

**REPORT**

THE NATIONAL ASSEMBLY

DATE: 20 JUN 2023 Tuesday

TABLED BY:	Hon Owen Baya, MP OF Deputy Leader, Majority
CLERK OF THE TABLE:	Inzoju mwale

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**THE AUDITOR-GENERAL**

**ON**

**ADCAFC DEVELOPMENT LIMITED  
LIABILITY PARTNERSHIP**

**FOR THE YEAR ENDED  
31 DECEMBER, 2022**



OFFICE OF THE AUDITOR GENERAL  
P. O. Box 30084 - 00100, NAIROBI  
REGISTRY

15 MAY 2023

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**ADCADCAFC DEVELOPMENT LLP LIMITED LIABILITY  
PARTNERSHIP**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED  
31<sup>ST</sup> DECEMBER 2022**

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**Prepared in accordance with the Accrual Basis of Accounting Method under the  
International Financial Reporting Standards (IFRS)**

*(ADCAFC Development limited liability Partnership)*

**Annual Report and Financial Statements for the year ended December 31, 2022**

2022

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## **I. KEY ENTITY INFORMATION**

### **Background Information**

The ADC/ADCAFC DEVELOPMENT LLP is a Partnership between the Agricultural Development Corporation (ADC) & Agricultural Finance Corporation (ADCAFC DEVELOPMENT LLP). 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.

### **Principal Activities**

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

### **Our Mission**

To set high standards and professionalism that offers our clients quality services and utmost convenience.

### **Our Vision**

To be a premier property that delivers best value, exceptional services and embrace innovations for continual improvements.

### **Our Core Values**

The partnership will strive to build a culture driven by the following core values that will be exhibited in all areas of work.

1. Integrity and professionalism – Act morally and ethically and demonstrate high degree of probity.
2. Innovativeness – Generate creative and innovative ideas to better discharge the mandate.
3. Delivery of quality services – Deliver the services in an effective and efficient manner.
4. Customer service – Provide exceptional service to our tenants.

The Services we provide are:-

1. Allocation of space in the building
2. Schedule conference facility for meetings.
3. Servicing of equipment.
4. Payment of outgoings
5. Lease administration
6. Maintenance of facilities.
7. Cleaning of common areas
8. Provide security round the clock
9. Rent collection

**Physical Location**

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

**Partnership Contacts**

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

**Partnership Legal Officer**

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

**Partnership Bankers**

National Bank of Kenya Limited,  
P.O Box 41862 – 00100  
GPO Nairobi.  
Kenya.

**Independent Auditor**

The partnership auditor in accordance with the Public Audit Act, 2015 was:-  
The Auditor General,  
Office of the Auditor General,  
P.O Box 30084 - 00100 GPO  
Nairobi.

*(ADCAFC Development limited liability Partnership)*

**Annual Report and Financial Statements for the year ended December 31, 2022**

**Principal Legal Advisers**

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

## II. MEMBERS OF THE COMMITTEE & MANAGEMENT TEAM

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:-

<b>S/No</b>	<b>Name</b>	<b>Designation</b>	<b>Date of Appointment</b>
1	Dr. Winnie Macharia	Chairperson	27 <sup>th</sup> May,2021
2	Mr. Nicholas Njeru	Secretary	15 <sup>th</sup> December,2021
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,2022
6	Mr.Eurry Mabonga	Legal Officer	8 <sup>th</sup> November,2021

The members of staff who served the Partnership during the year were as follows:-

<b>S/No</b>	<b>Name</b>	<b>Designation</b>
1	Rose Kinyua	Property Manager
2	Sarah Ongayo	Accountant
3	Danson Mutiso	Caretaker

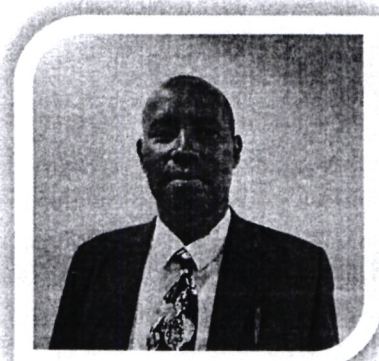


**WINNIE MACHARIA(DR)**

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 Finance 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 programme as well as leading with impact from Kenya School of Government, Corporate governance training for Directors, senior internal Auditor training.



**BERNARD N MWANGANGI**

Mr. Bernard Mwangangi is the Treasurer to the committee and is charged with overseeing the management staff with regard to financial matters.

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.

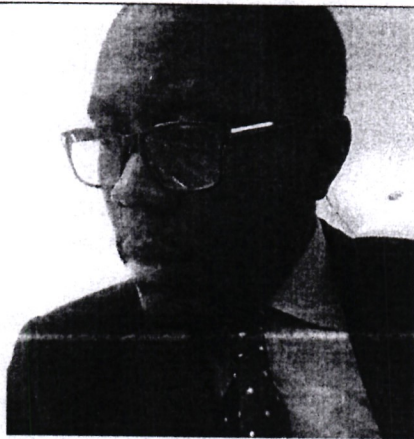


**MR. NICHOLAS NJERU**

Mr. Nicholas Njeru is the Secretary to the committee.

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).

Njeru holds a Masters Degree in Economics and Bachelors of Arts Degree in Economics from the University of Nairobi. He also has a post graduate Diploma in Procurement & Supply (CIPS) and is a certified Strategic Supply Chain Practitioner and CPA Finalist.



**MR. EURRY S. MABONGA**

Mr. Eurry S. Mabonga is a committee member charged with providing legal advice and legal services to the partnership.

He is an Advocate of the High court of Kenya with 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 Assitant at Foundation for Women Rights in Kenya, Associate at Gichana BwÓmwando Advocates and Lecturer at Kenya Institute of Management.

In terms of education, Mr Mabonga is a holder of a Masters 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).



**MR. PHILIP ODOYO ODINDO**

Mr. Philip Odoyo Odindo is a member of the committee and is charged with advising the committee on all procurement matters.

He has served in various positions in State Corporations such Postbank, Agrochemical & 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.

He is a holder of a Bachelor's Degree in Procurement from Jomo Kenyatta University of Agriculture & Technology(JKUAT). He is a member of Chartered Institute of Purchasing & Supplies(CIPS) & Kenya Institute of Supplies Management(KISM)



**CPA CORNELIUS GETITA**

CPA Cornelius Getita is a member of the committee and is charged with advising the committee on financial and accounting matters.

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.

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.

CPA Getita holds a master 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 Accountant of Kenya (ICPAK).

**III. MANAGEMENT TEAM**



**ROSE KINYUA**

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 & maintenance contracts, rent collection, tenant liaison and procurement of works & services.

She is a holder of a Bachelors 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.



**DANSON MUTISO**

Mr. Danson Mutiso is the building Caretaker and is charged with supervising the day to day operations of the facility.

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.

He is a holder of O Level Certificate. He has attended training in safety and health of building facilities.



**SARAH ONGAYO**

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.

Some of her responsibilities include posting daily financial transactions, maintaining books of accounts, bank reconciliations, preparation of monthly tenant financial reports and proper maintenance of records relating to Development House.

Sarah is a holder of a Bachelor's Degree in Commerce (Finance), from Kenyatta University and a CPA finalist.

#### **IV. CHAIRMAN'S STATEMENT**

ADCAFC DEVELOPMENT LLP has struggled with the hard economic times due to the spillover of COVID-19 pandemic and the ongoing Russia-Ukraine war. The Russia-Ukraine conflict has triggered turmoil in the financial markets, and drastically increased uncertainty about the recovery of the global economy. The world economy will pay a "hefty price" for the war in Ukraine encompassing weaker growth, stronger inflation and potentially long-lasting damage to supply chains.

In 2022, 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.

#### **Performance Overview**

A profit of 106,838,177 million was recorded during the year representing a 1% increase compared to the previous period. The underlying trends of the income statement remained strong with total revenues growing to 160,663,872 (2021: KES 159,863,980). The operating costs remained low against the approved budget limits. In the period 2022, the total expenditure stood at Ksh 53,825,695 against the budgeted amount of Ksh 73, 145,376

#### **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 COVID-19 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

**V. 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 that 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 across all the regions where we operate. 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 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 by the, 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

## **VI. 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 undertake 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.

## **VII. 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, 2022 in accordance with provisions, of the Limited Liability Partnership Act, 2011 as amended in 2012.

### **1. 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 1.

### **2. 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.

### **3. 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, 2022 of Kshs 106,838,177 This represented an increase of 1% from the net profit of year 2021 of Kshs 105,655,225

### **4. Directorate**

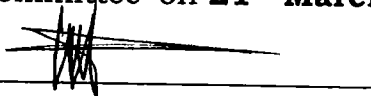
The Committee Members representing the Partners who held office during the year are set out in page 4.

### **5. 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 18 to 34, which have been prepared on the going concern basis, were approved by the Management Committee on **21<sup>st</sup> March 2023** and were signed on its behalf by:



**CHAIRMAN**

## VIII. 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, 2022. 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, 2022, 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.

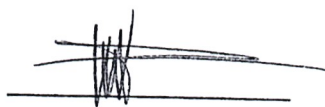
Nothing has come to the attention of the committee to indicate that the *Partnership* will not remain a going concern for at least the next twelve months from the date of this statement.

*(ADCAFC Development limited liability Partnership)*

**Annual Report and Financial Statements for the year ended December 31, 2022**

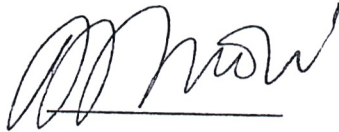
**Approval of the financial statements**

The *Partnership's* financial statements were approved by the committee on 21<sup>st</sup> March 2023 and signed on its behalf by:



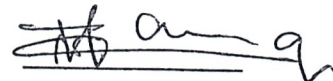
**Chairman**

**Dr. Winnie Macharia**



**Rose Kinyua**

**Property Manager**

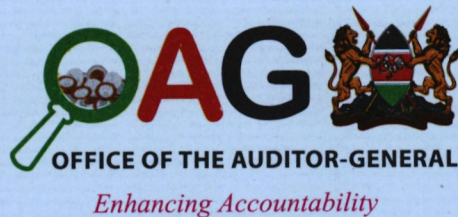


**Bernard Mwangangi**

**Member**

# REPUBLIC OF KENYA

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Website: www.oagkenya.go.ke



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NAIROBI

## **REPORT OF THE AUDITOR-GENERAL ON ADCAFC DEVELOPMENT LIMITED LIABILITY PARTNERSHIP FOR THE YEAR ENDED 31 DECEMBER, 2022**

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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**

#### **Qualified Opinion**

I have audited the accompanying financial statements of ADCAFC Development Limited Liability Partnership set out on pages 18 to 35, which comprise of the statement of financial position as at 31 December, 2022, and the statement of profit or loss and other

comprehensive income, statement of cash flows, statement of changes in equity 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, except for the effect of the matter described in the Basis for Qualified Opinion section of my report, the financial statements present fairly, in all material respects, the financial position of ADCAFC Development Limited Liability Partnership as at 31 December, 2022, 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 Public Finance Management Act, 2012 and the Limited Liability Partnership Act, 2011.

## **Basis for Qualified Opinion**

### **1. Inaccuracies in the Financial Statements**

Review of the financial statements of the Company presented for audit revealed inaccuracies and anomalies as follows:

- i. The statement of financial position reflects trade and other receivables balance of Kshs.37,521,206 as disclosed in Note 6 to the financial statements. The balance includes trade receivables amount of Kshs.104,400,881 which varies with Kshs.100,569,951 reflected in the supporting schedule provided for audit, resulting in unreconciled variance of Kshs.3,830,930. Further the balance includes Kshs.771,955 relating to VAT recoverable varies with the ledger balance of Kshs.865,360 resulting in a variance of Kshs.93,405 which was not reconciled.
- ii. The statement of cash flows reflects an adjustment of Kshs.6,361,410 described as over/under distribution of profit or loss under cashflows from operating activities. However, the amount was not included in the statement of profit or loss and other comprehensive income in arriving at the profit before taxation. In addition, the amount is also included in the drawings to partners amount of Kshs.108,200,000 reflected under cashflows from investing activities.
- iii. The statement of financial position reflects prior year property, plant and equipment net book value of Kshs.29,953,699. However, the amount varies with the recomputed balance of Kshs.29,899,000 resulting in unexplained variance of Kshs.54,699.
- iv. The statement of changes in equity reflects prior year adjustments of Kshs.-3,389,465 (2021: Kshs.-6,131,304) under retained earnings. As disclosed in Note 10 to the financial statements, the adjustments were in respect of utilized rental withholding tax and prepaid rent posted as income. However, the adjustments were made through the statement of changes in equity as opposed to retrospective restatement of prior years' balances as required by Paragraphs 42 and 43 of the International Accounting Standard (IAS) - Accounting Policies, Changes in Accounting Estimates and Errors. In addition, the Note did not disclose the period when the error occurred, the

circumstances that led to existence of the condition, and a description of how and from when the error has been corrected as required in Paragraph 49 of IAS 8.

In the circumstances, the accuracy and completeness of the financial statements as at 31 December, 2022 could not be confirmed.

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 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 qualified 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 comply, 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, I confirm that, nothing has come to my attention to cause me to believe that internal controls, risk management and overall governance were not effective.

### **Basis for Conclusion**

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 those Charged with Governance**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting 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 controls, risk management and 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 applicable basis of accounting unless Management is aware of the intention to terminate 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.

Those charged with governance are responsible for overseeing the Partnership 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 controls 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 the Management.
- Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Partnership's ability to continue as a going concern. If 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 a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on my independence, and where applicable, related safeguards.

  
CPA Nancy Gathungu, CBS  
AUDITOR-GENERAL

**Nairobi**

**07 June, 2023**

(ADCAFC Development limited liability Partnership)

Annual Report and Financial Statements for the year ended December 31, 2022

**X. STATEMENT OF PROFIT OR LOSS & OTHER COMPREHENSIVE INCOME**

<b>Description</b>	<b>Note</b>	<b>2022</b>	<b>2021</b>
		<b>Kshs</b>	<b>Kshs</b>
Revenue	1	160,663,872	159,863,980
Cost of Sales	2	32,999,595	35,460,891
<b>Gross Profit</b>		<b>127,664,277</b>	<b>124,403,089</b>
Administrative Expenses	3	(17,646,951)	(16,344,434)
Operating Expenses	4	(3,179,150)	(2,403,429)
<b>Profit Before Tax</b>		<b>106,838,177</b>	<b>105,655,225</b>
Transfer to appropriation account		<u>106,838,177</u>	<u>105,655,225</u>
<b>Net Profit for the Period</b>		<u>-</u>	<u>-</u>

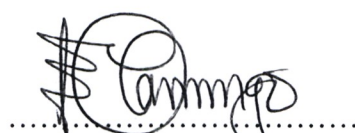
**XI. STATEMENT OF FINANCIAL POSITION**

<b>Description</b>	<b>Note</b>	<b>2022 Kshs</b>	<b>2021 Kshs</b>
<b>Non-current Assets</b>			
Property and Equipment	5	25,625,354	29,953,699
		<b>25,625,354</b>	<b>29,953,699</b>
<b>Current Assets</b>			
Trade and Other Receivables	6	37,521,206	42,721,174
Bank and Cash Balances	7	99,173,630	117,915,674
		<b>136,694,837</b>	<b>160,636,848</b>
<b>Total Assets</b>		<b>162,320,190</b>	<b>190,590,546</b>
<b>Equity and Liabilities</b>			
Retained Earnings	8	122,168,671	125,558,136
Shareholders' Fund		<b>122,168,671</b>	<b>125,558,136</b>
<b>Current Liabilities</b>			
Trade and Other Payables	11	40,151,519	65,032,411
		<b>40,151,519</b>	<b>65,032,411</b>
<b>Total Equity and Liabilities</b>		<b>162,320,190</b>	<b>190,590,547</b>

The financial statements were approved by the Committee on **21<sup>st</sup> March 2023** and signed on its behalf by:

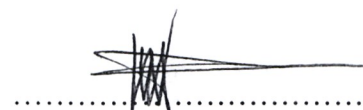


**Rose Kinyua**  
**Property Manager**



**Cornelius Getita**  
**Member**

**ICPAK M/NO: 13288**



**Dr. Winnie Macharia**  
**Chairperson**

(ADCAFC Development limited liability Partnership)

Annual Report and Financial Statements for the year ended December 31, 2022

## XII. APPROPRIATION ACCOUNT

Particulars	Amount	Amount
Profit/loss		106,838,177
Less Rental WHT		<u>(4,999,587)</u>
		<b>101,838,590</b>
Share of the profit for the year		
ADC 50%	50,919,295	
AFC 50%	50,919,295	
Total		<u><b>101,838,590</b></u>
Drawings		
ADC	56,600,000.00	
AFC	51,600,000.00	
Total		<b>108,200,000</b>
Advance Payment		
ADC	(5,680,705)	
AFC	(680,705)	
		<u>(6,361,410)</u>
		<u><b>101,838,590</b></u>

**XIII. STATEMENT OF CHANGES IN EQUITY**

	NOTES	Share capital Kshs	Revaluation Reserve	Retained Earnings Kshs	Total Kshs
<b>At 1st January, 2021</b>		-	-	131,689,440	<b>131,689,440</b>
Prior year Adjustment	<b>10</b>	-	-	(6,131,304)	<b>(6,131,304)</b>
<b>At 31<sup>st</sup> December, 2021</b>		-	-	<b>125,558,136</b>	<b>125,558,136</b>
<b>At 1<sup>st</sup> January, 2022</b>		-	-	<b>125,558,136</b>	<b>125,558,136</b>
Prior year Adjustment	<b>10</b>	-	-	(3,389,465)	<b>(3,389,465)</b>
<b>At 31<sup>st</sup> December, 2022</b>		-	-	<b>122,168,671</b>	<b>122,168,671</b>

#### XIV. STATEMENT OF CASH FLOWS

Description	Note	2022 Kshs	2021 Kshs
<b>Cash flow from operating activities:</b>			
Profit/(Loss) Before Taxation		106,838,177	105,655,225
<b>Adjustments for:</b>			
Depreciation of Property & Equipment	5	2,141,289	3,364,321
Profit/loss on Disposal of Assets		761,731	-
Over/Under distribution profit/loss		6,361,410	-
Interest on Short Term Deposits		(7,716,172)	(5,970,396)
Rental WHT		(4,999,587)	
Increase/Decrease in Trade and Other Receivables	6	5,199,974	11,203,007
Increase/Decrease in Trade and Other Payables	11	(24,880,892)	26,377,720
<b>Net cash flows generated from operating activities</b>		<b>83,705,930</b>	<b>140,629,877</b>
<b>Cash flow from Investing activities:</b>			
Purchase of Property & Equipment	5	(764,801)	(191,500)
Erroneous Adjustment		54,120	(54,120)
Proceeds from disposal of Property & Equipment		2,136,000	-
Interest on Short Term Deposits		7,716,172	5,970,396
Drawings to Partners		(108,200,000)	(105,655,225)
<b>Net cash flow used in investing activities</b>		<b>(99,058,509)</b>	<b>(99,930,449)</b>
<b>Cash flow from Financing activities:</b>			
Prior Year adjustment	10	(3,389,465)	(6,131,304)
<b>Net cash flow used in financing activities</b>		<b>(3,389,465)</b>	<b>(6,131,304)</b>
Net increase in cash and cash equivalent		(18,742,044)	34,568,124
Cash and cash equivalent at the beginning of the year		117,915,674	83,347,550
<b>Cash and cash equivalent at the end of the period</b>	7	<b>99,173,630</b>	<b>117,915,674</b>

(ADCAFC Development limited liability Partnership)

Annual Report and Financial Statements for the year ended December 31, 2022

**XV. STATEMENT OF COMPARISON OF BUDGET & ACTUAL AMOUNTS**

A/C NO.	ACCOUNT NAME	2022 ORIGINAL BUDGET	ADJUSTMENTS	2022 FINAL BUDGET	ACTUAL ON COMPARABLE BASIS	PERFORMANCE DIFFERENCE
1001	RENT INCOME	127,240,727	(417,665)	126,823,062	121,051,069	5,771,993
1002	SERVICE CHARGE INCOME	27,897,766	(119,100)	27,778,666	24,226,593	3,552,074
1003	CAR PARK INCOME	7,884,000	(378,000)	7,506,000	6,885,000	621,000
1004	RESOURCE CENTER INCOME	1,000,000	(400,000)	600,000	766,936	(166,936)
1005	INTEREST ON SHORT TERM DEPOSIT	6,000,000	1,000,000	7,000,000	7,716,172	(716,172)
1008	OTHER INCOME	2,400,000	-	2,400,000	18,102	2,381,898
	<b>TOTAL INCOME</b>	<b>172,422,493</b>	<b>(314,765)</b>	<b>172,107,728</b>	<b>160,663,872</b>	<b>11,443,856</b>
2001	WATER	3,500,000	-	3,500,000	3,425,653	74,347
2002	ELECTRICITY	16,000,000	-	16,000,000	14,337,982	1,662,018
2003	SECURITY	5,140,000	-	5,140,000	4,945,254	194,746
2004	CLEANING & SANITARY	4,400,000	-	4,400,000	3,903,046	496,954
2005	REPAIRS & MAINT. - GENERAL	2,300,000	-	2,300,000	1,634,459	665,541
2006	LIFT REPAIRS & MAINTENANCE	2,850,000	-	2,850,000	2,445,011	404,989
2007	REPAIRS & MAINT. - ELECTRICAL	1,000,000	-	1,000,000	774,850	225,150
2008	GENERATOR FUEL & GEN MAINTANCE	600,000	-	600,000	230,470	369,530
2009	SALARIES & WAGES	6,138,984	-	6,138,984	5,347,880	791,104
2010	GRATUITY EXPENSE	685,070	-	685,070	685,071	(1)
2011	PRINTING & STATIONERY	200,000	-	200,000	168,827	31,173
2012	TELEPHONE & POSTAGE	220,000	-	220,000	212,599	7,401
2013	OFFICE EXPENSES	90,000	-	90,000	78,267	11,733
2014	COMMITTEE ALLOWANCES	2,000,000	-	2,000,000	1,383,282	616,718
2015	SUBSISTENCE ALLOWANCE	110,000	-	110,000	45,650	64,350
2016	LAND RATES	1,150,000	-	1,150,000	1,150,140	(140)
2017	LAND RENT	383,300	-	383,300	383,200	100
2018	FUMIGATION	285,000	-	285,000	135,000	150,000
2019	LICENCES	1,000,000	-	1,000,000	25,000	975,000
2020	RESOURCE CENTER EXPENSES	695,824	-	695,824	285,546	410,278
2022	BANK CHARGES	40,000	-	40,000	30,395	9,605
2023	TRAINING	500,000	-	500,000	69,600	430,400
2024	INSURANCE	1,500,000	-	1,500,000	1,466,403	33,597
2026	LEGAL FEES	1,000,000	-	1,000,000	5,000	995,000
2027	AUDIT FEE	230,000	-	230,000	500,000	(270,000)
2028	ADVERTISING	1,200,000	-	1,200,000	128,772	1,071,228
2029	PROFESSIONAL FEE	2,500,000	-	2,500,000	16,000	2,484,000
2030	DHMC WELFARE EXPENCES	300,000	-	300,000	300,000	-
2036	PROVISION FOR DEPRECIATION	4,500,000	-	4,500,000	2,891,486	1,608,514
2037	PROVISION FOR BAD DEBTS	12,257,198	-	12,257,198	6,443,819	5,813,379
2050	COMPUTER REPAIR & GEN MAINTENE	100,000	-	100,000	65,500	34,500
2051	ENERGY AUDIT	300,000	-	300,000	300,000	-
	<b>TOTAL EXPENDITURE</b>	<b>73,175,376</b>	<b>-</b>	<b>73,175,376</b>	<b>53,814,161</b>	<b>19,361,215</b>
5011	RENTAL WITHHOLDING TAX	5,000,000	-	5,000,000	4,999,587	413
	<b>SURPLUS</b>	<b>94,247,117</b>	<b>(314,765)</b>	<b>93,932,352</b>	<b>101,850,124</b>	<b>(7,917,772)</b>
	<b>CAPITAL BUDGET</b>					
3003	COMPUTER & PRINTER	70,000	(2,000)	68,000	68,000	-
6003	WASHROOMS	4,000,000	-	4,000,000	-	4,000,000
6004	LIFTS MODERNIZATION	70,000,000	-	70,000,000	-	70,000,000
6005	CCTV	3,500,000	-	3,500,000	-	3,500,000
6007	SUMP PUMP	200,000	-	200,000	-	200,000
6008	AIR CONDITIONERS	300,000	30,000	330,000	327,586	2,414
6009	SECURITY EQUIPEMENT	12,500,000	-	12,500,000	-	12,500,000
6010	FLOOR FINISHES	8,100,000	-	8,100,000	-	8,100,000
	ELECTRONIC TAX REGISTER	-	130,000	130,000	91,560	38,440
	PLASTIC WATER TANKS	-	315,000	315,000	277,656	37,344
<b>Grand Total</b>		<b>98,600,000</b>	<b>543,000</b>	<b>99,143,000</b>	<b>764,802</b>	<b>98,378,198</b>

## XVI. 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- 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 valuers.

Increases in the carrying amounts of assets arising from re-valuation are credited to other comprehensive income.

*(ADCAFC Development limited liability Partnership)*

**Annual Report and Financial Statements for the year ended December 31, 2022**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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:-

Buildings and civil works (25 years) or the unexpired lease period

Plant and machinery (12.5 years)

Motor vehicles, including motor cycles (4 years)

Computers and related equipment (3 years)

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.

(ADCAFC Development limited liability Partnership)

Annual Report and Financial Statements for the year ended December 31, 2022

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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%

**5 Depreciation and impairment of property, plant and equipment**

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.

**g) 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.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

**h) Fixed interest investments (bonds)**

Fixed interest investments refer to investment funds placed under Central Bank of Kenya (CBK) long-term infrastructure bonds and other corporate bonds with the intention of earning interest income upon the bond's disposal or maturity. Fixed interest investments are freely traded at the Nairobi Securities Exchange. The bonds are measured at fair value through profit or loss.

**i) Inventories**

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

**j) 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.

**k) 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.

l) **Cash and cash equivalents**

Cash and cash equivalents comprise cash on 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 the Central Bank of Kenya and at various commercial banks at the end of the financial year. For the purposes of these financial statements, cash and cash equivalents also include short term cash imprests and advances to authorized public officers and/or institutions which were not surrendered or accounted for at the end of the financial year.

m) **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 *Partnership* or not, less any payments made to the suppliers.

n) **Retirement benefit obligations**

The Partnership operates a defined contribution scheme for one full-time employees from 01/04/2018. The scheme is administered through ADC.

o) **Provision for staff leave pay**

Employees' entitlements to annual leave are recognized as they accrue at the employees. A provision is made for the estimated liability for annual leave at the reporting date.

p) **Comparative figures**

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

q) **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 December 31, 2022.

## XVII. NOTES TO THE FINANCIAL STATEMENTS

### 1. Revenues

Description	2022 Kshs	2021 Kshs
Rent income	121,051,069	120,056,659
Service charge income	24,226,593	25,901,618
Car park income	6,885,000	7,173,000
Resource Centre Income	766,936	733,862
Other incomes	18,102	28,446
Interest on Short Term Deposit	7,716,172	5,970,396
<b>Total</b>	<b>160,663,872</b>	<b>159,863,980</b>

### 2. Cost of sales

Description	Kshs	Kshs
Electricity	14,337,982	15,678,500
Security	4,945,254	5,043,698
Water	3,425,653	3,448,569
Cleaning and sanitation	3,903,046	4,260,184
Lift repair and maintenance	2,445,011	2,566,422
General repairs and maintenance	1,634,459	2,118,063
Land rates	1,150,140	1,150,000
Electricity repair and maintenance	774,850	812,155
Land rents	383,200	383,300
	-	-
<b>Total</b>	<b>32,999,595</b>	<b>35,460,891</b>

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### 3. Administrative Expenses

Description	2022	2021
	Kshs	Kshs
Depreciation	2,141,289	3,364,320
Salaries and Wages	5,347,880	4,983,955
Provision for bad and doubtful debts	6,443,819	4,677,555
Committee Allowances	1,383,282	1,328,223
Gratuity	685,071	685,071
Telephone & Postage	212,599	201,804
Audit Fee	500,000	230,000
Energy audit fee	300,000	-
Legal Fee	5,000	-
professional fee	16,000	-
Office expenses	78,267	69,203
Printing	168,827	91,081
Bank charges	30,395	28,280
Subsistence Allowances	45,650	44,590
Licenses	25,000	25,000
Advertising	128,772	615,353
Training	69,600	-
Computer & system main	65,500	-
<b>Total Admin Expenses</b>	<b>17,646,951</b>	<b>16,344,434</b>

### 4. Operating Expenses

	2022	2021
	Insurance	1,466,403
Generator fuel	230,470	582,438
Resource centre Expenses	285,546	256,489
DHMC Welfare Expenses	300,000	300,000
Fumigation	135,000	132,000
Loss on Disposal of generator	761,731	-
<b>Total</b>	<b>3,179,150</b>	<b>2,403,429</b>

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**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 2021</b>					
As at 1st January, 2021	14,303,555	41,240,581	520,180	1,903,065	57,967,381
Additions	-	191,500	-	-	191,500
As at 31st December, 2021	<b>14,303,555</b>	<b>41,432,081</b>	<b>520,180</b>	<b>1,903,065</b>	<b>58,158,881</b>
<b>Year 2022</b>					
As at 1st January, 2022	<b>14,303,555</b>	<b>41,432,081</b>	<b>520,180</b>	<b>1,903,065</b>	<b>58,158,881</b>
Disposal of the generator	-	(9,637,970)	-	-	(9,637,970)
Additions	-	696,801	-	68,000	764,801
As at 31st December, 2022	<b>14,303,555</b>	<b>32,490,912</b>	<b>520,180</b>	<b>1,971,065</b>	<b>49,285,712</b>
<b>Depreciation</b>					
As at 1st January, 2021	4,971,652	17,829,590	443,547	1,650,193	24,894,982
Charge for the year	933,190	2,360,249	7,663	63,218	3,364,321
Balance as at 31st Dec, 2021	<b>5,904,842</b>	<b>20,189,839</b>	<b>451,210</b>	<b>1,713,411</b>	<b>28,259,302</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 Dec, 2022	<b>6,744,714</b>	<b>14,679,707</b>	<b>458,107</b>	<b>1,777,824</b>	<b>23,660,352</b>
<b>Net Book Value</b>					
As at 31st December, 2021	<b>8,398,713</b>	<b>21,242,242</b>	<b>68,970</b>	<b>189,654</b>	<b>29,953,699</b>
As at 31st December, 2022	<b>7,558,841</b>	<b>17,811,205</b>	<b>62,073</b>	<b>193,235</b>	<b>25,625,354</b>

## 6. Trade & Other Receivables

Description	2022 Kshs	2021 Kshs
Trade Receivables	104,400,881	107,032,221
Provision for Bad debts for the year	(76,879,859)	(70,437,329)
Prepaid Rent		(1,735,456)
Rental WHT	-	4,311,086
Vat Recoverable	771,955	681,576
Prepayment	1,119,263	1,026,742
Deposit for Electricity	1,168,094	1,168,094
Advance to ADC	6,361,410	-
Interest receivables	579,462	674,240
	<b>37,521,206</b>	<b>42,721,174</b>

## 7. Cash & cash equivalent

Description	2022 Kshs	2021 Kshs
Fixed Deposits	92,329,096	108,888,461
Cash in hand	39,140	42,146
Cash at Bank	6,805,394	8,985,066
<b>Total</b>	<b>99,173,630</b>	<b>117,915,674</b>

## 8. Retained Earnings

<b>At 1<sup>st</sup> January, 2022</b>	-	-	<b>125,558,136</b>
Rental WHT utilized 2021	-	-	(4,311,086)
2021 prepaid rent	-	-	921,621
<b>At 31<sup>st</sup> December, 2022</b>	-	-	<b>122,168,671</b>

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**9. Loss on disposal of Generator**

	<b>2022</b>
	<b>Kshs</b>
Cost	9,637,970
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**

<b>Description</b>	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
2021 Rental Withholding Tax utilized	(4,311,086)	-
2021 Understated Assets (not posted)	-	(6,131,304)
2021 Prepaid Rent (Posted as income)	921,621	-
<b>Total</b>	<b>(3,389,465)</b>	<b>6,131,304</b>

**11. Trade & Other Payables**

<b>Description</b>	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Tenants Deposits		
Trade Payables	31,601,552	31,011,446
Prepaid Rent	970,108	1,608,342
Accrued Gratuity	2,300,374	1,735,456
Accrued PAYE	2,800,425	2,115,355
Accruals(General)	355,721	339,006
Accrued Audit Fee	1,623,339	4,537,581
Dues to partner	500,000	230,000
	-	23,455,225
<b>Total</b>	<b>40,151,519</b>	<b>65,032,411</b>

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**XVIII. PROGRESS ON FOLLOW UP OF AUDITOR RECOMMENDATIONS**

The partnership was issued with unqualified audit opinion and therefore, there were no pending issues in the auditors' recommendations.