance, and Customer Satisfaction.

The Partnership develops its annual work plans based on these three themes. Assessment of the entity's performance against its annual work plan is done on a quarterly basis.

In the area of Real Estate Development, the objective is to expand and optimize the property portfolio. Activities towards achieving this objective involve development projects, renovations, and facility upgrades such as rehabilitating washrooms, installing security equipment at the parking entrance and main entrance, and rehabilitating floors from wood parquet to tiles.

As regards, Financial Performance, the objective is to increase revenue and profitability. Key performance indicators included revenue growth and profit margins. The activities under this strategic intervention involve implementing cost control measures and enhancing revenue streams through strategic leasing and diversified income sources. The achievements in this area are notable, with revenue increasing by 15% and profit margins improving by 10%.

In the theme of Customer Satisfaction, the objective is to enhance tenant satisfaction and retention. Key performance indicators include tenant satisfaction scores and retention rates. Activities towards achieving this objective include tenant engagement initiatives and service improvements such as maintenance and facility upgrades. The achievements in this area are impressive, with an 85% tenant satisfaction score achieved and the retention rate increased to 80%.

The achievements detailed above are closely tied to the performance contracts at all levels of the organization. Key Performance Indicators (KPIs) were established for each strategic objective, ensuring accountability and continuous monitoring of progress. Quarterly reviews were conducted to assess performance against targets, and corrective actions were taken where necessary to stay on course. The strategic alignment of ADCAFC Development LLP's initiatives with its core objectives has led to significant advancements in real estate development, financial performance, and customer satisfaction. These achievements underscore ADCAFC Development LLP's commitment to delivering value to its stakeholders, aligning with its mission to provide quality commercial real estate solutions.

## **8. Corporate Governance Statement**

The Management Committee considers that good governance will be achieved through an ethical culture, competitive performance, effective control and legitimacy to create sustainable value and enhance long-term equity performance. The Committee applies good governance practices to promote strategic decision making for the Partnership to balance short, medium and long-term outcomes to reconcile interests of the ADCAFC as a whole together with its stakeholders and the society to create sustainable shared value. To that end, sound governance practices, based on accountability, transparency, ethical management and fairness, are entrenched across the business. The management has a statutory duty to promote the success of the Partnership for the benefit of its stakeholders. In promoting the success of the Partnership, the management must have due regard to the long-term consequences of their decisions, the legitimate interests of employees, the need to foster effective business relationships with suppliers, customers and various stakeholders, the impact of the Partnership operations on the community and the environment, and the desire to maintain a reputation for high standards of business conduct.

The Management Committee is committed to ensuring that the Partnership complies with the laws, regulations and standards applicable to it. The management ensures high standards and practices in Corporate Governance, and more specifically, the principles, practices and recommendations set out under the regulatory framework.

The Management Committee also regularly reviews its corporate governance arrangements and practices and ensures that the same reflects the developments in regulation, best market practice and stakeholder expectations. Our corporate governance framework enables the Management Committee to oversee the strategic direction of the partnership, financial goals, resource allocation, risk appetite and to hold the management accountable for execution.

The Partnership operates within a clearly defined governance framework which provides for delegated authority and clear lines of responsibility without abdicating the responsibility of the accounting officers. Through the framework, the Committee sets out the strategic direction of the Partnership while entrusting the day-to-day running of the organization to the property management team led by the Property Manager, with their performance against set objectives and policies closely monitored. The Management Committee Charter, which has been approved and is regularly reviewed, provides for a clear definition of the roles and responsibilities of the Management Committee.

### **Role & Responsibilities of the Management Committee**

The scope of authority, responsibility and functioning of the management committee is contained in a formal charter which is regularly reviewed. This sets out the strategic objectives of the Partnership with input from management, and oversees management, performance, remuneration and governance frameworks of the Partnership. The Management Committee's role and responsibilities include:-

- a) Take over the responsibilities of the management agent and ensuring continuity in service provision as per the directive ref; OP.9/12A/V/(118) dated 15<sup>th</sup> December, 1988.
- b) Oversee rent and arrears collection from the tenants.
- c) Oversee procurement of tenants and ensure lettable space is occupied.
- d) Advising the partners on matters relating to the management of the property.
- e) Oversee the management of tenant relationships and act as the link between the partners and the property management.
- f) Oversee preparation of financial statements and other reports for both internal and external use.
- g) Oversee the budget preparation and make necessary recommendations to the joint Financial Controllers of the two Corporations.
- h) Provide strategic leadership and assume ultimate accountability and responsibility for the performance of the partnership.
- i) Ensure that the necessary corporate and management structures and resources are in place so as to enable the partnership achieve its objectives.
- j) Formulation of policy guidelines on the management of the property.



## 9. Management Discussion & Analysis

The committee is mandated to review and make recommendations on the Partnership's financial and accounting policies, the Partnership's annual budget, annual financial statements and the annual procurement plan. The committee also reviews the implementation of its Strategies and monitors the performance regularly.

The committee is mandated to formulate staff policies and procedures and ensure an adequately staffed and professionally managed human resource. The committee assists the accounting officers in discharging its corporate governance role by reviewing staffing needs of the Partnership and reviews training needs and undertakes disciplinary measures as per the staff policies.

Sustainable growth in profitability involves selectively taking and managing risks. The Partnership's goal is to earn, on behalf of the Government, an optimal, stable and sustainable rate of return for every shilling of risk it takes, while continually investing in our business to meet our future growth objectives. The risk management resources and processes are designed to identify, understand, measure and report risks that the business is exposed to, and develop governance, controls, and risk management frameworks necessary to mitigate these risks as appropriate. These resources and processes are strengthened by the partnership culture which emphasizes transparency, accountability and responsibility for managing the risks we are exposed to.

Risk is defined as an event or events of uncertainty which can be caused by internal or external factors resulting in the possibility of losses (downside risk). However, the business appreciates that some risk events may result into opportunities (upside risk) and should therefore be actively sought and exploited.

Market risk is the risk that the values of assets and liabilities or revenues will be adversely affected by changes in market conditions or market movements. The objective of market risk management programs is to manage and control market risk exposures in order to optimize return on risk taken while maintaining a good market profile as a provider of commercial business premises.

The Partnership objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management committee.

This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:-

- Requirements for appropriate segregation of duties, including the independent authorization of transactions.
- Requirements for the reconciliation and monitoring of transactions.
- Compliance with regulatory and other legal requirements.
- Documentation of controls and procedures.
- Requirements for the yearly assessment of operational risks faced and the adequacy of controls and procedures to address the risks identified.
- Requirements for the reporting of operational losses and proposed remedial action.
- Development of contingency plans.
- Training and professional development.
- Ethical and business standards.
- Risk mitigation, including insurance where this is effective.

## **10. Environmental and Sustainability Reporting**

The primary aim of the Committee managing the building is to ensure it operates as a high-performing commercial facility, maximizing returns for our partners, the Agricultural Development Corporation (ADC) and the Agricultural Finance Corporation (AFC). This report outlines our commitment to environmental sustainability and health and safety practices, reflecting our dedication to creating a safe, efficient, and environmentally responsible workspace.

Our Health and Safety Policy includes the engagement of licensed professionals who prepare comprehensive guidelines. Registered Safety and Health Auditors conduct audits every three years, encompassing occupational safety and health risk assessments, fire and safety audits, with reports submitted to the Directorate of Occupational Health and Safety Services. The Management is committed to enabling safe work activities by removing or reducing risks to health, safety, and welfare, ensuring compliance with relevant health and safety laws, and maintaining an ongoing commitment to improving safety management while consulting with workers on health and safety matters.

In terms of sustainability initiatives, we focus on energy efficiency, waste management, and water conservation. Regular inspections of energy-consuming appliances and systems are conducted and new technologies and practices are implemented to reduce energy consumption. Proper waste segregation and disposal practices are encouraged, along with recycling and reduction of waste generation. Water conservation measures include the installation of water-saving devices and regular monitoring of water usage. Additionally, green building practices are incorporated in maintenance and renovations, such as using eco-friendly materials and designs, and promoting natural lighting and ventilation to reduce reliance on artificial sources.

In conclusion, the Partnership is committed to maintaining high standards of health, safety, and environmental sustainability. Our policies and practices are designed to protect our tenants, employees, and the environment while maximizing returns for our partners. We continuously strive to improve our performance and uphold our responsibility towards creating a safe, efficient, and sustainable working environment, thereby ensuring that the building remains a desirable and responsible commercial facility for all stakeholders.

## **11. Report of the Members of the Committee**

The Partners through its Management submit their report together with the financial statements for the year ended December 31, 2023 in accordance with provisions, of the Limited Liability Partnership Act, 2011 as amended in 2012.

### **(i) Incorporation**

The partnership is domiciled in Kenya where it is incorporated as a limited liability partnership under the Limited Liability Partnership Act, 2011. The address of the registered office is set out on page iv.

### **(ii) Principal activity**

The principal activity of the partnership is to manage Development House, a rental property in Nairobi. There have been no material changes to the nature of the partnership's business from the prior year.

### **(iii) Review of financial results and activities**

The financial statements have been prepared in accordance with International Financial Reporting Standards and the requirements of the Limited Liability Partnership Act, 2011. The accounting policies have also been applied consistently.

The partnership recorded a net profit for the year ended December 31, 2023 of Kshs.114,941,576. This represented an increase of 7.6% from the net profit of year 2022 of Kshs.106,838, 177.00

### **(iv) Directorate**

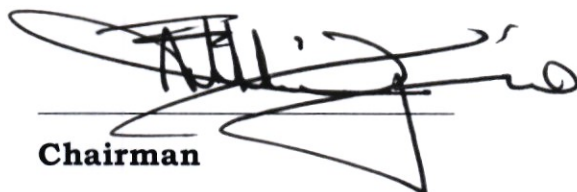
The Committee Members representing the Partners who held office during the year are set out in page v.

### **(v) Events after the reporting period**

The partners are not aware of any material event which occurred after the reporting date and up to the date of this report.

### **Approval of financial statements**

The financial statements set out on pages 1 to 17, which have been prepared on the going concern basis, were approved by the Management Committee on **28/03/2024** and were signed on its behalf by:



Chairman

## 12. Statement of Committee Responsibilities

The committee is responsible for the preparation and presentation of the *ADCADCAFC DEVELOPMENT LLP* financial statements, which give a true and fair view of the state of affairs of the *Partnership* for and as at the end of the financial year (period) ended on December 31, 2023. These responsibilities include:

- (i) maintaining adequate financial management arrangements and ensuring that these continue to be effective throughout the reporting period;
- (ii) maintaining proper accounting records, which disclose with reasonable accuracy at any time the financial position of the *Partnership*;
- (iii) designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial statements, and ensuring that they are free from material misstatements, whether due to error or fraud;
- (iv) safeguarding the assets of the *Partnership*;
- (v) selecting and applying appropriate accounting policies; and
- (vi) Making accounting estimates that are reasonable in the circumstances.

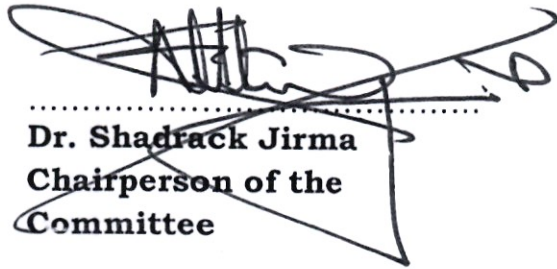
The Management Committee accepts responsibility for the *Partnership's* financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS), and in the manner required by the PFM Act. The Directors are of the opinion that the *Partnership's* financial statements give a true and fair view of the state of *Partnership's* transactions during the financial year ended December 31, 2023, and of the *Partnership's* financial position as at that date. The committee further confirms the completeness of the accounting records maintained for the *Partnership*, which have been relied upon in the preparation of the *Partnership's* financial statements as well as the adequacy of the systems of internal financial control.

Nothing has come to the attention of the committee to indicate that the *Partnership* will not remain a going concern for at least the next twelve months from the date of this statement.

**Statement of Committee Responsibilities (continued)**

**Approval of the financial statements**

The *Partnership's* financial statements were approved by the committee on **28/03/2024** and signed on its behalf by:



.....  
**Dr. Shadrack Jirma**  
**Chairperson of the**  
**Committee**



.....  
**Rose Kinyua**  
**Accounting officer**

# REPUBLIC OF KENYA

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NAIROBI

## **REPORT OF THE AUDITOR GENERAL ON ADCAFC DEVELOPMENT LIMITED LIABILITY PARTNERSHIP FOR THE YEAR ENDED 31 DECEMBER, 2023**

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### PREAMBLE

I draw your attention to the contents of my report which is in three parts:

- A. Report on the Financial Statements that considers whether the financial statements are fairly presented in accordance with the applicable financial reporting framework, accounting standards and the relevant laws and regulations that have a direct effect on the financial statements.
- B. Report on Lawfulness and Effectiveness in Use of Public Resources which considers compliance with applicable laws, regulations, policies, gazette notices, circulars, guidelines and manuals and whether public resources are applied in a prudent, efficient, economic, transparent and accountable manner to ensure Government achieves value for money and that such funds are applied for the intended purpose.
- C. Report on Effectiveness of Internal Controls, Risk Management and Governance which considers how the entity has instituted checks and balances to guide internal operations. This responds to the effectiveness of the governance structure, the risk management environment and the internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

An unmodified opinion does not necessarily mean that an entity has complied with all relevant laws and regulations and that its internal controls, risk management and governance systems are properly designed and were working effectively in the financial year under review.

The three parts of the report are aimed at addressing the statutory roles and responsibilities of the Auditor-General as provided by Article 229 of the Constitution, the Public Finance Management Act, 2012 and the Public Audit Act, 2015. The three parts of the report, when read together constitute the report of the Auditor-General.

### REPORT ON THE FINANCIAL STATEMENTS

#### **Opinion**

I have audited the accompanying financial statements of ADCAFC Development Limited Liability Partnership set out on pages 1 to 17, which comprise of the statement of financial

position as at 31 December, 2023, and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which, to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of ADCAFC Development Limited Liability Partnership as at 31 December, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards, and comply with the Limited Liability Partnership Deed dated 05 June, 2017 and the Public Finance Management Act, 2012.

### **Basis for Opinion**

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the ADCAFC Development Limited Liability Partnership Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audit of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

### **Key Audit Matters**

Key audit matters are those matters that, in my professional judgment, are of most significance in the audit of the financial statements. There were no key audit matters to report in the year under review.

## **REPORT ON LAWFULNESS AND EFFECTIVENESS IN USE OF PUBLIC RESOURCES**

### **Conclusion**

As required by Article 229(6) of the Constitution, based on the audit procedures performed, I confirm that, nothing has come to my attention to cause me to believe that public resources have not been applied lawfully and in an effective way.

### **Basis for Conclusion**

The audit was conducted in accordance with ISSAI 4000. The standard requires that I comply with ethical requirements and plan and perform the audit to obtain assurance about whether the activities, financial transactions and information reflected in the financial statements are in compliance, in all material respects, with the authorities that govern them. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.



## REPORT ON EFFECTIVENESS OF INTERNAL CONTROLS, RISK MANAGEMENT AND GOVERNANCE

### **Conclusion**

As required by Section 7(1)(a) of the Public Audit Act, 2015, based on the audit procedures performed, except for the matter described in the basis for conclusion section of my report. I confirm that, nothing else has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

#### **Long Outstanding Trade and Other Receivables**

The statement of financial position reflects trade and other receivables balance of Kshs.50,381,400 as disclosed in Note 6 to the financial statements. The balance is net of provision for doubtful debts amount of Kshs.84,174,418 resulting to gross trade receivables balance of Kshs.130,728,966. However, and although the Management have explained that the debts referred to accumulated during the Covid-19 pandemic and were a consequence of Government-imposed measures to mitigate the spread of the virus and have instituted measures of recovery of outstanding debts, review of aging analysis revealed that an amount totalling Kshs.106,963,522 of total debt relates to debts that have been outstanding over 180 days and whose recoverability is doubtful.

In the circumstances, recoverability of the long outstanding receivables is doubtful and effectiveness of measures by Management for debt recovery could not be confirmed.

The audit was conducted in accordance with ISSAI 2315 and ISSAI 2330. The standards require that I plan and perform the audit to obtain assurance about whether processes and systems of internal controls, risk management and overall governance were operating effectively, in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

### **Responsibilities of Management and the Management Committee**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error and for its assessment of the effectiveness of internal controls, risk management and overall governance.

In preparing the financial statements, Management is 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 Management is aware of the intention to liquidate the Partnership or to cease operations.

Management is also responsible for the submission of the financial statements to the Auditor-General in accordance with the provisions of Section 47 of the Public Audit Act, 2015.

In addition to the responsibility for the preparation and presentation of the financial statements described above, Management is also responsible for ensuring that the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities which govern them, and that public resources are applied in an effective way.

The Management Committee is responsible for overseeing the Partnership's financial reporting process, reviewing the effectiveness of how Management monitors compliance with relevant legislative and regulatory requirements, ensuring that effective processes and systems are in place to address key roles and responsibilities in relation to governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

### **Auditor-General's Responsibilities for the Audit**

The audit 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 my opinion in accordance with the provisions of Section 48 of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement and weakness 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.

In addition to the audit of the financial statements, a compliance audit is planned and performed to express a conclusion about whether, in all material respects, the activities, financial transactions and information reflected in the financial statements are in compliance with the authorities that govern them and that public resources are applied in an effective way, in accordance with the provisions of Article 229(6) of the Constitution and submit the audit report in compliance with Article 229(7) of the Constitution.

Further, in planning and performing the audit of the financial statements and audit of compliance, I consider internal controls in order to give an assurance on the effectiveness of internal controls, risk management and governance processes and systems in accordance with the provisions of Section 7(1)(a) of the Public Audit Act, 2015 and submit the audit report in compliance with Article 229(7) of the Constitution. My consideration of the internal controls would not necessarily disclose all matters in the internal control that might be material weaknesses under the ISSAIs. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Because of its inherent limitations, internal controls may not prevent or detect misstatements and instances of non-compliance. Also, projections of any evaluation of

effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

As part of an audit conducted in accordance with ISSAIs, I exercise professional judgement and maintain professional skepticism throughout the audit. I 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 my 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 controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of the Management's use of the going concern 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 going concern. If I conclude that a material uncertainty exists, I am required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my audit report. However, future events or conditions may cause the Partnership to cease to continue as 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 and business activities of the Partnership to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

I communicate with the Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls that are identified during the audit.

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

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

Nairobi

25 July, 2024

#### 14. Statement of Profit or Loss & Other Comprehensive Income

Description	Note	2023 Kshs	2022 Kshs
Revenue	1	174,814,550	160,663,872
Cost of Sales	2	(35,819,480)	(32,999,595)
<b>Gross Profit</b>		<b>138,995,070</b>	<b>127,664,277</b>
Administrative Expenses	3	(21,155,507)	(17,646,951)
Operating Expenses	4	(2,897,987)	(3,179,150)
<b>Profit</b>		<b>114,941,576</b>	<b>106,838,177</b>

15. Statement of Financial Position

Description	Note	2023 Kshs	2022 Kshs
<b>Non-current Assets</b>			
Property and Equipment	5	42,155,726 <b>42,155,726</b>	25,625,354 <b>25,625,354</b>
<b>Current Assets</b>			
Trade and Other Receivables	6	50,381,400	37,521,206
Bank and Cash Balances	7	104,050,750 <b>154,432,151</b>	99,173,630 <b>136,694,837</b>
<b>Total Assets</b>		<b>196,587,876</b>	<b>162,320,190</b>
<b>Equity and Liabilities</b>			
Retained Earnings	8	122,168,671	122,168,671
<b>Shareholders' Fund</b>		<b>122,168,671</b>	<b>122,168,671</b>
<b>Current Liabilities</b>			
Trade and Other Payables	11	74,419,205 <b>74,419,205</b>	40,151,519 <b>40,151,519</b>
<b>Total Equity and Liabilities</b>		<b>196,587,876</b>	<b>162,320,190</b>

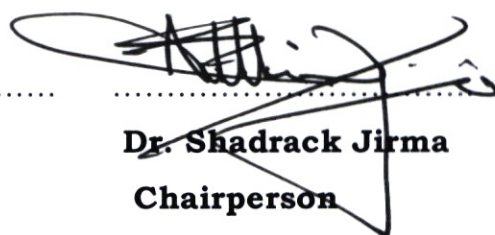
The financial statements were approved by the Committee on **28/03/2024** and signed on its behalf by:



**Rose Kinyua**  
Property Manager



**Cornelius Getita**  
Member



**Dr. Shadrack Jirma**  
Chairperson

ICPAK M/NO: 13288

**16. Appropriation Account**

<b>Particulars</b>	<b>Amount Kshs</b>	<b>Amount Kshs</b>
Profit/loss		114,941,576
Less Rental WHT		<u>(6,230,679)</u>
		<b>108,710,897</b>
Share of the profit for the year		
ADC 50%	54,355,499	
AFC 50%	54,355,449	
		<u>108,710,897</u>
Total		<b>108,710,897</b>
2023 Drawings		
ADC	36,600,000	
AFC	36,600,000	
Total	73,200,000	
2022 Advance Payment		
ADC	5,680,705	
AFC	680,705	
	6,361,410	
Total Share(Drawings + advance)		
ADC	42,280,705	
AFC	37,280,705	
		79,561,410
2023 due to		
ADC	12,074,743.50	
AFC	17,074,743.50	
		<u>29,149,487</u>
		<b>108,710,897</b>

**17. Statement of Changes in Equity**

	NOTES	Share capital Kshs	Revaluation Reserve	Retained Earnings Kshs	Total Kshs
<b>At 31<sup>st</sup> December, 2022</b>				<b>122,168,671</b>	<b>122,168,671</b>
<b>At 1<sup>st</sup> January, 2023</b>		-	-	<b>122,168,671</b>	<b>122,168,671</b>
2022 Advance to partners		-	-	(6,361,410)	(6,361,410)
2023 profit		-	-	114,941,576	114,941,576
2023 Partners drawings		-	-	(73,200,000)	(73,200,000)
2023 Rental WHT		-	-	(6,230,679)	(6,230,679)
2023 Due to partners		-	-	(29,149,487)	(29,149,487)
<b>At 31<sup>st</sup> December, 2023</b>		-	-	<b>122,168,671</b>	<b>122,168,671</b>



## 18. Statement of Cash Flows

Description	Note	2023 Kshs	2022 Kshs
<b>Cash flow from operating activities:</b>			
Profit/(Loss) Before Taxation		114,941,576	106,838,177
<b>Adjustments for:</b>			
Depreciation of Property & Equipment	5	4,725,235	2,141,289
Profit/loss on Disposal of Assets		-	761,731
Advance to partners		(6,361,410)	6,361,410
Interest on Short Term Deposits		(10,081,839)	(7,716,172)
Rental WHT		(6,230,679)	(4,999,587)
Increase/Decrease in Trade and Other Receivables	6	(12,860,194)	5,199,974
Increase/Decrease in Trade and Other Payables	11	34,267,686	(24,880,892)
Due to partners		(29,149,487)	-
<b>Net cash flows generated from operating activities</b>		<b>89,250,888</b>	<b>83,705,930</b>
<b>Cash flow from Investing activities:</b>			
Purchase of Property & Equipment	5	(21,255,607)	(764,801)
Erroneous Adjustment		-	54,120
Proceeds from disposal of Property & Equipment		-	2,136,000
Interest on Short Term Deposits		10,081,839	7,716,172
Drawings to Partners		(73,200,000)	(108,200,000)
<b>Net cash flow used in investing activities</b>		<b>(84,373,768)</b>	<b>(99,058,509)</b>
<b>Cash flow from Financing activities:</b>			
Prior Year adjustment	10	-	(3,389,465)
<b>Net cash flow used in financing activities</b>		<b>-</b>	<b>-</b>
Net increase in cash and cash equivalent		4,877,120	(18,742,044)
Cash and cash equivalent at the beginning of the year		99,173,630	117,915,674
<b>Cash and cash equivalent at the end of the period</b>	7	<b>104,050,750</b>	<b>99,173,630</b>

**19. Statement of Comparison of Budget & Actual Amounts 2023 FY**

Description	Original budget	Adjustments	Final Budget	Actual as at 31st December	Performance Variance	% of Utilization
Rent Income	133,331,750	-	133,331,750	130,651,516	2,680,234	98%
Service Charge Income	25,231,780	-	25,231,780	25,103,816	127,964	99%
Car Park Income	7,344,000	-	7,344,000	7,488,002	(144,002)	102%
Resource Center Income	1,500,000	-	1,500,000	1,473,861	26,139	98%
Interest On Short Term Deposit	6,000,000	-	6,000,000	10,081,839	(4,081,839)	168%
Other Income	50,000	-	50,000	15,516	34,484	31%
<b>Total Income</b>	<b>173,457,530</b>	<b>-</b>	<b>173,457,530</b>	<b>174,814,550</b>	<b>(1,357,020)</b>	<b>101%</b>
		-				
Strategic Planning Expenses	1,000,000	-	1,000,000	-	1,000,000	0%
Water A/C 1115162 & 1115172	3,800,000	400,000	4,200,000	3,222,618	977,382	77%
Electricity	16,000,000	4,000,000	20,000,000	18,739,457	1,260,543	94%
Security	5,000,000	-	5,000,000	3,847,924	1,152,076	77%
Cleaning & Sanitary	4,300,000	-	4,300,000	3,580,766	719,234	83%
Repairs & Maint - General	2,300,000	-	2,300,000	2,021,883	278,117	88%
Lift Repairs & Maintenance	2,935,000	437,000	3,372,000	2,349,327	1,022,673	70%
Repairs & Maint - Electrical	1,000,000	-	1,000,000	524,306	475,695	52%
Generator Fuel & Gen Maintenance	670,000	-	670,000	488,019	181,981	73%
Land Rates	1,150,140	-	1,150,140	1,150,000	140	100%
Land Rent	383,200	-	383,200	383,200	-	100%
Professional Fee	2,500,000	(2,000,000)	500,000	333,621	166,379	67%
Fumigation	140,000	23,000	163,000	162,400	600	100%
<b>Total Cost of Sales</b>	<b>41,178,340</b>	<b>2,860,000</b>	<b>44,038,340</b>	<b>36,803,521</b>	<b>7,234,820</b>	<b>84%</b>
		-				
Printing & Stationery	250,000	-	250,000	121,124	128,876	48%
Telephone & Postage	334,000	-	334,000	211,987	122,013	63%
Office Expenses	100,000	20,000	120,000	110,571	9,429	92%
Licenses	1,000,000	-	1,000,000	35,000	965,000	4%
Resource Center Expenses	695,824	-	695,824	425,495	270,329	61%
Consultancy Services	1,500,000	(1,500,000)	-	-	-	0%
Bank Charges	40,000	20,000	60,000	66,695	(6,695)	111%
Insurance	3,000,000	(1,400,000)	1,600,000	1,522,073	77,927	95%
Legal Fees	1,000,000	-	1,000,000	-	1,000,000	0%
Audit Fee	500,000	-	500,000	441,165	58,835	88%
Advertising	1,000,000	-	1,000,000	97,200	902,800	10%
Computer Repair & Gen Maintenance	220,000	-	220,000	146,752	73,248	67%
Provision For Depreciation	6,249,899	-	6,249,899	4,725,235	1,524,664	76%
Provision For Bad Debts	11,755,109	-	11,755,109	7,294,559	4,460,550	62%
<b>Total Administrative Costs</b>	<b>27,644,832</b>	<b>(2,860,000)</b>	<b>24,784,832</b>	<b>15,197,856</b>	<b>9,586,976</b>	<b>61%</b>
		-				
Salaries & Wages	6,138,984	-	6,138,984	5,176,985	961,999	84%
Gratuity Expense	685,070	-	685,070	685,070	-	100%
Committee Allowances	2,000,000	-	2,000,000	1,579,344	420,656	79%
Subsistence Allowance	110,000	-	110,000	30,000	80,000	27%
Training	1,000,000	-	1,000,000	100,200	899,800	10%
DHMC Welfare Expenses	300,000	-	300,000	300,000	-	100%
<b>Total Staff &amp; DHMC Costs</b>	<b>10,234,054</b>	<b>-</b>	<b>10,234,054</b>	<b>7,871,599</b>	<b>2,362,455</b>	<b>77%</b>
<b>Total Expenditure</b>	<b>79,057,226</b>	<b>-</b>	<b>79,057,226</b>	<b>59,983,073</b>	<b>19,074,153</b>	<b>76%</b>
Rental Withholding Tax	10,000,000	-	10,000,000	6,230,679	3,769,321	62%
<b>Surplus</b>	<b>84,400,304</b>	<b>-</b>	<b>84,400,304</b>	<b>108,710,897</b>	<b>(24,310,591)</b>	<b>129%</b>
Partners Drawings	67,200,000	-	67,200,000	73,200,000	(6,000,000)	109%
		-		36,600,000	(36,600,000)	
		-		36,600,000	(36,600,000)	

## 20. Notes to the Financial Statements

### Summary of Significant Accounting Policies

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

a) **Statement of compliance and basis of preparation**

The financial statements have been prepared on a historical cost basis except for the measurement at re-valued amounts of certain items of property, plant and equipment, marketable securities and financial instruments at fair value, impaired assets at their estimated recoverable amounts and actuarially determined liabilities at their present value. The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) allows the use of estimates and assumptions. It also requires management to exercise judgment in the process of applying the *Partnership's* accounting policies. The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the *Partnership*.

The financial statements have been prepared in accordance with the PFM Act, the State Corporations Act, and International Financial Reporting Standards (IFRS). The accounting policies adopted have been consistently applied to all the years presented.

b) **Revenue recognition**

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the *Partnership* and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be received in the ordinary course of the *Partnership's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *Partnership's* activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the *Partnership* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.

- iii) **Interest income** is recognized in the income statement in the year in which the right to receive the payment is established.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- v) **Other income** is recognized as it accrues.

c) **In-kind contributions**

In-kind contributions are donations that are made to the *Partnership* in the form of actual goods and/or services rather than in money or cash terms. These donations may include vehicles, equipment or personnel services. Where the financial value received for in-kind contributions can be reliably determined, the *Partnership* includes such value in the statement of comprehensive income both as revenue and as an expense in equal and opposite amounts; otherwise, the contribution is not recorded.

d) **Property, plant and equipment**

All categories of property, plant and equipment are initially recorded at cost less accumulated depreciation and impairment losses. Certain categories of property, plant and equipment are subsequently carried at re-valued amounts, being their fair value at the date of re-valuation less any subsequent accumulated depreciation and impairment losses. Where re-measurement at re-valued amounts is desired, all items in an asset category are re-valued through periodic valuations carried out by independent external values. Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income. Decreases that offset previous increases in the carrying amount of the same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

Gains and losses on disposal of items of property, plant and equipment are determined by comparing the proceeds from the disposal with the net carrying amount of the items, and are recognized in profit or loss in the income statement.

e) **Depreciation and impairment of property, plant and equipment**

Freehold land and capital work in progress are not depreciated. Capital work in progress relates mainly to the costs of ongoing but incomplete works on buildings and other civil works and installations.

**Notes to the Financial Statements (continued)**

Depreciation on property, plant and equipment is recognized in the income statement on reducing balance over its estimated useful life. The annual rates in use are:-

1. Buildings and civil works (25 years) or the unexpired lease period
2. Plant and machinery (12.5 years)
3. Motor vehicles, including motor cycles (4 years)
4. Computers and related equipment (3 years)
5. Office equipment, furniture and fittings (12.5 years)

A full year's depreciation charge is recognized both in the year of asset purchase and in the year of asset disposal.

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

<b>Item</b>	<b>Depreciation method</b>	<b>Depreciation rate</b>
Plant and machinery	Reducing balance	10%
Furniture and fixtures	Reducing balance	10%
Office equipment	Reducing balance	10%
IT equipment	Reducing balance	25%

Items of property, plant and equipment are reviewed annually for impairment. Where the carrying amount of an asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

f) **Intangible assets**

Intangible assets comprise purchased computer software licenses, which are capitalized on the basis of costs incurred to acquire and bring to use the specific software. These costs are amortized over the estimated useful life of the intangible assets from the year that they are available for use, usually over three years.



**Notes to the Financial Statements (continued)**

**Amortization and impairment of intangible assets**

Amortization is calculated on the reducing balance over the estimated useful life of computer software of three years. All computer software is reviewed annually for impairment. Where the carrying amount of an intangible asset is assessed as greater than its estimated recoverable amount, an impairment loss is recognized so that the asset is written down immediately to its estimated recoverable amount.

Investment property is carried at fair value, representing open market value determined periodically by independent external values. Changes in fair values are included in profit or loss in the income statement.

g) **Fixed interest income**

Fixed interest income refer to investment funds placed under National Bank of Kenya (NBK).

h) **Inventories**

Inventories are stated at the lower of cost and net realizable value. The cost of inventories comprises purchase price, import duties, transportation and handing charges, and is determined on the moving average price method.

i) **Trade and other receivables**

Trade and other receivables are recognized at fair values less allowances for any uncollectible amounts. These are assessed for impairment on a continuing basis. An estimate is made of doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off after all efforts at recovery have been exhausted.

j) **Taxation**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted as at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred income tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.





### 3. Administrative Expenses

Description	2023	2022
	Kshs	Kshs
Depreciation	4,725,235	2,141,289
Salaries and Wages	5,176,985	5,347,880
Provision for bad and doubtful debts	7,294,559	6,443,819
Committee Allowances	1,579,344	1,383,282
Gratuity	685,071	685,071
Telephone & Postage	211,987	212,599
Audit Fee	441,165	500,000
Energy audit fee	-	300,000
Legal Fee	-	5,000
professional fee	333,621	16,000
Office expenses	110,571	78,267
Printing	121,124	168,827
Bank charges	66,695	30,395
Subsistence Allowances	30,000	45,650
Licenses	35,000	25,000
Advertising	97,200	128,772
Training	100,200	69,600
Computer & system main	146,752	65,500
<b>Total Admin Expenses</b>	<b>21,155,507</b>	<b>17,646,951</b>

### 4. Operating Expenses

	2023	2022
Insurance	1,522,073	1,466,403
Generator fuel	488,019	230,470
Resource Centre Expenses	425,495	285,546
DHMC Welfare Expenses	300,000	300,000
Fumigation	162,400	135,000
Loss on Disposal of generator	-	761,731
<b>Total</b>	<b>2,897,987</b>	<b>3,179,150</b>

## 5. Property Plant & Equipment

	<b>Machines</b> 10.00% Kshs	<b>Furniture, Fittings &amp; Equipment</b> 10.00% Kshs	<b>Office Equipment</b> 10.00% Kshs	<b>IT Equipment</b> 25.00% Kshs	<b>TOTAL</b> Kshs
<b>Year 2022</b>					
As at 1st January, 2022	14,303,555	41,432,081	520,180	1,903,065	58,158,881
Disposal of the generator	-	(9,637,970)	-	-	(9,637,970)
Additions	-	696,801	-	68,000	764,801
As at 31st December, 2022	14,303,555	32,490,912	520,180	1,971,065	49,285,712
<b>Year 2023</b>					
Year 2023					
As at 1st January, 2023	14,303,555	32,490,912	520,180	1,971,065	49,285,712
Additions	-	21,201,257	-	54,350	21,255,607
<b>As at 31st December, 2023</b>	<b>14,303,555</b>	<b>53,692,169</b>	<b>520,180</b>	<b>2,025,415</b>	<b>70,541,319</b>
<b>Depreciation</b>					
As at 1st January, 2022	5,904,842	20,189,839	451,210	1,713,411	28,259,302,
Charge for the year	839,871	1,230,107	6,897	64,414	2,141,289
Disposal of the generator	-	(6,740,239)	-	-	(6,740,239)
Balance as at 31st December, 2022	6,744,714	14,679,707	458,107	1,777,824	23,660,352
As at 1st January, 2023	6,744,714	14,679,707	458,107	1,777,824	23,660,352
Charge for the year	755,884	3,901,246	6,207	61,898	4,725,235
Balance as at 31st December, 2023	7,500,598	18,580,954	464,314	1,839,722	28,385,588
<b>Net Book Value</b>					
As at 31st December, 2022	7,558,841	17,811,205	62,073	193,235	25,625,354
As at 31st December, 2023	6,802,957	35,111,216	55,860	185,693	42,155,726

## 6. Trade & Other Receivables

Description	2023 Kshs	2022 Kshs
Trade Receivables	46,554,548	27,521,022
Deposit for generator fuel	100,000	-
Vat Recoverable	997,091	771,955
Prepayment	1,183,440	1,119,263
Deposit for Electricity	1,168,094	1,168,094
Advance to ADC & AFC	-	6,361,410
Interest receivables	378,227	579,462
<b>Total</b>	<b>50,381,400</b>	<b>37,521,206</b>

### Reconciliation of trade receivables

Opening balance	27,521,022	36,596,179
Debtors during the year	183,776,376	197,874,264
Payments during the year	(171,546,179)	(186,407,714)
Provision for doubtful debt	(7,294,559)	(6,443,819)
<b>Total</b>	<b>46,554,548</b>	<b>27,521,022</b>

### Reconciliation of doubtful debts/credit losses

Accumulated provision for bad debts	76,879,859	70,436,040
Provision for doubtful debts/credit losses	7,294,559	6,443,819
<b>Total</b>	<b>84,174,418</b>	<b>76,879,859</b>

## 7. Cash & cash equivalent

Description	2023 Kshs	2022 Kshs
Short Term Deposits: NBK-01003004368400	100,000,000	92,329,096
Cash at hand	11,095	39,140
Current account: NBK-01003004368400	4,039,655	6,805,394
<b>Total</b>	<b>104,050,750</b>	<b>99,173,630</b>

## 8. Retained Earnings

Description	2023 Kshs	2022
<b>January 1st</b>	<b>122,168,671</b>	<b>122,168,671</b>
2022 advance to partners	(6,361,410)	-
2023 profit	114,941,576	-
2023 partners drawings	(73,200,000)	-
2023 Rental Withholding Tax	(6,230,679)	-
2023 Due to partners	(29,149,487)	-
<b>At 31st December</b>	<b>122,168,671</b>	<b>122,168,671</b>

## 9. Loss on disposal of Generator

Description	2023 Kshs	2022 Kshs
Accumulated Depreciation	-	(6,740,239)
Net Book Value	-	<b>2,897,731</b>
Disposal Proceeds	-	(2,136,000)
Loss on Disposal	-	<b>761,731</b>

## 10. Prior Year Adjustments

Description	2023 Kshs	2022 Kshs
2022 Rental Withholding Tax utilized	-	(4,311,086)
2022 Prepaid Rent (Posted as income)	-	921,621
<b>Total</b>	-	<b>(3,389,465)</b>

## 11. Trade & Other Payables

Description	2023 Kshs	2022 Kshs
Tenants Deposits	32,883,519	31,601,552
Trade Payables	2,424,554	970,108
Prepaid Rent	3,124,526	2,300,374
Accrued Gratuity	1,446,963	2,800,425
Accrued PAYE	330,006	355,721
Accruals(General)	4,560,149	1,623,339
Accrued Audit Fee	500,000	500,000
Dues to partners	29,149,487	-
<b>Total</b>	<b>74,419,205</b>	<b>40,151,519</b>

## 21. Progress on Follow up Of Auditor Recommendations

The partnership was issued with a qualified audit opinion and there were some pending issues in the auditor's report.

Reference No. on the external audit report	Issue/ Observation from the auditor	Management Response	Responsibility	Status
2022 Audit certificate	Interest on Short Term Deposits	The partnership reports under IFRS framework in which income is recognized when earned but not when received. Management provided details of the term deposits and interest earned, supported by certificates of deposit.	Management	Resolved
	Lack of an Audit Committee and Internal Audit	A new internal audit committee has been established as per the amended Accounting Policies and Procedures Manual. Previous audit reports by external auditors and internal audit functions of the partners were provided.	Management	Implemented
	Lack of a Risk Management Policy	A Risk and Compliance policy was developed along with specific policies addressing identified risks. Standard Operating Procedures were also formulated to manage various aspects of the partnership's operations.	Management	Implemented
	Inaccuracies in Financial Statements	The accountant acknowledged the inaccuracies and has reconciled and updated the financial statements to address these issues, including trade and other receivables, cash flows, and property plant and equipment.	Accountant	Resolved
	Unsupported Prior Year Adjustments	The accountant acknowledged the error in including prior year adjustments without providing explanations or details. The accountant has adjusted the financial statements.	Accountant	Resolved

