

REPUBLIC OF KENYA



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**REPORT**

DATE: **19 SEP 2024**

DAY.

THURSDAY

TABLED  
BY:

HON. ROBERT PUKOSE, MP

CLERK-AT  
THE-TABLE:

Vivian Wambui

OF

**THE AUDITOR-GENERAL**

**ON**

**NATIONAL HOUSING  
DEVELOPMENT FUND**

**FOR THE YEAR ENDED  
30 JUNE, 2023**

OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY  
26 JUN 2024  
**RECEIVED**



# NATIONAL HOUSING DEVELOPMENT FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS

For the financial year ended  
June 30th, 2023



## Table of Contents

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1	Abbreviation, Acronyms and Glossary of Terms	i
2	Key Fund Information and Management	ii
3	The Board of Trustees/Directors	vi
4	Management Team	xii
5	Chairman's Report	xv
6	Report of the Fund Administrator	xvi
7	Corporate Governance Statement	xvii
8	Management Discussion and Analysis	xviii
9	Environmental and Sustainability Reporting	xxii
10	Report of the Trustees/Directors	xxiii
11	Statement of Management's Responsibilities	xxiv
12	Report of the Independent Auditor for the Financial Statements of NHDF	xxv
13	Statement of Financial Performance for the year ended 30th June 2023	1
14	Statement of Financial Position as at 30th June 2023	2
15	Statement of Changes in Net Assets For the year ended 30th June 2023	3
16	Statement of Cash Flows for the year ended 30th June 2023	4
17	Statement of Comparison of Budget and Actual Amounts for the year ended 30th June 2023	5
18	Notes to the Financial Statements	6



# 1. ABBREVIATIONS, ACRONYMS AND GLOSSARY OF TERMS

## a. Abbreviations and Acronyms

NHC	National Housing Corporation
AHP	Affordable Housing Programme
IFRS	International Financial Reporting Standards
MD	Managing Director
NT	National Treasury
PFM	Public Finance Management.
PSASB	Public Sector Accounting Standards Board
NHDF	National Housing Development Fund
SDHUD	State Department of Housing and Urban Development

## b. Glossary of Terms

Fiduciary management - Members of management entrusted directly with the responsibility and trust for the organisation financial resources.

## 2. KEY FUND INFORMATION AND MANAGEMENT

### a) Background Information

The Affordable Housing Programme (AHP) is a key tenet of the Government of Kenya's agenda to promote the long-term economic development of Kenyans. The objective of the AHP was to deliver 500,000 affordable housing units in its lifecycle.

The National Housing Corporation (NHC) has a key role in the AHP implementation and operationalization of the Fund. The National Housing Development Fund (the NHDF) regulations of 2018 sets out the rules governing the Housing Fund.

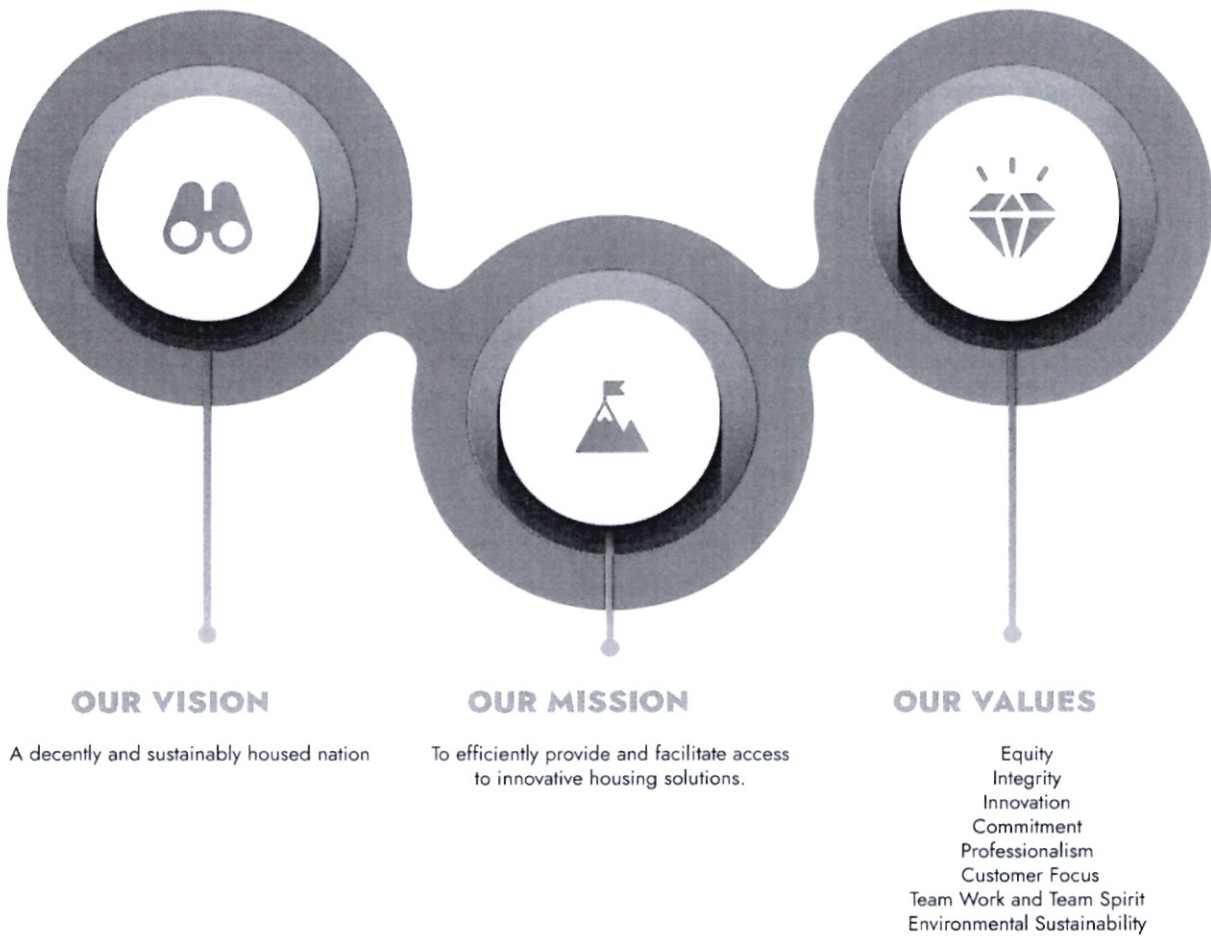
The Housing Fund is meant to enable Kenyans to save towards the purchase of an affordable home and to provide long term financing to homeowners through a Nationwide Tenant Purchase Scheme (TPS).

Contributions to the Housing Fund begun on 12 June 2019.





## b) Principal Activities



### c) Board of Trustees/Directors

The Directors who served the entity during the year were as follows:

	<b>Name</b>	<b>Position</b>	<b>Date of Exit</b>
1.	Ben Ngene Gituku	Chairman	10.2.2023
2.	Jackson Kimuri	Director	17.3.2023
3.	Habil Olaka	Director	17.3.2023
4.	Patricia Gathuri	Director	17.3.2023
5.	Caroline Armstrong	Director	17.3.2023
6.	Silvester Migwi	Director	17.3.2023
7.	Violet Mbindyo	Director	17.3.2023
8.	Jacqueline Muindi	Alternate to CS, National Treasury	28.2.2023
9.	Jane Mwangi	Alternate to PS, SDHUD	12.4.2023

The current members who were appointed during the current FY are as indicated below;

	<b>Name</b>	<b>Position</b>	<b>Date of Appointment</b>
1.	Hon. Yusuf Chanzu, CBS, OGW, HSC	Chairman	10.2.2023
2.	Prof. Njuguna Ndung'u, CBS	Cabinet Secretary, The National Treasury	n/a
3.	Charles Hinga Mwaura	Principal Secretary, State Department of Housing and Urban Development	n/a
4.	Mr. Mathews Thomas Ouko	Alternate to the Cabinet Secretary, The National Treasury	28.2.2023
5.	Gerald Kipkoech Rotich	Director	17.3.2023
6.	Arch. Hindu Rashid	Director	17.3.2023
7.	Arch. Jennifer Gathecha	Director	17.3.2023
8.	Yassin Haji Hussein	Director	17.3.2023
9.	Joshua Odhiambo Nyamori	Director	17.3.2023
10.	Benard Parsaloi Torome	Director	17.3.2023
11.	James Mitambo Maina	Alternate to the Principal Secretary, State Department of Housing and Urban Development	12.4.2023
12.	QS. David Mathu	Managing Director	



## Corporation Secretary

Mr. W.K.B Keitany,  
P.O. Box 30257-00100  
Nairobi, Kenya.

## Registered Office

NHC House,  
Aga Khan Walk,  
Nairobi, KENYA  
P.O. Box 30257-00100,  
Nairobi, Kenya.

## Corporation Headquarters

NHC House,  
Aga Khan Walk,  
P.O. Box 30257 – 00100,  
Nairobi, Kenya.

## Corporation Contacts

Telephone: +254 3312149/7  
E-mail: [info@nhckkenya.go.ke](mailto:info@nhckkenya.go.ke)  
Website: [www.nhckkenya.go.ke](http://www.nhckkenya.go.ke)

## Independent Auditors

The Auditor General,  
Office of the Auditor General,  
P.O. Box 30084 – 00100,  
Nairobi, Kenya.

## Principal Legal Advisers

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

## Fund Service Providers

### 1. Administrators

Zamara Actuaries, Administrators & Consultants Limited,  
Landmark Plaza, 10th Floor,  
Argwings Kodhek Road,  
P.O Box 52439 - 00200,  
Nairobi, Kenya.

### 2. Investment Manager

Britam Asset Managers (Kenya) Limited,  
Britam Centre,  
Mara D Ragati Road Junction,  
P.O. Box 50375 - 00100,  
Nairobi, Kenya.

### 3. Custodians

KCB Bank Kenya Limited,  
KCB Towers,  
Kenya Road, Upperhill,  
P O Box 30664 - 00100  
Nairobi, Kenya.

NCBA Bank  
Mara Rd. Upper-hill  
P.O Box 44599-00100  
Nairobi, Kenya

Co-operative Bank of Kenya  
Co-op House Branch  
P.O Box 67881 – 00100  
Nairobi, Kenya



### 3. THE BOARD OF TRUSTEES/DIRECTORS



**Hon. Yusuf Chanzu, CBS, OGW, HSC**

*Board Chairman*

Hon. Yusuf Chanzu, CBS, OGW, HSC is a seasoned Quantity Surveyor with over 22 years of work experience under the former Ministry of Public Works and Housing.

He holds a Master of Science degree in Construction Management (Corporate Strategy) from Heriott-Watt University, Edinburgh, Scotland and a Bachelor of Arts degree in Building Economics (Honors) from the University of Nairobi. He has also attended various high level management and professional / technical courses locally and abroad.

Hon. Chanzu is a Fellow of the Institute of Quantity Surveyors of Kenya (IQSK), Corporate Member of the Architectural Association of Kenya (Quantity Surveying Charter), Registered Quantity Surveyor with the Board of Registration of Architects and Quantity Surveyors Kenya (BORAQ's), an Associate of the Chartered Institute of Arbitrators and a Member of the Kenya Institute of Management (KIM).

**Prof. Njuguna Ndung'u, CBS**

*Cabinet Secretary The National Treasury*

Prof. Njuguna Ndung'u is the Cabinet Secretary, National Treasury & Economic Planning. Prior to the current appointment, Prof. Ndung'u was serving as the Executive Director of the African Economic Research Consortium (AERC), a Pan African premier capacity building network of researchers, trainers, students, universities, policy makers and international resource persons. He is an Associate Professor of Economics at the University of Nairobi, Kenya and the immediate former Governor, Central Bank of Kenya.

Prof. Ndung'u has been a member of the Global Advisory Council of the World Economic Forum, Visiting Fellow of Practice at Blavatnik School of Government, Oxford University, Director of Training at AERC, Program specialist at IDRC and Team Leader in Macro-modeling at the Kenya Institute for Public Policy Research and Analysis. He holds a PhD in Economics from University of Gothenburg, Sweden.

He is a Member of Brookings Africa Growth Initiative, Member of the Advisory Committee of the Alliance for Financial Inclusion that coordinates financial inclusion policies in Africa, Asia and Latin America, and Senior Advisor for the UNCDF.





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### Mr. Charles Hinga Mwaura, CBS, CA (SA)

*Principal Secretary, State Dept for Housing and Urban Development.*

Mr. Charles Hinga Mwaura, CBS is a Chartered Accountant (CA) and holds a Bachelor of Commerce (Accounting) degree from Kenyatta University and a Bachelor of Accounting Science (Honors) from University of South Africa.

His core competencies include project and structured finance, dealing in structuring and business development. He has successfully led a number of landmark advisory mandates including the R1.5 billion City Of Johannesburg Broadband Network Project, PRASA restructuring and recapitalization plan, Phase 1B of Rea Vaya Rapid Bus Transportation System and Integrated Rapid Transport Network Project.

Until his appointment as the Principal Secretary State Department for Housing and Urban Development, he was the Group Chairman of an advisory boutique with presence in South Africa and Kenya.

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### Eng. Gerald Kipkoech Rotich

*Director*

Eng. Gerald Kipkoech Rotich is a professional Mechanical Engineer with 20 years of progressive experience in design of mechanical building services, supervision of mechanical installations and contract administration, majorly in the private sector.

He holds a Bachelor of Science, Mechanical Engineering from the Jomo Kenyatta University of Agriculture and Technology, JKUAT.

Eng. Rotich is a member of the Institution of Engineers of Kenya (IEK) and a Registered Consulting Engineer with the Engineers Board of Kenya (EBK).

He is the Chair of the Technical Committee of the Board.





## Arch. Hindu Rashid Mzee

*Director*

Arch. Hindu Rashid Mzee is a professional architect with over 10 years experience in the field of Architecture.

She holds a Bachelor of Architectural Studies and Bachelor of Architecture, from The University of Nairobi.

Arch. Hindu has worked in the County Government of Mombasa, Department of Lands, Housing and Physical Planning as the Principal Housing Officer and Nippon Koei Company Ltd as part of the JICA design team undertaking the detailed design of the Mombasa Special Economic zone.

Arch. Hindu is a member of the Architectural Association of Kenya (AAK) and a Registered Architect with the Board of Registration of Architects and Quantity Surveyors, Kenya (BORAQS).

## Adv. Joshua Nyamori Odhiambo

*Director*

Adv. Joshua Nyamori Odhiambo is an Advocate of the High Court of Kenya with over 23 years experience working in the development sector in Kenya and the East African region. He has a rich history in resource mobilization, technical advisory on community-based activities and consulting on law matters.

He holds a Bachelors of Law (LLB) and a Bachelor of Education (Arts) Economics and Business from the University of Nairobi. He also holds a Post Graduate Diploma in Law from the Kenya School of Law, a Diploma in Banking from the College of Banking and Finance of Kenya. Currently, he is pursuing Masters in Law (LLB) from the University of Nairobi.

Mr Nyamori has worked at regional, national and grassroots level with focus on designing, implementing and evaluating participatory governance, civil society strengthening and youth empowerment for diverse clients including AFD, USAID, Danida and the Government of Kenya.

He has undertaken training in Policy Advocacy, Political Communications and Marketing, Citizens Participation in Political Process among others.

He is the Chair of the Finance, Strategy and Business Development Committee of the Board.





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### Mr. Bernard Parsaloi Torome

*Director*

Mr. Bernard Parsaloi Torome is a skilled professional with over 20 years of experience in strategic management, human resource and civil service administration.

He holds a Bachelor of Arts in Human Resource Management from the Greta University and a Diploma in Human Resource Management from the same University. He has also attended training in Governance, Leadership, Integrity and Administration.

He has served as a Councillor, Masikonde Ward, Narok town and later as the Member of County Assembly (MCA), Narok Town Ward. He has also served the County Assembly as the Majority Leader and was voted the best MCA in Narok County 2021 and 2022.

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### Arch. Jennifer W. Gathecha

*Director*

Arch. Jennifer W. Gathecha is a seasoned architect and project manager with a wealth of experience spanning over 30 years.

She holds a Bachelor of Arts in Architecture from the University of Nairobi and has undertaken several professional and leadership trainings.

Arch. Jennifer is currently a Consultant Architect at the Precise Architectural Consultants Ltd. She has previously worked in the Civil Service under the Ministry of Public Works, serving in leadership positions and managing projects.

She is credited with managing project works at the Kenya School of Government, refurbishing of Government offices and buildings like the National Intelligence Service headquarters, as well as supervising the implementation of public works in Nyandarua and Homa Bay counties.

She is a member of the Architectural Association of Kenya (AAK) and the Board of Registration of Architects and Quantity Surveyors (BORAQS).

She is the Chair of the Human Resource Committee of the Board.





## CPA Yassin Haji Hussein

*Director*

CPA Yassin Haji Hussein is a seasoned Certified Public Accountant with over 15 years of progressive experience in management and operations.

He holds an MBA (Executive) in Entrepreneurship from Moi University, a Bachelor of Business Studies (Hons) in Accounting from the Islamic University in Uganda and a Diploma in Purchasing and Supplies Management from the Kenya Institute of Management. He has also attended training in Corporate Governance and Best Practices for Audit Committees.

Hussein is currently the Director, Business Development at the Josiah, Salah and Associates (CPA). He is also the Finance Director at the Ten Commodities Wholesale Limited. He has previously served as the Managing Director of Amana Petroleum (K) Limited and as a member of the National Standard Council and Chair Audit Committee and Member HR committee.

Hussein is a certified CPA (K), a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and an associate member of the Kenya Institute of Management (KIM).

He is the Chair of the Audit Committee of the Board,

## CPA Mathews Ouko

*Alternate Director*

CPA Mathews Ouko is a seasoned Certified Public Accountant with over 15 years of work experience from the public and private sectors.

He holds a Master of Science in Finance and Investment from KCA University, Bachelor of Commerce, Finance option from Catholic University and a Higher Diploma in Management and Consultancy from the Riara University.

Currently, he is pursuing a PhD in Finance from Jomo Kenyatta University of Science and Technology. He is also a CPS (K), as well as a Chatter Fraud Examiner.

CPA Mathews is the Assistant Accountant General at the National Treasury in the Accounts Pension Department. He has previously worked with the Judiciary as the Chief Accountant, the Kenya Medical Training Institution as the Finance and Administrator as well as the Ruma Aid Programme.

He is a member of the Chartered Fraud Examiners Board, the Institute of Certified Public Accountants of Kenya (ICPAK) and the Institute of Certified Secretaries of Kenya (ICS).

He represents the Cabinet Secretary National Treasury in the Board.





## QS. David Mathu Njuguna

*Managing Director*

QS. David Mathu Njuguna is an accomplished construction and management professional in both public and private sectors.

He has over 15 years experience of local and global knowledge in public policy, strategy, innovation, business development, fundraising & partnerships, research & capacity building and environmental sustainability.

QS. Mathu holds a BA in Building Economics (Quantity Surveying) from the University of Nairobi, Master of Science in Procurement and Logistics from the Jomo Kenyatta University of Agriculture & Technology and is currently a doctoral researcher in Management Science and Engineering at the Harbin Institute of Technology, China.

In 2010 he was ranked the overall best quantity surveying candidate in the Board of Registration of Architects and Quantity Surveyors of Kenya's professional examinations, and was ranked among the Top 40 under 40 men 2022.

He is a registered Quantity Surveyor with the Board of Registration of Architects & Quantity Surveyors of Kenya (BORAQS), corporate member of the Institute of the Quantity Surveyors of Kenya (IQSK), full member of the Kenya Institute of Supplies Management and a professional diploma member of the Chartered Institute of Purchasing and Supply (CIPS-UK).

QS. Mathu has previously held Senior management positions, the immediate last being at the National Construction Authority (NCA) where he was the General Manager Construction Research, Business Development, Training and Capacity Building. He is a past council member of the Institute of Quantity Surveyors of Kenya (IQSK).

## Mr. William Keitany

*Corporation Secretary*

Mr. William Keitany is the Corporation Secretary. He holds a Bachelor of Laws degree from The University of Nairobi and a Postgraduate Diploma in Law from the Kenya School of Law.

He is an advocate of the High Court, a Certified Public Secretary, a member of the Law Society of Kenya and a member of the Institute of Certified Public Secretaries of Kenya. He has a wide experience spanning over 20 years in matters of Administration and Law.



## 4. MANAGEMENT TEAM



### QS. David Mathu Njuguna, MBS

*Managing Director*

QS. David Mathu Njuguna is an accomplished construction and management professional in both public and private sectors.

He has over 15 years experience of local and global knowledge in public policy, strategy, innovation, business development, fundraising & partnerships, research & capacity building and environmental sustainability.

QS. Mathu holds a BA in Building Economics (Quantity Surveying) from the University of Nairobi, Master of Science in Procurement and Logistics from the Jomo Kenyatta University of Agriculture & Technology and is currently a doctoral researcher in Management Science and Engineering at the Harbin Institute of Technology, China.

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### Mr. William Keitany

*Corporation Secretary*

Mr. William Keitany is the Corporation Secretary. He holds a Bachelor of Law degree from The University of Nairobi and a Postgraduate Diploma in Law from the Kenya School of Law.

He is an advocate of the High Court, a Certified Public Secretary, a member of the Law Society of Kenya and a member of the Institute of Certified Public Secretaries of Kenya. He has a wide experience spanning over 20 years in matters of Administration and Law.





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### Mr. Joel Gatune

*General Manager, Finance*

Mr Gatune is a Certified Public Accountant and Certified Public Secretary. He is a member of the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya.

He holds a Bachelor of Arts in Economics (First Class Honours) from Kenyatta University and a Master of Business Administration from The University of Nairobi.

He has over 25 years experience in Auditing, Strategy, Financial Planning and Management.

Prior to joining NHC, Joel worked for Deloitte as a Senior Auditor, ICEA LION Group as the Head of Finance, CIC Group as the Group General Manager, Finance and Investments and Kenya Orient Insurance as the General Manager, Finance and Strategy.

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### Eng. Thomas Ofwa

*General Manger, Technical Services*

Eng. Thomas Ofwa is the General Manager, Technical Services. He has over 25 years experience in design, construction supervision and contract management for civil/ structural engineering projects.

Eng. Ofwa joined NHC in 2004 and has risen through the ranks to the position of General Manager.

He holds a Bachelor of Science in Civil Engineering from the University of Nairobi and MBA from Kenyatta University. He is a registered consulting engineer with the Engineers Board of Kenya; a corporate member of the Institution of Engineers of Kenya; a member of the American Society of Civil Engineers; and a member of the Chartered Institute of Arbitrators (UK and Kenya Branch).







*Mr. John Washington Agutu  
General Manager, Estates*

Mr. John Washington Agutu is the General Manager, Estates Division. He is a registered valuer and estate agent by the Valuers Registration Board and Estates Agents Registration Board, respectively, and is a full member of the Institution of Surveyors of Kenya.

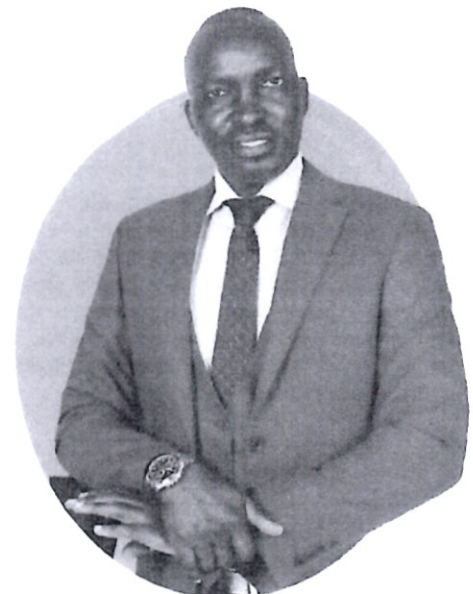
Mr. Agutu is an accomplished real estate professional who holds a Master of Arts in Housing Administration and Bachelor of Arts (Land Economics) (Hons) from the University of Nairobi. He has 24 years experience in estate management, housing development, financing and valuations accumulated while working for the central government, private sector and the National Housing Corporation.

*Mr. Edwin Njeru  
Internal Audit Manager*

Mr. Edwin Njeru is the Internal Audit Manager. He has over 15 years experience drawn from the banking sector in Internal Audit and possesses significant business leadership experience and expertise.

Mr Njeru holds a BSc Mathematics (First Class Honors), Master of Business Administration (Finance Option) and a Master of Science Mathematics all from the University of Nairobi. He is also a Certified Public Accountant (CPA), Certified Internal Auditor (CIA) as well as a Certified Internal Audit Quality Assessor (CQA).

He is a member of the Institute of Certified Public Accountants and the Institute of Internal Auditors



## 5. CHAIRMAN'S REPORT

Kenyans,

The dream of home ownership is one that resonates deeply with all of us. A home represents a haven of security, a testament to hard work and a place where memories are etched into the very walls. However, achieving this dream requires careful planning, discipline and the power of saving.

We recognize that the path to owning a home is daunting especially during these hard economic times, but it is our firm belief that with the right guidance and perseverance, this goal is attainable for all who aspire to achieve it. Saving to own a home requires a strategic approach, one that starts with setting clear financial goals and crafting a comprehensive savings plan tailored to individual circumstances, and the Boma Yangu platform is tailored to achieve this goal.

As the principal implementer of housing projects and programmes; we at the National Housing Corporation are determined to make housing more affordable by lobbying for waivers from government that will lead to lower construction costs. We are also promoting smart and sustainable developments that will be affordable to maintain to the end purchaser. Additionally, we are supporting initiatives that provide down payment assistance and affordable financing options, enabling more families to take that crucial step towards owning a home.

Through the Boma Yangu portal, we are encouraging the saving culture to enable savers access workable options towards homeownership. In our efforts to support Kenyans on this journey, the Corporation has implemented initiatives designed to make homeownership more accessible. Our affordable housing agreements such as the rent to own (Tenant Purchase) and Rural Loans facility are all aimed at providing you with opportunities to step onto the property ladder. We understand the challenges faced by fellow Kenyans and as such, the Corporation is committed to creating an environment where their aspirations will flourish.

Through strategic partnerships with the private sector and the county governments, we aim to increase the availability of affordable housing units ensuring that the Kenyans dream is not out of reach for those who work hard and strive for a better life.

In conclusion, the road to owning a home is one that requires dedication and patience but it is a journey well worth undertaking. By setting clear financial goals, making strategic choices and taking advantage of available resources, we can turn dreams of homeownership into a reality. The Corporation aims at setting footprint in every County hence urges Kenyans to take the bold step towards making savings towards their home ownership journey.

Thank you.



Hon. Yusuf Chanzu, CBS, OGW, HSC  
Chairman of the Board of Directors



## 6. REPORT OF FUND ADMINISTRATOR

### Fund Overview For the Financial Year 2022/2023

This period was marked by unprecedented challenges, both at macro and micro levels, which have tested our resilience and ingenuity over the last two years.

The financial year 2023 presented us with a multitude of obstacles, chief among them being the pervasive market volatility and economic disruptions on both global and local fronts. The fluctuations in market conditions, coupled with geopolitical uncertainties, have posed formidable challenges to our country's financial stability and by extension the pension Fund in Kenya.

In Kenya, we grappled with the effects of delayed rainfall, which not only impacted agricultural productivity but also exacerbated inflationary pressures across various sectors. Furthermore, the government's heightened appetite for borrowing to finance its budget added strain to an already burdened economic environment, driving up interest rates and further complicating the debt instruments.

In the face of these adversities, I am immensely proud of the steadfastness and resourcefulness demonstrated by the board of directors. The board became more vigilant and proactive in managing members of the public deposit, implementing prudent strategies to mitigate risks and safeguard members' interests.

### Fund Performance

The value of the Fund stood at Kshs. 1,249,607,582 as at 30 June 2023, There was an 11.3 % increase in the total fund membership and also a 32.7% growth in the number of people who were contributing to the fund. This is an indication that Kenyans have a desire to own a home and are willing to save towards the home ownership goal.



A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

QS. David Mathu, MBS  
Managing Director/CEO

## 7. CORPORATE GOVERNANCE STATEMENT

### Separation of Duties

The independence of the Board and that of the Corporation's corporate management is achieved through the separation of functions and responsibilities of the Chairman from those of the Managing Director. This helps the Corporation achieve an appropriate balance of power, increased accountability and improved decision making.

### Responsibilities of Directors

Ultimately, the Board determines the Corporation's strategic objectives, values, key policies and procedures in accordance with best established practice. It is responsible for establishing and maintaining the overall internal control of the financial, operational and compliance functions, as well as, monitoring performance of the executive management.

The Board has delegated the authority for day-to-day management of the Corporation to the Managing Director. However, it retains overall responsibility for the Corporation's financial performance, compliance with the laws and regulations, and monitoring of its operations as well as ensuring competent management of the Corporation's business.

The Board sets the strategic intent of the Corporation's objectives and values. It ensures that procedures and policies are in place to protect the Company's assets and reputation. The Board reviews the strategic direction and adopts business plans proposed by Management.

### Board Composition

The Board of Directors comprise of nine (9) members: non-executive chairman who is an independent director, six other independent directors and two directors from the public sector representing the Ministry of National Treasury and Economic Planning and State Department for Housing & Urban Development (Ministry of Lands, Public Works, Housing and Urban Development). The Directors have a wide range of skills and experience and each contributes independent judgment and knowledge to Board discussions.

### Board Meetings – Information for Directors

The Directors are provided with appropriate and timely information on the Corporation's activities. Equally, Board Members have free access to Management through the Chairman and Managing Director. Regular presentations are made by management to the Board. Board Committees and directors may seek briefing from management on specific matters as well as seek independent professional advice.

### Strategic Role of the Board

The Board provides strategic direction with a focus on consistent business performance in an atmosphere of transparency and accountability whilst reviewing and monitoring proper corporate governance.

The Board retains full and effective control over the Corporation and monitors management's implementation of the set strategic plans. It ensures compliance of relevant laws and regulations, audit and accounting principles, corporate policies and procedures and the code of ethics. It strives to act above and beyond the minimum requirements, and benchmark performance against best practices. In accordance with the principles of good corporate governance, each director undertakes to act in the best interest of the Corporation. Each director is also fully aware that the Board is responsible for determining the Corporation's vision, mission and values, deciding the strategic objectives and ensuring establishment of the organizational structure and procedures to achieve the set objectives.

### Conflicts of Interest

The Directors are duty-bound to act honestly and in the best interests of the Corporation. Any business transacted with the Corporation must be fully disclosed to the Board consideration and approval. A Director must refrain from discussing or voting on matters with a potential for conflict of interest.



## 8. MANAGEMENT DISCUSSION AND ANALYSIS

### Fund Membership

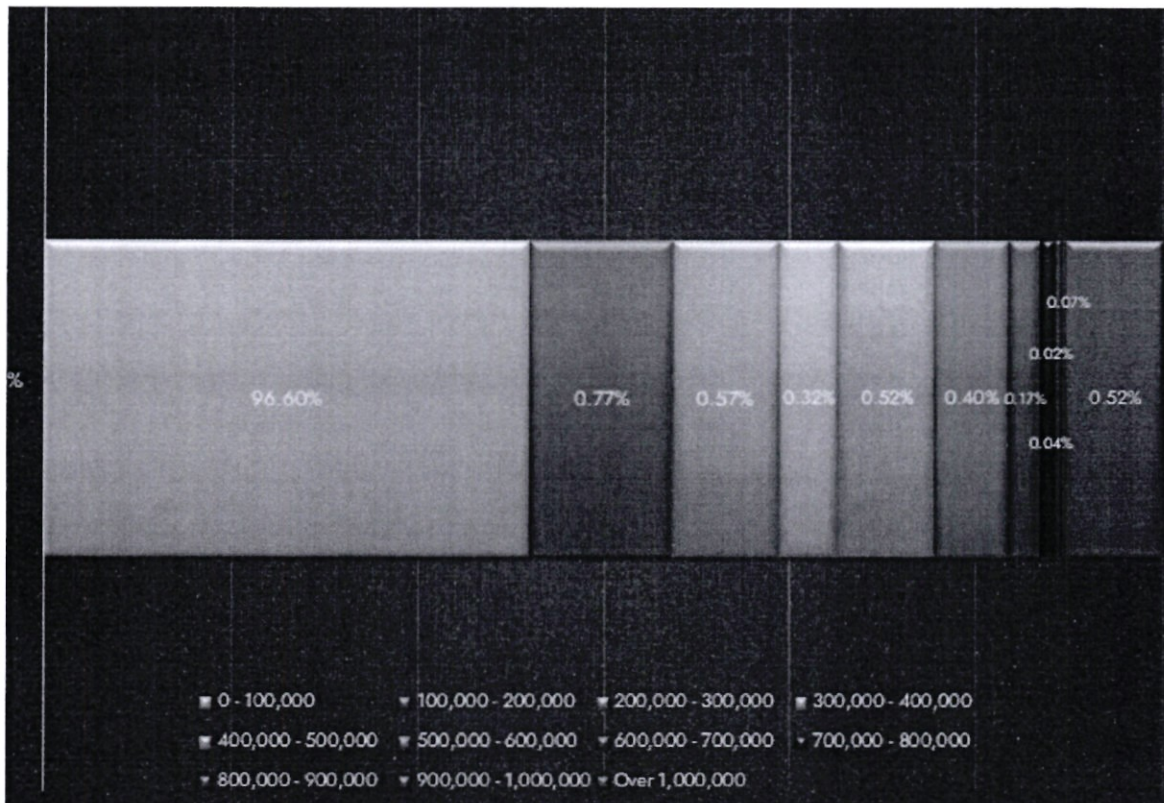
The Boma Yangu portal is the platform through which the Corporation receives deposits from members of the public towards the purchase of an affordable housing unit. There were 367,310 registered members in the Boma Yangu Portal as at 30th June 2023. Only 12% (44,209) of the total registered members have put in their deposits to the fund, the remaining 88% of the members have never made any contributions. A summary of distribution of contributors is also presented below.

Summary distribution of accumulated Savings



Number of registered users

Majority of the members 42,706 in number had accumulated savings below Kshs. 100,000, they represent 96.60% of the total members. In addition, 232 members have contributed above Kshs. 1 million representing 0.52% of the total members.



The following is a detailed analysis of the membership movement of the fund for the period under review.

	JUNE 2023	JUNE 2022
<b>Contributing Members</b>		
At the Start of the Year	33,303	31,315
New Entrants	11,307	2,571
Exiting Members	(401)	(583)
<b>At the End of the Period</b>	<b>44,209</b>	<b>33,303</b>
<b>Non-Contributing Members</b>		
At the Start of the Year	296,538	294,126
New Entrants	26,563	2,412
<b>At the End of the Period</b>	<b>323,101</b>	<b>296,538</b>

There is a 11.3 % increase in the total fund membership. There is also a 32.7% growth in the number of people who are contributing to the fund. This is an indication that Kenyans have a desire to own a home and are willing to save towards the home ownership goal.

## Fund Value

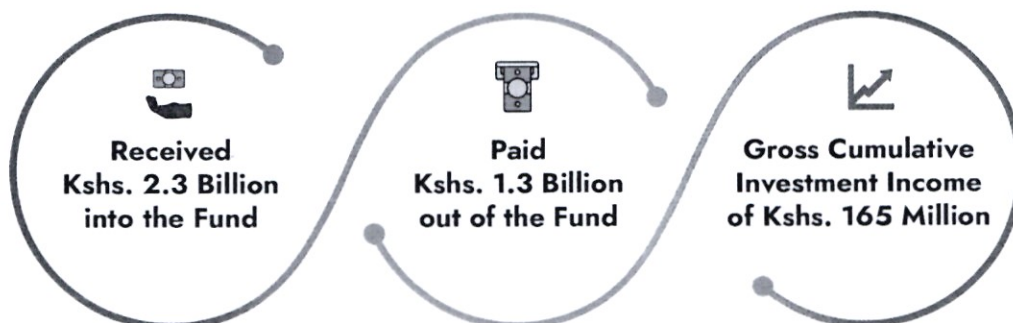
The value of the Fund stood at Kshs. 1.2 billion as at 30.06.2023 and are held by the Custodian in the collection and custody accounts. The table below shows the summarized status of the funds held.

*Summary of funds held in Collection and Custody Accounts*

PORTFOLIO	AMOUNT HELD (Kshs)
Cash Balance - Collection Account	215,749,427
Treasury Bills Held	1,033,858,155
<b>Total Value of the Fund</b>	<b>1,249,607,582</b>

## Contributions and Withdrawals

Since inception of the fund, the Corporation has so far received Kshs. 2.3 billion and Kshs. 1.3 billion has been paid out of the fund. The contributions have earned cumulative investment income of Kshs. 165 million.



## Beneficiaries of the Parkroad Scheme



The Corporation is pleased to report that 597 Boma Yangu members are now home owners at the Parkroad Affordable Housing project which was the first flagship project under AHP completed in December 2020.

### Typologies of units Constructed

Typology	Size (SQM)	No of Units	Selling Price
3BR	80	260	4,000,000.00
3BR	60	546	3,550,000.00
2BR	60	228	3,000,000.00
2BR	40	273	2,000,000.00
1BR	30	63	1,500,000.00

The project comprises 1370 no. residential units and 43 no. Commercial shops. Allocation to the units was done to members of the public, State agencies and the Civil Servants Housing Scheme as per the summary in the table below.

### Allocation of Parkroad

Allocation	No. of Units allocated
Civil Servants Housing Scheme	548
Public Agencies	225
Boma Yangu - Members of the Public	597
<b>Total No. Of Units</b>	<b>1370</b>



The beneficiaries of Parkroad all paid the initial deposit to the fund (Boma Yangu). The purchasers were given the option to purchase a housing unit through the tenant purchase scheme, cash or mortgage. All offers to Public Agencies were on cash & mortgage.

Those who received offers to pay within 90days (cash/mortgage terms) also paid the balances to the Fund. However, those who received offers on Tenant Purchase continue to pay the monthly installments directly to the Corporation. It also important to note members of the public continue to save as they await allocation of upcoming projects.

The following is a detailed analysis of the allocation by terms of payment

*Allocation by Terms of Payment*

Allocation	No. of Units allocated	Remarks	
Civil Servants Housing Scheme	548	Mortgage	
Public Agencies	225	Cash & Mortgage	
Boma Yangu - Public	597	361	TPS Terms
		236	Cash & Mortgage
<b>Total No. Of Units</b>	<b>1370</b>		

Out of the total Kshs. 1.2 billion fund value Kshs. 423 million relates to the savings made by the members of public who are yet to be allocated a housing unit. A balance of Kshs. 666 million in the fund relates to sale proceeds received from the sale of the Parkroad estate. The other amounts of Kshs. 153 million is net investment income earned by the fund to date. This is summarized in the table below;

*Summary fund value*

ITEM	AMOUNT (Kshs)
Voluntary Contributions	423,034,999
Sales proceeds from Parkroad	666,452,127
Net Investment Income	153,764,907
Amounts owing to creditors	6,355,549
<b>Fund Value</b>	<b>1,249,607,582</b>

## Implementation of AHP projects

There are three affordable housing projects currently ongoing across the country that is Kirinyaga, Embu and Homa Bay AHP projects. The Corporation intends to utilize the sales proceeds from Parkroad to fund the construction of the ongoing affordable housing units. Further, the Corporation intends to commence the Kericho and the Nyandarua AHP projects in the current financial year. These projects will also be constructed using the sales proceeds of the Parkroad scheme.



## 9. ENVIRONMENTAL AND SUSTAINABILITY REPORTING

Sustainability is at the core of NHC's mission. The Corporation believes in creating a better future for all by investing in initiatives that promote environmental, social, and economic well-being.

Through this report we will be outlining, the Fund's promise to sustainability and also highlight our efforts in making a positive impact through the voluntary contributions from Kenyans.

### 1. Social Responsibility

**Ethical Practices:** The Fund upholds ethical practices in investments decisions by ensuring that all investments are made in companies that adhere to the principles of corporate social responsibility, human rights and fair labor practices.

### 2. Governance and Compliance

**Accountability and Stakeholder Engagement:** The Fund maintains transparent and accountable governance structures. The Fund also values input from its members and stakeholders and therefore it constantly seeks their feedback and collaboration for purposes of improving on its sustainability practices and performance.

### 3. Impact Measurement and Reporting

**Regular Reporting:** The Fund upholds transparency and is committed to being accountable and seeks to continuously improve.

### **Conclusion:**

The National Housing Development Fund recognizes the need to uphold sustainability so as to ensure that we shape a better future for the generations to come. As we continue on our sustainability journey, the Fund assures its stakeholders of its commitment in maximizing the members returns while maintaining the highest standards of integrity, transparency, and accountability.

## 10. REPORT OF THE TRUSTEES/DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended June 30, 2023, which show the state of the Fund's affairs.

### i. Principal Activities

The principal activities of the fund are;

- Develop decent, sustainable and affordable houses for Kenyans
- Mobilize funds from both local and international sources for development
- Forge partnerships with County governments and other private developers.

### ii. Performance

The performance of the fund for the year ended June 30, 2023, are set out on page 1 - 5.

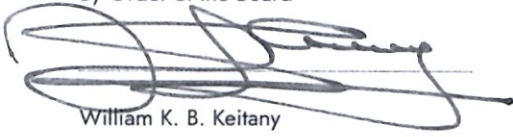
### iii. Directors

The members of the Board of Directors who served during the year are shown on page iv.

### iv. Auditors

The Auditor-General is responsible for the statutory audit of NHC in accordance with Article 229 of the Constitution of Kenya and the Public Audit Act 2015.

By Order of the Board



William K. B. Keitany  
Corporation Secretary

## 11. STATEMENT OF MANAGEMENT'S RESPONSIBILITIES


Section 81 of the Public Finance Management Act, 2012, the State Corporation Act, Cap 446 section 14 and Cap 117 of the Laws of Kenya require the Directors to prepare financial statements each year, which give a true and fair view of the state of affairs of the Fund at the end of the financial year and the operating results of the fund for that year. The Directors are also required to ensure that the Fund keeps proper accounting records which disclose with reasonable accuracy the financial position of the Fund. The Directors are also responsible for safeguarding the assets of the Fund.

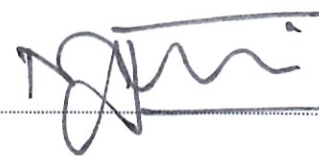
The Directors are responsible for the preparation and presentation of the fund's financial statements, which give a true and fair view of the state of affairs of the Fund for and as at the end of the financial year ended on 30th June, 2023. This responsibility includes: (i) maintaining adequate financial 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 entity; (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 corporation; (v) selecting and applying appropriate accounting policies; and (vi) making accounting estimates that are reasonable in the circumstances.

The Directors accept responsibility for the fund'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, 2012 and the State Corporations Act, Cap 446. The Directors are of the opinion that the Corporation's financial statements give a true and fair view of the state of the Corporation's transactions during the financial year ended 30th June, 2023, and of the Fund's financial position as at that date. The Directors further confirm the completeness of the accounting records maintained by the fund, which have been relied upon in the preparation of the fund's financial statements as well as the adequacy of the systems of internal financial control.

Approval of the financial statements

The Fund's financial statements were approved by the Board on ..... 2023 and signed on its behalf by:

  
.....  
Hon. Yusuf Chanzu, CBS, OGW, HSC  
Chairman of the Board of Directors

  
.....  
QS. David Mathu, MBS  
Managing Director/CEO

# REPUBLIC OF KENYA



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Monrovia Street  
P.O. Box 30084-00100  
NAIROBI

## REPORT OF THE AUDITOR-GENERAL ON NATIONAL HOUSING DEVELOPMENT FUND FOR THE YEAR ENDED 30 JUNE, 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 that the 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

#### **Adverse Opinion**

I have audited the accompanying financial statements of National Housing Development Fund set out on pages 1 to 12, which comprise of the statement of financial position as

at 30 June, 2023 and the statement of financial performance, statement of changes in net assets, statement of cash flows and the 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, because of the significance of the matters discussed in the Basis for Adverse opinion section of my report, the financial statements do not present fairly, the financial position of the National Housing Development Fund as at 30 June, 2023, and of its financial performance and its cash flows for the year then ended, in accordance with International Public Sector Accounting Standards (Accrual Basis) and do not comply with the Housing Act, Cap 117 of the Laws of Kenya and the Public Finance Management Act, 2012.

### **Basis for Adverse Opinion**

#### **1. Inaccuracies in the Trial Balance**

The trial balance provided for audit in support of the financial statements contains information, balances and entries which were not clear as to what they represented since they do not relate to the balances in the financial statements. Management did not explain this unsatisfactory situation.

In the circumstances, the accuracy and completeness of the financial statements could not be confirmed.

#### **2. Failure to Maintain a Cash Book and Prepare Bank Reconciliation Statements**

The statement of financial position reflects cash and bank balance of Kshs.215,749,427 as disclosed in Note 9 to the financial statements. However, the Fund did not maintain a cash book and did not prepare monthly bank reconciliation statements as required. It was therefore not possible to confirm the Fund's bank transactions in the year under review.

In the circumstances, the accuracy and completeness of the cash and bank balance of Kshs.215,749,428 could not be confirmed.

#### **3. Unsupported Transfers Out of the Fund**

The statement of cash flows reflects transfers out of the Fund amount of Kshs.284,716,425 and as disclosed in Note 19 to the financial statements which relates to transfer out of the funds to National Housing Corporation. Included in the balance is an amount of Kshs.269,301,416 which relates to deposits for units that were sold on tenant purchase terms at Park Road Housing Scheme, out of which an amount of Kshs.222,150,000 is in respect of seventy-one (71) housing units allocated to employees of state agencies and Kshs.8,031,200 relating to legal and management fees from the state agencies.

Although the housing units were allocated to employees of the various state agencies, review of deposits records revealed that, the agencies did not pay any deposits or full payments for the housing units allocated to their employees. Payments were only made for legal and management fees. It was therefore not clear how the agencies were allocated the houses without paying deposits or full payments for the housing units.

Further, the transfer out of the Fund of Kshs.269,301,416 to National Housing Corporation was not supported by any legal backing and therefore, it was not possible to determine whether the transfer out of the Fund was appropriately done.

In the circumstances, the accuracy, completeness and regularity of the transfer out of the Fund amount of Kshs.269,301,416 could not be confirmed.

#### **4. Unconfirmed Members' Deposits**

The statement of the financial statements reflects members deposits' balance of Kshs.423,034,999 and as disclosed in Note 12 to the financial statements. However, review of members deposits' records, revealed the movement of the members' deposits balance was not adequately supported with regards to members contributions, refunds to members or transfers to National Housing Corporation (NHC) upon the acquisition of houses by members.

In the circumstances, the accuracy and completeness of the members' deposits balance of Kshs.423,034,999 could not be confirmed.

The audit was conducted in accordance with International Standards of Supreme Audit Institutions (ISSAIs). I am independent of the National Housing Development Fund Management in accordance with ISSAI 130 on Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing audits of financial statements in Kenya. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my Adverse 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, because of the significance of the matters discussed in the Basis for Adverse opinion section of my report, based on the audit procedures performed I confirm 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, because of the significance of the matters discussed in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, based on the audit procedures performed, I confirm that internal controls, risk management and governance were not effective.

### **Basis for Conclusion**

#### **Long Outstanding Other Payables**

The statement of financial position and Note 14 to the financial statement reflects other payables balance of Kshs.6,355,549 which increased by an amount of Kshs.2,003,604 from the previous year's balance of Kshs.4,351,945. The balance relates to outstanding fund management fees, administration fees and custodial fees as at 30 June, 2023 with amounts dating back to January, 2021.

In the circumstances, the Fund risks incurring avoidable and unnecessary additional costs of interest and penalties on the continued delay in settlement of the other payables balance.

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 effective processes and systems of internal control, 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 Board of Directors**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards and for maintaining effective internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error and for its assessment of the effectiveness of internal control, risk management and governance.

In preparing the financial statements, Management is responsible for assessing the Fund's ability to continue to sustain its services, disclosing, as applicable, matters related to sustainability of services and using the applicable basis of accounting unless Management is aware of the intention to terminate the Fund or to cease its 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 Board of Directors is responsible for overseeing the Fund'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 overall 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 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 overall 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 control 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 control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of the Management's use of the applicable 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 Fund's ability to continue to sustain its services. 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 Fund to cease to continue to sustain its services.
- 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 Fund to express an opinion on the financial statements.
- Perform such other procedures as I consider necessary in the circumstances.

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

I also provide Management with a statement that I 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 my independence and where applicable, related safeguards.

  
FCPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

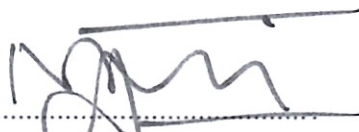
Nairobi

15 August, 2024

**13. STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30TH JUNE 2023**

DESCRIPTION	NOTES	2022/2023	2021/2022
		Kshs	Kshs
<b>Revenue</b>			
Interest Income	6	91,991,690	53,533,618
Other Income	7	2,577,238	2,975,018
<b>Total Revenue</b>		<b>94,568,928</b>	<b>56,508,636</b>
<b>Expenses</b>			
Use of Goods and Services	8	5,509,325	4,245,175
<b>Total Expenses</b>		<b>5,509,325</b>	<b>4,245,175</b>
		<b>89,059,603</b>	<b>52,263,461</b>
<b>Attributable to Members</b>		<b>89,059,603</b>	<b>52,263,461</b>

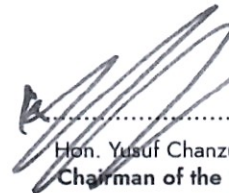
The fund's financial statements were approved by the Board on ..... 2023 and signed on its behalf by:



QS. David Mathu, MBS  
Managing Director/CEO



CPA Joel Gatune  
General Manager Finance  
ICPAK No. 3200




Hon. Yusuf Chanzu, CBS, OGW, HSC  
Chairman of the Board of Directors

### 14. STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2023

DESCRIPTION	NOTES	2022/2023	2021/2022
		Kshs	Kshs
<b>ASSETS</b>			
<i>Physical Assets</i>			
Cash and Bank Balances	9	215,749,427	636,155,839
Interest Receivable	10	10,300,505	4,520,818
Investment In Financial Assets	11	1,023,557,650	632,545,966
<b>Total Physical Assets</b>		<b>1,249,607,582</b>	<b>1,273,222,623</b>
<i>Financial Assets</i>			
Member Deposits	12	423,034,999	1,204,165,374
Amount Due to NHC	13	666,452,127	-
Other Payables	14	6,355,549	4,351,945
<b>Total Financial Assets</b>		<b>1,095,842,675</b>	<b>1,208,517,319</b>
<i>Other Assets</i>			
Accumulated Surplus	15	153,764,907	64,705,304
<b>Total other Assets</b>		<b>153,764,907</b>	<b>64,705,304</b>
<b>Total Net Assets and Liabilities</b>		<b>2,500,215,164</b>	<b>2,546,445,246</b>

The fund's financial statements were approved by the Board on ..... 2023 and signed on its behalf by:

  
 QS. David Mathu, MBS  
 Managing Director/CEO

  
 CPA Joel Gatune  
 General Manager Finance  
 ICPAK No. 3200

  
 Hon. Yusuf Chanzu, CBS, OGW, HSC  
 Chairman of the Board of Directors

## 15. STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30TH JUNE 2023

	MEMBERS DEALINGS	ACCUMULATED SURPLUS	TOTAL
	Kshs	Kshs	Kshs
<b>30TH JUNE 2021</b>	663,014,085	12,441,843	675,455,928
<b>1ST JULY 2021</b>	663,014,085	12,441,843	675,455,928
Contributions (Note 15)	587,220,663		587,529,573
Transfer in (note 16)	382,729,759		382,729,759
Refunds (Note 17)	(105,976,482)		(106,285,392)
Transfer out (Note 18)	(322,822,651)		(322,822,651)
Surplus /(Deficit) for the period (Note 14)	-	52,263,461	52,263,461
Fund received during the Year	-	-	-
<b>30TH JUNE 2022</b>	<b>1,204,165,374</b>	<b>64,705,304</b>	<b>1,268,870,678</b>
<b>1ST JULY 2022</b>	<b>1,204,165,374</b>	<b>64,705,304</b>	<b>1,268,870,678</b>
Contributions (Note 16)	209,527,469		209,527,469
Transfer in (note 17)	28,363,842		28,363,842
Refunds (Note 18)	(67,853,134)		(67,853,134)
Transfer out (Note 19)	(284,716,425)		(951,168,552)
Amount due to NHC (Note 13)	(666,452,127)		
Surplus /(Deficit) for the period (Note 15)	-	89,059,603	89,059,603
GOK Fund received during the Year	-	-	-
<b>30TH JUNE 2023</b>	<b>423,034,999</b>	<b>153,764,907</b>	<b>576,799,906</b>

## 16. STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30TH JUNE 2023

DESCRIPTION	NOTES	2022/2023	2021/2022
		Kshs	Kshs
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Receipts</b>			
Contribution Received	16	209,527,469	587,220,663
Transfer into the Fund	17	28,363,842	382,729,759
<b>Total Receipts</b>		<b>237,891,311</b>	<b>969,950,422</b>
<b>Payments</b>			
Refunds	18	(67,853,134)	(105,976,482)
Transfer out of the Fund	19	(284,716,425)	(322,822,651)
Administrative Expenses		(3,214,249)	(1,382,024)
<b>Total Payments</b>		<b>(355,783,808)</b>	<b>(430,181,157)</b>
Net Cashflow from Operating activities		(117,892,497)	539,769,265
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment Income Received		88,789,242	64,133,640
Investment Management Expense		(291,472)	(538,812)
Purchase of Treasury Bills		(4,317,699,680)	(2,454,762,516)
Proceeds from Disposal of Treasury bills		3,926,687,995	1,822,216,550
Net Cash Flows From Investing Activities		(302,513,915)	(568,951,138)
Increase / (Decrease) in cash and cash equivalents		(420,406,412)	(29,181,873)
Cash & Cash Equivalents at the beginning of the period		636,155,839	665,337,712
Cash & Cash Equivalents at the end of the period		215,749,427	636,155,839

## 17. STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS FOR THE YEAR ENDED 30TH JUNE 2023

DESCRIPTION	Original budget	Adjustments	Final budget	Actual on comparable basis	Performance difference	% of utilization
		<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	<b>Kshs</b>	
<b>Revenue</b>	"000"	"000"	"000"	"000"	"000"	
Interest Income	35,200	-	35,200	94,569	(59,369)	269%
Total income	35,200	-	35,200	94,569	(59,369)	269%
<b>Expenses</b>						
Use of Good and services	16,710	-	16,710	5,509	11,201	33%
Total expenditure	16,710	-	16,710	5,509	11,201	33%
Surplus for the period	18,490	-	18,490	89,060	(70,570)	482%

### Explanation of Material Variances on Statement of Budget and Actual Comparisons

#### a) Interest Income

The positive variance is due to an increase in the amount received from the voluntary contributions which was higher than forecasted.

#### b) Use of Goods & Service

The fund had budgeted to employ staff to handle all matters relating to the fund. However, this did not happen as NHC is currently utilizing it's internal resources to manage the Fund. This action contributed to the positive variance.

## 18. NOTES TO THE FINANCIAL STATEMENTS

### 1. General Information

National Housing Development Fund (NHDF) is established by and derives its authority and accountability from an Act of Parliament, Cap. 117 of the Laws of Kenya. NHDF is wholly owned by the Government of Kenya and is domiciled in Kenya. NHDF's primary activity is to play a principal role in the implementation of the Government's Housing policy.

For Kenyan Companies Act reporting purposes, the balance sheet is reported as the statement of financial position and the profit and loss account as the statement of profit or loss and other comprehensive income in these financial statements.

### 2. Statement of Compliance and Basis of Preparation

The financial statements have been prepared on a historical cost basis except for the measurement of 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 judgement in the process of applying the entity's accounting policies. There are currently no areas involving a higher degree of judgement or complexity, or where assumptions and estimates made are significant to the financial statements.

The financial statements have been prepared and presented in Kenya Shillings, which is the functional and reporting currency of the Corporation.

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

### 3. Application of New and Revised International Financial Reporting Standards (IFRS)

i. *New and amended standards and interpretation in issue but not yet effective in the year ended 30th June 2023.*

TITLE	DESCRIPTION	EFFECTIVE DATE
IAS 8- Accounting Policies, Errors, and Estimates	The amendments, applicable to annual periods beginning on or after 1st January 2023, introduce a definition of 'accounting estimates' and include other amendments to IAS 8 to help entities distinguish changes in accounting policies from changes in accounting estimates.	The amendments are effective for annual reporting periods beginning on or after January 1, 2023.
Amendments to IAS 1 titled Disclosure of Accounting Policies (issued in February 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, require entities to disclose their material accounting policy information rather than their significant accounting policies.	The amendments are effective for annual periods beginning on or after January 1, 2023.
Amendments to IAS 12 titled Deferred Tax Related to Assets and Liabilities arising from a Single Transaction (issued in May 2021)	The amendments, applicable to annual periods beginning on or after 1st January 2023, narrowed the scope of the recognition exemption in paragraphs 15 and 24 of IAS 12 (recognition exemption) so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.	The amendments are effective for annual periods beginning on or after January 1, 2023.

The Directors have assessed the applicable standards and amendments. Based on their assessment of impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.



ii. *New and amended standards and interpretations in issue but not yet effective in the year ended 30 June 2023.*

TITLE	DESCRIPTION	EFFECTIVE DATE
Amendments to IAS 1 titled Classification of Liabilities as Current or Non-current (issued in January 2020, amended in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, clarify a criterion in IAS 1 for classifying a liability as non-current: the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendment to IFRS 16 titled Lease Liability in a Sale and Leaseback (issued in September 2022)	The amendment, applicable to annual periods beginning on or after 1st January 2024, requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.
Amendments to IAS 1 titled Non-current Liabilities with Covenants (issued in October 2022)	The amendments, applicable to annual periods beginning on or after 1st January 2024, improve the information an entity provides about liabilities arising from loan arrangements for which an entity's right to defer settlement of those liabilities for at least twelve months after the reporting period is subject to the entity complying with conditions specified in the loan arrangement.	The amendments are effective for annual periods beginning on or after January 1, 2024. Earlier application is permitted.

The Directors do not plan to apply any of the above until they become effective. Based on their assessment of the potential impact of application of the above, they do not expect that there will be a significant impact on the company's financial statements.

iii. *Early adoption of standards*

The Entity did not early – adopt any new or amended standards in the financial year.

#### 4. Summary of Significant Accounting Policies

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

a) Revenue recognition

Revenue is measured based on the consideration to which the Corporation expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Corporation recognizes revenue when it transfers control of a product or service to a customer.

- i. **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognised in profit or loss on a time proportion basis using the effective interest rate method.
- ii. **Dividend income** is recognised in the income statement in the period in which the right to receive the payment is established.
- iii. **Other income** is recognised as it accrues.

b) In-kind contributions

The Corporation did not receive any form of in-kind contributions during the period under review.

c) Trade and Other Receivables

Trade and other receivables are recognized at fair values less allowances for any uncollectable 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.

d) 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.

#### e) Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand and cash at bank, short-term deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. Bank account balances include amounts held at various commercial banks at the end of the reporting period.

#### f) Trade and other payables

Trade and other payables are non-interest bearing and are carried at amortized cost, which is measured at the fair value of contractual value of the consideration to be paid in future in respect of goods and services supplied, whether billed to the Corporation or not, less any payments made to the suppliers.

#### g) Exchange Rate Differences

The accounting records are maintained in the functional currency of the primary economic environment in which the Corporation operates, Kenya Shillings. Transactions in foreign currencies during the year/period are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Any foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in profit or loss.

#### h) Comparative Figures

Where necessary comparative figures for the previous financial year have been amended or restated to conform to the required changes in presentation.

#### i) Subsequent Events

There have been no events subsequent to the financial year end with a significant impact on the financial statements for the year ended 30th June 2023.

#### j) Service Concession Arrangements

The Entity analyses all aspects of service concession arrangements that it enters into in determining the appropriate accounting treatment and disclosure requirements. In particular, where a private party contributes an asset to the arrangement, the Entity recognizes that asset when, and only when, it controls or regulates the services the operator must provide together with the asset, to whom it must provide them, and at what price. In the case of assets other than 'whole-of-life' assets, it controls, through ownership, beneficial entitlement or otherwise – any significant residual interest in the asset at the end of the arrangement. Any assets so recognized are measured at their fair value. To the extent that an asset has been recognized, the Entity also recognizes a corresponding liability, adjusted by a cash consideration paid or received.

### 5. Significant Judgments and Sources of Estimation Uncertainty

The preparation of the Entity's financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods.

#### i. Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Entity based its assumptions and estimates on parameters available when the financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the Entity. Such changes are reflected in the assumptions when they occur.

#### ii. Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset based on the assessment of experts employed by the Entity
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- The nature of the processes in which the asset is deployed
- Availability of funding to replace the assets.

## 6. Investment Income

	2022/2023	2021/2022
	Kshs	Kshs
Interest on treasury bills	91,991,690	37,304,268
Interest on fixed deposits		16,229,350
<b>Total</b>	<b>91,991,690</b>	<b>53,533,618</b>

## 7. Other Income

	2022/2023	2021/2022
	Kshs	Kshs
Interest on Bank Deposits	2,577,238	2,975,018
<b>Total</b>	<b>2,577,238</b>	<b>2,975,018</b>

## 8. Use of Goods and Services

	2022/2023	2021/2022
	Kshs	Kshs
<b>Investment Management Expenses</b>		
Fund Management Fees	2,419,969	1,786,713
Custodian Fees	692,021	560,026
<b>Administrative Expenses</b>		
Fund administration fees	2,392,862	1,893,876
Bank Charges	4,473	4,560
<b>Total</b>	<b>5,509,325</b>	<b>4,245,175</b>

The fund management fees is invoiced at the rate of 0.2088% of the total fund value at the end of the month. The custodial fees is based on 0.05568% of the fund value at the end of the month.

The administration fee is computed every quarter at 0.187% of the assets under the management of the Administrators.

## 9. Cash and Balances

	2022/2023	2021/2022
	Kshs	Kshs
KCB Collection Account	185,866,896	32,118,646
KCB Investment Account	29,882,532	604,037,193
<b>Total</b>	<b>215,749,427</b>	<b>636,155,839</b>

## 10. Interest Receivable

	2022/2023	2021/2022
		Kshs
Interest receivable	10,300,505	4,520,818
<b>Total</b>	<b>10,300,505</b>	<b>4,520,818</b>

## 11. Investment In Financial Assets

	2022/2023	2021/2022
	Kshs	Kshs
Treasury Bills	1,023,557,650	632,545,966
<b>Total</b>	<b>1,023,557,650</b>	<b>632,545,966</b>

## 12. Members Deposits

	2022/2023	2021/2022
	Kshs	Kshs
Deposit	423,034,999	1,204,165,374
<b>Total</b>	<b>423,034,999</b>	<b>1,204,165,374</b>

## 13. Amount Due to NHC

	2022/2023	2021/2022
	Kshs	Kshs
Amount Due to NHC	666,452,127	-
<b>Total</b>	<b>666,452,127</b>	<b>-</b>

The amounts due to NHC relates to sale proceeds received from Parkroad and will be applied in the development of the Affordable Housing projects.

#### 14. Other Payables

	2022/2023	2021/2022
	Kshs	Kshs
Fund Management Fees	4,762,763	2,342,794
Fund Administration	1,076,961	1,893,876
Custodial Expenses	515,824	115,275
<b>Total</b>	<b>6,355,549</b>	<b>4,351,945</b>

The fund management fees, administration fees and custodial fees payable relate to amounts owing between January 2021 to June 2023 fees.

#### 15. Accumulated Surplus

	2022/2023	2021/2022
	Kshs	Kshs
Opening Balance	64,705,304	12,441,843
Profit for the Year	89,059,603	52,263,461
<b>Total</b>	<b>153,764,908</b>	<b>64,705,304</b>

#### 16. Contributions Received

	2022/2023	2021/2022
	Kshs	Kshs
Contributions to the Fund	209,527,469	587,220,663
<b>Total</b>	<b>209,527,470</b>	<b>587,220,663</b>

This relates to amounts contributed by the members of the Fund.

#### 17. Transfers into the Fund

	2022/2023	2021/2022
	Kshs	Kshs
County Government of Kakamega	-	9,600,000
Central Bank of Kenya	-	198,400,000
National Treasury	-	110,000,000
SDHUD	-	14,507,809
Civil Servants Housing Scheme	-	50,221,950
Kenya Defence Forces	28,363,842	-
<b>Total</b>	<b>28,363,842</b>	<b>382,729,759</b>

The funds transferred into the fund from the Kenya Defence Forces (KDF) relates to sale proceeds for the purchase of Parkroad units for the KDF staff.

## 18. Refunds

	2022/2023	2021/2022
	Kshs	Kshs
Withdrawals from the Fund	67,853,134	105,976,482
<b>Total</b>	<b>67,853,135</b>	<b>105,976,482</b>

The withdrawals relate to the amounts deposited by the members of the public who were not allocated a housing unit and opted to withdraw their deposit.

## 19. Transfers out of the Fund

	2022/2023	2021/2022
	Kshs	Kshs
SDHUD - 3rd Milestone Balance	-	170,954,096
National Housing Corporation	284,716,425	119,600,000
NHC Service Charge	-	5,732,428
Civil Servants Housing Scheme	-	26,536,127
<b>Total</b>	<b>284,716,425</b>	<b>322,822,651</b>

The transfer of Kshs. 284 million relate to:

- i. Kshs. 907,200 that was erroneously deposited to the fund account by the County Government of Kajiado. The County government was making its loan repayment to the Corporation.
- ii. Kshs. 269,301,416 relating to deposits for units that were sold on tenant purchase terms. The amounts also include the service charge and legal fees that was received in the fund but relates to the Parkroad housing scheme.
- iii. Kshs. 14,507,809 which were amounts erroneously paid into the fund by the State Department of Housing and Urban Development (SDHUD). The government department was reimbursing NHC for the amounts utilized in the construction of the Mukuru police post.



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