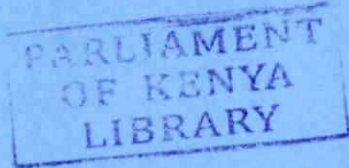



REPUBLIC OF KENYA



Enhancing Accountability

REPORT



 THE NATIONAL ASSEMBLY PAPERS LAID	
DATE: 05 JUN 2025	DAY.
TABLED BY:	DEPUTY MAJORITY WHIP
CLERK-AT-THE-TABLE:	CHRISTINE NOIRITU

OF

THE AUDITOR-GENERAL

ON

ADCAFC DEVELOPMENT LIMITED LIABILITY PARTNERSHIP

**FOR THE YEAR ENDED
31 DECEMBER, 2024**



ADCAFC DEVELOPMENT LIMITED LIABILITY PARTNERSHIP

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED

DECEMBER 31, 2024

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

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1. Acronyms and Glossary of Terms

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

2. Key Entity Information

a) Background Information

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

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

b) Principal Activities

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

c) Members

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

S/No	Name	Designation	Date of Appointment
1	Dr. Shadrack Jirma	Chairperson	8 th February,2024
2	Mr. Nicholas Njeru	Secretary	15 th December,2022
3	Mr. Bernard Mwangangi	Treasurer	27 th June,2017
4	Mr. Cornelius Onsongo	Member	7 th March,2016
5	Ms Jane Mugaruro	Member	8 th February,2024
6	Mr. Eurry Mabonga	Legal Officer	8 th November,2022

d) Partnership Legal Officer

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

Key Entity Information (continued)

e) Registered Office

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

f) Partnership Contacts

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

g) Corporate Bankers

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

h) Independent Auditor

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

i) Principal Legal Advisers

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

3. Members of the Committee

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

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



Dr. Shadrack Jirma

Dr. Shadrack Jirma, born in 1966 in Marsabit County, Kenya, is the Chairman of the Committee, a distinguished academic, executive, and diplomat with over 35 years of experience. He holds a Doctor of Philosophy from the University of the Valley, Mexico, an MBA from Costa Rica, and a Bachelor's Degree in Business Administration from Messiah College, USA. Prof. Jirma has held leadership positions in Kenya's state corporations, including serving as CEO of the Ewaso Ngiro Development Authority, appointed by former President Daniel Arap Moi. He also served as an advisor to President Mwai Kibaki, coordinating the 2007/8 general elections. Currently he is the Director of Business Development Division.



Mr. 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 2004-2024. 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 Master's Degree in Economics and Bachelors of Arts Degree in Economics from the University of Nairobi. He also has a post graduate Diploma in Procurement & 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 Assistant at Foundation for Women Rights in Kenya, Associate at Gichana B.w Ómwando Advocates and Lecturer at Kenya Institute of Management.

In terms of education, Mr Mabonga is a holder of a Master's Degree in Environmental Studies (Climate Change and Sustainability), Higher Diploma in Advocates Training Programme (ATP) and Bachelor Degree in Law. He is currently a PHD candidate pursuing Doctor of Philosophy in Environmental Studies (Sustainable Urban Development).



Ms. Jane Mugaruro

Ms. Jane Mugaruro is a member of the committee, responsible for advising on HR matters.

She is an accomplished HR practitioner with over 20 years of experience in senior management, specializing in strategic human resource planning, policy development, and organizational leadership.

Ms. Mugaruro holds a Master's Degree in Business Administration with a specialization in Human Resource Management and a Bachelor of Arts Degree. She is also a Certified Public Secretary (CPS-K).



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).

4. Key Management Team



Mrs. 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 Bachelor's Degree in Land Economics from the University of Nairobi. She has over twenty years' experience in property management gained while working for various organizations like Kiambu Murutani Company, Naccico Sacco, Valuewise Management and DHMC.



Mr. 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.



Ms. 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 9 years with a proven track record of meeting deadlines.

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

Sarah is a holder of a Bachelor's Degree in Commerce (Finance), from Kenyatta University. CPA(K) holder and ICPAK & AWAK member.

5. Chairman's Statement

In 2024, ADCAFC DEVELOPMENT LLP faced significant challenges due to economic and political uncertainties, including the lingering effects of COVID-19, the Russia-Ukraine conflict, rising living costs, and political turbulence. Tenant turnover increased due to economic hardship and unfavorable operating conditions, further exacerbated by the stationing of matatus and hawkers near the property.

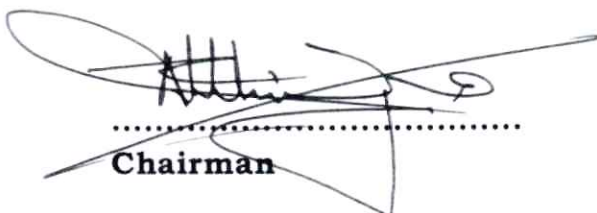
The June 2024 protests against the Financial Bill led to riots, causing damage to security equipment and ground-floor businesses. A one-month rent waiver was granted to affected tenants, but an insurance claim for Kshs.3.38 million was denied as it fell below the policy excess of Kshs.5 million.

Despite these setbacks, ADCAFC DEVELOPMENT LLP recorded a profit of Kshs.98.45 million, a 14.35% decline from the previous year, with total revenues reducing to Kshs.160.9 million. Operating costs remained controlled at Kshs.27.39 million, slightly below the budgeted Kshs.30.94 million.

Looking ahead to 2025, the firm is focused on strengthening operations through:

1. **Enhanced Rent Collection** – Personalized engagement, early-warning systems, and tenant loyalty programs.
2. **Revenue Expansion** – Introducing discounted Resource Centre packages, repurposing underutilized spaces, and forming strategic partnerships.
3. **Operational Improvements** – Upgrading security, implementing energy-saving measures, and enhancing tenant feedback systems.
4. **Accessibility & Aesthetic Enhancements** – Securing county approvals for loading zones, improving pavements, landscaping, and signage.

With a resilient management team and a strategic outlook, ADCAFC DEVELOPMENT LLP remains committed to growth and adaptability in the evolving business environment.



.....
Chairman

6. Report of the Property Manager

As the Property Manager for ADCAFC Development LLP, overseeing the management of Development House, I am grateful for the opportunity to provide an overview of our performance in 2024 and to share our strategic priorities for the coming years.

Financial Review

In 2024, our total revenue experienced a 7.90% decline, reaching Kshs. 160.91 million. This was primarily driven by a Kshs. 9.94 million reduction in rent income. While we implemented cost-cutting initiatives that reduced the cost of sales by 2.10%, gross profit still decreased by 9.50%, totaling Kshs. 125.84 million. Administrative expenses saw a slight uptick of 1,93%, largely due to Kshs. 3.08 million loss resulting from theft & vandalism caused by political violence in June 2024. Consequently, net profit fell by 14.35%, settling at Kshs. 98.45 million.

The economic slowdown and the political unrest that led to riots had a substantial effect on our rental income. This, coupled with higher tenant defaults and increased security costs, contributed to a challenging financial year.

Facility Management Enhancement

Moving forward, improving our facility management practices is a key priority. We recognize the importance of maintaining and upgrading our property to ensure tenant satisfaction and optimize operational efficiency. These efforts will play a crucial role in enhancing the overall experience at Development House.

Performance Optimization

Our focus for the upcoming period is on optimizing performance across our entire portfolio. We aim to deliver consistent results, maximize returns for our partners, and ensure sustainable long-term growth for the business.

Outlook and Expansion

Despite the challenges posed by economic uncertainty, we remain confident about our future prospects. Our brand positioning continues to prioritize expansion, exceptional service, and seamless experiences for our tenants.

Although timing remains uncertain, we are well-equipped to navigate the current landscape and continue our trajectory of growth.

Acknowledgement

I would like to extend my heartfelt thanks to all our tenants for their ongoing loyalty and support, which have been invaluable during a turbulent year. My sincere appreciation also goes to the committee members for their leadership and guidance, which have been instrumental in helping us navigate these challenges.



Property Manager

7. Statement of Performance against Predetermined Objectives for FY 2024

ADCAFC Development LLP focused on three strategic themes/issues and objectives. These strategic themes/issues focus on Real Estate Development, Financial Performance, and Customer Satisfaction.

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

Strategic Pillar/Theme/Issues	Objective	Key Performance Indicators	Activities	Achievements
Real Estate Development	Expand and optimize the property portfolio	Number of development projects completed, number of facility upgrades, occupancy rate	Rehabilitation of washrooms, floors, power back enhancement	Installed an 800KVA, Upgraded floor finishes, Rehabilitated washrooms, Installed security equipment
Financial Performance	Increase revenue and profitability	Revenue growth percentage, profit margin, cost savings	Revenue growth percentage, profit margin, cost savings	Revenue increased by 15%, and profit margins improved by 10%, Dividend payments to partners also grew
Customer Satisfaction	Enhance tenant satisfaction and retention	Tenant satisfaction score, tenant retention rate	Tenant engagement initiatives	Achieved an 85% tenant satisfaction score

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

entrance and main entrance, and rehabilitating floors from wood parquet to tiles.

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

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

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

8. Corporate Governance Statement

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

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

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

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

Role & Responsibilities of the Management Committee

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

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

9. Management Discussion & Analysis

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

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

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

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

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

The Partnership objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to the management committee.

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

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

10. Environmental and Sustainability Reporting

The primary objective of the Committee managing the building is to ensure it operates as a high-performing commercial facility that maximizes returns for our partners, the Agricultural Development Corporation (ADC) and the Agricultural Finance Corporation (AFC). In line with this goal, our commitment to environmental sustainability and health and safety practices is a fundamental aspect of our operations. This report highlights our ongoing initiatives aimed at fostering a safe, efficient, and environmentally responsible workspace for all stakeholders.

Health and Safety Commitment

A robust Health and Safety Policy is essential to maintaining a secure working environment. To uphold the highest standards, we engage licensed professionals to develop comprehensive guidelines that align with industry best practices. Additionally, Registered Safety and Health Auditors conduct thorough assessments every three years. These audits cover occupational safety, health risk evaluations, and fire safety inspections, with reports submitted to the Directorate of Occupational Health and Safety Services.

The Management remains committed to ensuring a safe working environment by eliminating or mitigating risks to health, safety, and welfare. Compliance with all relevant health and safety laws is a priority, and we continue to enhance safety management practices.

Sustainability Initiatives

Sustainability remains at the core of our building management strategy. We focus on three key areas: energy efficiency, waste management, and water conservation.

Energy Efficiency

To minimize our carbon footprint and reduce energy costs, we conduct regular inspections of energy-consuming appliances and systems. We actively explore and implement new technologies, such as LED lighting, motion-sensor lighting systems, and energy-efficient HVAC solutions, to optimize energy usage. Our aim is to continuously improve energy performance while maintaining comfort and efficiency within the facility.

Waste Management

Proper waste management is integral to our sustainability efforts. We promote waste segregation at the source, ensuring recyclable materials are diverted

from landfills. Tenants are encouraged to participate in recycling programs, and disposal practices are regularly reviewed to align with environmental best practices. By reducing waste generation and increasing recycling efforts, we contribute to a cleaner, more sustainable environment.

Water Conservation

Water conservation is another critical focus area. We have installed water-saving devices, including low-flow faucets and dual-flush toilets, to minimize water wastage. Regular monitoring of water usage enables us to identify and address inefficiencies promptly. Additionally, maintenance teams ensure that leaks and faulty plumbing are repaired swiftly to prevent unnecessary water loss.

Green Building Practices

Incorporating green building principles into maintenance and renovation projects is a priority. Wherever feasible, we use eco-friendly materials and designs to enhance sustainability. We prioritize natural lighting and ventilation to reduce reliance on artificial sources, lowering energy consumption while improving indoor air quality.

Ongoing Commitment and Future Goals

Our commitment to health, safety, and sustainability is an ongoing process. As environmental challenges evolve, we remain proactive in adopting new strategies and best practices to ensure continuous improvement. Key future initiatives include:

- Expanding the use of renewable energy sources such as solar panels to reduce dependency on conventional electricity.
- Implementing smart building technologies to enhance energy monitoring and efficiency.

Conclusion

The Partnership remains steadfast in maintaining high standards of health, safety, and environmental sustainability. Our policies and practices are designed to protect tenants, employees, and the environment while ensuring optimal financial returns for our partners.

11. Report of the Members of the Committee

The Partners through its Management submit their report together with the financial statements for the year ended December 31, 2024 in accordance with provisions, of the Limited Liability Partnership Act, 2011 as amended in 2012.

(i) Incorporation

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

(ii) Principal activity

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

(iii) Review of financial results and activities

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

The partnership recorded a net profit for the year ended December 31, 2024 of Kshs 98,45 million. This represented a decrease of 14.35% from the net profit of year 2023 of Kshs.114.94 million

(iv) Directorate

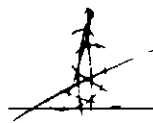
The Committee Members representing the Partners who held office during the year are set out in page v.

(v) Events after the reporting period

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

Approval of financial statements

The financial statements set out on pages 1 to 17, which have been prepared on the going concern basis, were approved by the Management Committee on **21/03/2025** and were signed on its behalf by:



Legal Officer

12. Statement of Committee Responsibilities

The committee is responsible for the preparation and presentation of the *ADCADCAFC DEVELOPMENT LLP* financial statements, which give a true and fair view of the state of affairs of the *Partnership* for and as at the end of the financial year (period) ended on December 31, 2024. 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.

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.

In 2024, a total of 20 Management Committee meetings were held to oversee the operations of ADCAFC Development LLP. The Committee meets at least twice a month, with an additional quarterly joint meeting with the Financial Controllers of ADC and AFC. For any meeting to be valid, at least 50% of all members in office must be present, either physically or through electronic communication. All proceedings are minuted and signed by the Chairperson, with minutes circulated to members and approved in the subsequent meeting.

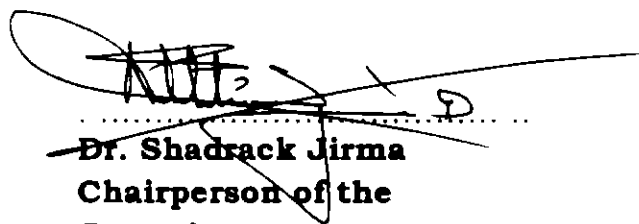
The appointment of committee members lies at the discretion of the Managing Directors of ADC and AFC. The CEOs of both organizations have the authority to dissolve or reconstitute the committee when necessary. The committee operates under a Management Committee Charter, which defines its roles, governance structure, and operational guidelines.

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 Committee Members 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, 2024, 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.

Approval of the financial statements

The *Partnership's* financial statements were approved by the committee on **21/03/2025** and signed on its behalf by.



.....

Dr. Shadrack Jirma
Chairperson of the
Committee



.....

Rose Kinyua
Property Manager

REPUBLIC OF KENYA

Phone: +254-(20) 3214000
Email: info@oagkenya.go.ke
Website: www.oagkenya.go.ke



HEADQUARTERS
Anniversary Towers
Monrovia Street
P.O Box 30084-00100
NAIROBI

REPORT OF THE AUDITOR-GENERAL ON ADCAFC DEVELOPMENT LIMITED LIABILITY PARTNERSHIP FOR THE YEAR ENDED 31 DECEMBER, 2024

PREAMBLE

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

- A. Report on 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 the 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 the Government achieves value for money and that such funds are applied for the intended purpose; and,
- 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, risk management environment and internal controls, developed and implemented by those charged with governance for orderly, efficient and effective operations of the entity.

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

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

REPORT ON THE FINANCIAL STATEMENTS

Opinion

I have audited the accompanying financial statements of ADCAFC Development Limited Liability Partnership set out on pages 1 to 18, which comprise the statement of financial position as at 31 December, 2024 and the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended and a summary of significant accounting policies and other explanatory information in accordance with the provisions of Article 229 of the Constitution of Kenya and Section 35 of the Public Audit Act, 2015. I have obtained all the information and explanations which to the best of my knowledge and belief, were necessary for the purpose of the audit.

In my opinion, the financial statements present fairly, in all material respects, the financial position of ADCAFC Development Limited Liability Partnership as at 31 December, 2024 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards (Accrual Basis) and comply with the Limited liability Partnership Deed dated 05 June, 2017 and the Public Finance Management Act, 2012.

Basis for Opinion

The audit was conducted in accordance with International Standards for Supreme Audit Institutions (ISSAIs). I am independent of the ADCAFC Development Limited Liability Partnership Management in accordance with ISSAI 130 on the Code of Ethics. I have fulfilled other ethical responsibilities in accordance with the ISSAI and in accordance with other ethical requirements applicable to performing 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 opinion.

Emphasis of Matter

Budgetary Control and Performance

The statement of comparison of budget and actual amounts reflects final revenue budget and actual on comparable basis of Kshs.166,750,870 and Kshs.160,908,599 respectively, resulting in an under-collection of Kshs.5,842,271 or 4% of the budget. Similarly, the partnership expended Kshs.62,458,885 against an approved budget of Kshs.80,071,947, resulting in an under-expenditure of Kshs.17,613,063 or 22% of the budget.

The under collection and underperformance affected the planned activities and may have impacted negatively on profit of the ADC/AFC partnership.

My opinion is not modified in respect of this matters.

Key Audit Matters

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

Other Matter

Unresolved Prior Year Matters

In the audit report of the previous year, several issues were raised under the Report on Report on Effectiveness of Internal Controls, Risk Management and Governance. However, the Management explained that the issues have been resolved but no evidence was provided to indicate how the issues were resolved.

Other Information

The Management committee is responsible for the other information set out on page i to xxii which comprise of Key Entity Information, Members of Committee, Management Team, Chairman's Statement, Report of the Property Manager, Statement of Performance Against predetermined objectives, Corporate Governance Statement, Role and Responsibility of Management committee, Management Discussion and Analysis, Environmental and Sustainability Reporting, Report of the Members of the Committee, Statement of Committee s Responsibilities.

My opinion on the financial statements does not cover the Other Information and accordingly, I do not express an audit opinion or any form of assurance conclusion thereon.

REPORT ON LAWFULNESS AND EFFECTIVENESS IN THE USE OF PUBLIC RESOURCES

Conclusion

As required by Article 229(6) of the Constitution, based on the audit procedures performed, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Lawfulness and Effectiveness in the Use of Public Resources section of my report, I confirm that nothing else 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

Long Outstanding Trade and Other Receivables

The statement of financial position reflects trade and other receivable of Kshs.55,374,342 as disclosed in Note 6 to the financial statements. The balance is net of a provision of

Kshs.91,209,021. An analysis of the list of debtors provided for audit revealed that 219 debtors holding debts totaling to Kshs.106,435,311 has been outstanding for more than 360 days and whose recoverability is doubtful.

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

The audit was conducted in accordance with ISSAI 3000 and ISSAI 4000. The standards require 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, except for the effect(s) of the matter(s) described in the Basis for Conclusion on Effectiveness of Internal Controls, Risk Management and Governance section of my report, I confirm that nothing else has come to my attention to cause me to believe that internal controls, risk management and governance were not effective.

Basis for Conclusion

1. Lack of Internal Audit Reports

Audit review of ADC AFC Development Limited Liability Partnership records for the financial year 2024 revealed that there was no Internal Audit Report that evaluated the budgetary performance, financial management, transparency and accountability mechanisms and processes. This contrary to section 73 of the PFM Act, 2012, which states that every national government entity shall ensure that it has appropriate arrangements for conducting internal audit according the guidelines of the Public Sector Accounting Standards Board.

In the circumstances, the strength of the internal controls could not be confirmed.

2. Lack of an Approved Human Resource Policies and Regulation Manual

Review of the partnership standard operating procedures indicated that a human resource policies and regulation manual was drafted in the year 2024 that contains

information on operating policies for all employees as a condition of their employment in the partnership. Further, the objective of the policy is to provide a framework for employee behavior and conduct to create a conducive work environment. The development house management committee approved the policy on 12 September, 2024, though there was no evidence of approval by the Managing Director of ADC and AFC. Further, the approved proposed salary structure has not been effected in the salaries for staff.

In the circumstances, raising doubt on the strength of governance and risk management system in place.

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 controls, risk Management and overall governance were operating effectively in all material respects. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my conclusion.

Responsibilities of the Management and the Management Committee

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (Accrual Basis) and for maintaining effective internal controls as Management determines is necessary to enable the preparation of financial statements that are free from material 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* ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management is aware of the intention to liquidate the partnership or to cease operations.

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

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

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

governance and risk management, and ensuring the adequacy and effectiveness of the control environment.

Auditor-General's Responsibilities for the Audit

My responsibility is to conduct an audit of the financial statements in accordance with Article 229(4) of the Constitution, Section 35 of the Public Audit Act, 2015 and the International Standards for Supreme Audit Institutions (ISSAIs). The standards require that, in conducting the audit, I obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error and to issue an auditor's report that includes my opinion in accordance with Section 48 of the Public Audit Act, 2015. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with IFPP will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In conducting the audit, Article 229(6) of the Constitution also requires that I express a conclusion on whether or not in all material respects, the activities, financial transactions and information reflected in the financial statements are following the authorities that govern them and that public resources are applied in an effective way. In addition, I consider the entity's control environment 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.

Further, I am required to submit the audit report in accordance with Article 229(7) of the Constitution.

Detailed description of my responsibilities for the audit is located at the Office of the Auditor-General's website at: <https://www.oagkenya.go.ke/auditor-generals-responsibilities-for-audit/>. This description forms part of my auditor's report.


FCPA Nancy Gathungu, CBS
AUDITOR-GENERAL

Nairobi

30 April, 2025

Annual Report and Financial Statements for the year ended December 31, 2024

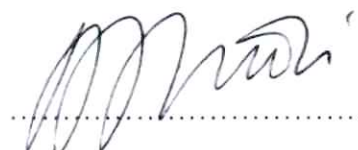
14. Statement of Profit or Loss & Other Comprehensive Income for the year ended 31st December, 2024

Description	Note	2024	2023
		Kshs	Kshs
Revenue	1	160,908,599	174,814,550
Cost of Sales	2	(35,071,433)	(35,819,480)
Gross Profit		125,837,166	138,995,070
Administrative Expenses	3	(21,563,878)	(21,155,507)
Operating Expenses	4	(5,823,574)	(2,897,987)
Profit		98,449,714	114,941,576

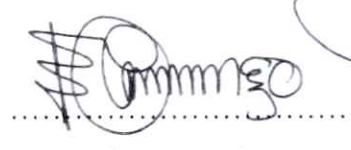
15. Statement of Financial Position as at 31st for December 2024

Description	Note	2024	2023
		Kshs	Kshs
Non-current Assets			
Property and Equipment	5	38,285,912	42,155,726
		38,285,912	42,155,726
Current Assets			
Trade and Other Receivables	6	55,374,342	50,381,400
Bank and Cash Balances	7	122,421,644	104,050,750
		177,795,986	154,432,151
Total Assets		216,081,894	196,587,876
Equity and Liabilities			
Retained Earnings	8	122,168,671	122,168,671
Shareholders' Fund		122,168,671	122,168,671
Current Liabilities			
Trade and Other Payables	11	93,913,223	74,419,205
		93,913,223	74,419,205
Total Equity and Liabilities		216,081,894	196,587,876

The financial statements were approved by the Committee on **21/03/2025** and signed on its behalf by:

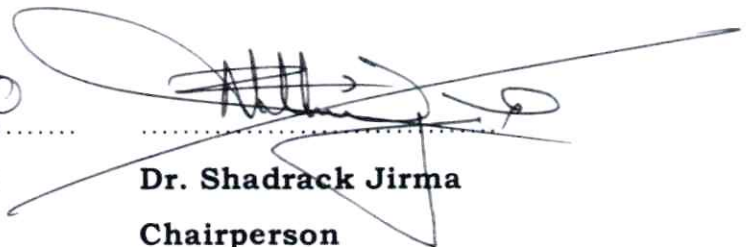


Rose Kinyua
Property Manager



Cornelius Getita
Member

ICPAK M/NO: 13288



Dr. Shadrack Jirma
Chairperson

16. Appropriation Account for the year ended 31st December 2024

Particulars	Note	Amount	Amount
Profit/loss			98,449,714
Less Rental WHT			<u>(5,008,598)</u>
			93,441,116
Share of the profit for the year			
ADC 50%		46,720,558	
AFC 50%		46,720,558	
Total			<u>93,441,116</u>
2024 Drawings			
ADC		23,000,000	
AFC		23,000,000	
Total		46,000,000	
2024 Advance Payment			
ADC		-	
AFC		-	
Total Share(Drawings + advance)			
ADC		23,000,000	
AFC		23,000,000	
			46,000,000
2024 due to			
ADC		23,720,558	
AFC		23,720,558	
			<u>47,441,116</u>
			<u>93,441,116</u>

17. Statement of Changes In Equity for the year ended 31st December 2024

	NOTES	Share capital Kshs	Revaluation Reserve	Retained Earnings Kshs	Total Kshs
At 1stJanuary, 2023		-	-	122,168,671	122,168,671
2023 Advance to partners		-	-	(6,361,410)	(6,361,410)
2024 profit		-	-	114,941,576	114,941,576
2024 Partners drawings		-	-	(73,200,000)	(73,200,000)
2024 Rental WHT		-	-	(6,230,679)	(6,230,679)
2024 Due to partners		-	-	(29,149,487)	(29,149,487)
At 31stDecember, 2023				122,168,671	122,168,671
At 1stJanuary, 2024		-	-	122,168,671	122,168,671
2023 Advance to partners		-	-	-	-
2024 profit		-	-	98,449,714	98,449,714
2024 Partners drawings		-	-	(46,000,000)	(46,000,000)
2024 Rental WHT		-	-	(5,008,598)	(5,008,598)
2024 Due to partners		-	-	(47,441,116)	(47,441,116)
At 31st December, 2024		-	-	122,168,671	122,168,671

18. Statement of Cash Flows for the year ended 31st December 2024

Description	Note	2024 Kshs	2023 Kshs
Cash flow from operating activities:			
Profit/(Loss) Before Taxation		98,449,714	114,941,576
Adjustments for:			
Depreciation of Property & Equipment	5	4,218,249	4,725,235
Profit/loss on theft of Assets		3,086,442	-
Advance to partners		-	(6,361,410)
Interest on Short Term Deposits		(12,572,267)	(10,081,839)
Rental WHT		(5,008,598)	(6,230,679)
Increase/Decrease in Trade and Other Receivables	6	(4,992,942)	(12,860,194)
Increase/Decrease in Trade and Other Payables	11	19,494,018	34,267,686
Due to partners		(47,441,116)	(29,149,487)
Net cash flows generated from operating activities		55,233,499	89,250,888
Cash flow from Investing activities:			
Purchase of Property & Equipment	5	(3,434,872)	(21,255,607)
Proceeds from disposal of Property & Equipment		-	-
Interest on Short Term Deposits		12,572,267	10,081,839
Drawings to Partners		(46,000,000)	(73,200,000)
Net cash flow used in investing activities		(36,862,605)	(84,373,768)
Cash flow from Financing activities:			
Net cash flow used in financing activities		-	-
Increase/Decrease in cash and cash equivalent		18,370,894	4,877,120
Cash and cash equivalent at the beginning of the year		104,050,750	99,173,630
Cash and cash equivalent at the end of the year.	7	122,421,644	104,050,750

19. Statement of Comparison of Budget & Actual Amounts 2024 FY

A/C	Account Name	2024 original Approved Budget	Adjustments	2024 Final Budget	2024 Actuals	Performance difference	% of utilization
1001	Rent Income	131,660,388	(1,799,930)	126,871,267	116,931,806	(9,939,461)	(8)
1002	Service Charge Income	24,825,784	-	21,731,190	23,273,204	1,542,014	7
1003	Car Park Income	7,452,000	-	6,940,500	7,075,500	135,000	2
1004	Resource Centre Income	2,000,000	(177,660)	1,170,323	1,045,478	(124,845)	(11)
1005	Interest on Short Term Deposit	6,000,000	2,000,000	10,000,000	12,572,267	2,572,267	26
1008	Other Income	60,000	(22,410)	37,590	10,344	(27,246)	(72)
	Total Income	171,998,172	-	166,750,870	160,908,599	(5,842,271)	(4)
Cost of Sales							
2001	Water	4,000,000	-	4,000,000	3,179,512	(820,488)	(21)
2002	Electricity	22,000,000	-	22,000,000	17,925,876	(4,074,124)	(19)
2003	Security	4,000,000	400,000	4,500,000	4,284,213	(215,787)	(5)
2004	Cleaning & Sanitary	3,500,000	-	3,500,000	3,209,070	(290,930)	(8)
2005	Repairs & Mainte. - General	9,500,000	-	9,500,000	2,292,860	(7,207,140)	(76)
2006	Lift Repairs & Maintenance	3,300,000	-	3,300,000	2,135,896	(1,164,104)	(35)
2007	Repairs & Mainte. - Electrical	800,000	-	800,000	510,706	(289,294)	(36)
2016	Land Rates	1,150,000	-	1,150,000	1,150,000	-	-
2017	Land Rent	383,200	-	383,200	383,300	100	0
	Total Cost Of Sales	48,633,200	-	49,133,200	35,071,433	(14,061,767)	(29)
Administrative Expenses							
2011	Printing & Stationery	200,000	-	200,000	198,918	(1,082)	(1)
2012	Telephone & Postage	346,000	-	346,000	201,896	(144,105)	(42)
2013	Office Expenses	170,000	-	170,000	135,325	(34,675)	(20)
2019	Licenses	1,000,000	(200,000)	500,000	48,150	(451,850)	(90)
2009	Salaries and wages	7,079,388	-	7,079,388	5,482,396	(1,596,992)	(23)
2010	Gratuity Expense	848,750	-	848,750	753,576	(95,174)	(11)
2014	Committee Allowances	2,000,000	-	2,000,000	1,960,078	(39,922)	(2)
2015	Subsistence Allowance	100,000	-	100,000	27,200	(72,800)	(73)
2023	Training	1,000,000	-	1,000,000	657,949	(342,052)	(34)
2022	Bank Charges	100,000	-	100,000	53,224	(46,777)	(47)
2026	Legal Fees	1,000,000	-	500,000	2,550	(497,450)	(99)
2027	Audit Fee	500,000	-	500,000	500,000	-	-
2028	Advertising	700,000	-	350,000	-	(350,000)	(100)
2050	Comp Repair & Gen Mainte	200,000	-	200,000	56,250	(143,750)	(72)
2036	Provision For Depreciation	6,355,314	-	6,355,314	4,218,249	(2,137,065)	(34)
2037	Provision For Bad Debts	6,043,893	-	6,043,893	7,034,603	990,710	16
2000	Strategic Planning Expenses	1,000,000	-	1,000,000	163,765	(836,235)	(84)
2029	Professional Fee	500,000	(200,000)	250,000	69,750	(180,250)	(72)
	Total Administrative Costs	29,143,345	(200,000)	27,543,345	21,563,878	(5,979,467)	(22)
Operating Expenses							
2024	Insurance	1,586,250	-	1,586,250	1,586,010	(240)	(0)
2008	Generator Fuel & Gen Mainte	790,000	-	790,000	505,518	(284,482)	(36)
2020	Resource Center Expenses	556,152	-	556,152	264,405	(291,748)	(52)
2018	Fumigation	163,000	-	163,000	81,200	(81,800)	(50)
2052	Loss on theft	-	-	-	3,086,442	3,086,442	-
2030	DHMC Welfare Expenses	300,000	-	300,000	300,000	-	-
	Total Operating Costs	30,822,747	-	3,395,402	5,823,574	2,428,172	72
	Total Expenditure	108,599,292	(200,000)	80,071,947	62,458,885	(17,613,062)	(22)
5011	Rental Withholding Tax	6,500,000	-	6,500,000	5,008,598	(1,491,402)	(23)
	Surplus	63,398,880	200,000	80,178,923	93,441,116	13,262,193	17
	Partners Drawings	67,200,000	-	67,200,000	46,000,000	(21,200,000)	(32)
2040	ADC	33,600,000	-	33,600,000	23,000,000	(10,600,000)	(32)
2048	AFC	33,600,000	-	33,600,000	23,000,000	(10,600,000)	(32)

20. Notes to the Financial Statements

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

1. General Information

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

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

2. 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.

3. Revenue recognition

Revenue is recognized to the extent that it is probable that future economic benefits will flow to the *Partnership* and the revenue can be reliably measured. Revenue is recognized at the fair value of consideration received or expected to be

received in the ordinary course of the *Partnership's* activities, net of value-added tax (VAT), where applicable, and when specific criteria have been met for each of the *Partnership's* activities as described below.

- i) **Revenue from the sale of goods and services** is recognized in the year in which the *Partnership* delivers products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.
- ii) **Finance income** comprises interest receivable from bank deposits and investment in securities, and is recognized in profit or loss on a time proportion basis using the effective interest rate method.
- iii) **Interest income** is recognized in the income statement in the year in which the right to receive the payment is established.
- iv) **Rental income** is recognized in the income statement as it accrues using the effective lease agreements.
- v) **Other income** is recognized as it accrues.

4. 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.

5. Property, plant and equipment

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

same asset are charged against the revaluation reserve account; all other decreases are charged to profit or loss in the income statement.

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

6. 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:-

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

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

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

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

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

7. Budget Information

The budget was initially approved on January 24, 2024, and later reviewed on September 25, 2024, to accommodate economic realities, reallocate funds, and respond to riot-related damages.

The mid-year review highlighted key income and expenditure adjustments, including a downward revision of rent income to Kshs. 126.9 million due to rent waivers for riot-affected tenants. Interest income from short-term deposits exceeded expectations, prompting an upward adjustment to Kshs. 10 million. Security costs increased to Kshs. 4.5 million to cover additional armed police officers, while professional and legal fees were reduced due to deferred projects.

8. 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.

9. Amortization and impairment of intangible assets

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

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

10. Fixed interest income

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

11. 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.

12. 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.

13. 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.

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.

14. 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 National Bank of Kenya at the end of the financial year. Cash and cash equivalents also include short term cash imprest and short term fixed deposit at the end of the financial year.

15. 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.

16. 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.

17. 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.

18. Comparative figures

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

19. 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, 2024.

Notes to the Financial Statements (Continued)

1. Revenues

Description	2024 Kshs	2023 Kshs
Rent income	116,931,806	130,651,516
Service charge income	23,273,204	25,103,816
Car park income	7,075,500	7,488,002
Resource Centre Income	1,045,478	1,473,861
Other incomes	10,344	15,516
Interest on Short Term Deposit	12,572,267	10,081,839
Total	160,908,599	174,814,550

2. Cost of sales

Description	2024 Kshs.	2023 Kshs
Electricity	17,925,876	18,739,457
Security	4,284,213	3,847,924
Water	3,179,512	3,222,618
Cleaning and sanitation	3,209,070	3,580,766
Lift repair and maintenance	2,135,896	2,349,327
General repairs and maintenance	2,292,860	2,021,883
Land rates	1,150,000	1,150,000
Electricity repair and maintenance	510,706	524,306
Land rents	383,300	383,200
Total	35,071,433	35,819,480

3. Administrative Expenses

Description	2024 Kshs	2023 Kshs
Depreciation	4,218,249	4,725,235
Salaries and Wages	5,482,396	5,176,985
Provision for bad & doubtful debts	7,034,603	7,294,559
Committee Allowances	1,960,078	1,579,344
Gratuity	753,576	685,071
Telephone & Postage	201,896	211,987
Audit Fee	500,000	441,165
Strategic Plan	163,765	-
Legal Fee	2,550	-
professional fee	69,750	333,621
Office expenses	135,325	110,571
Printing	198,918	121,124
Bank charges	53,224	66,695
Subsistence Allowances	27,200	30,000
Licenses	48,150	35,000
Advertising	-	97,200
Training	657,949	100,200
Computer & system main	56,250	146,752
Total Admin Expenses	21,563,878	21,155,507

4. Operating Expenses

	2024 kshs	2023 kshs
Insurance	1,586,010	1,522,073
Generator fuel	505,518	488,019
Resource Centre Expenses	264,405	425,495
DHMC Welfare Expenses	300,000	300,000
Fumigation	81,200	162,400
Loss on Theft & Vandalism	3,086,442	-
Total	5,823,574	2,897,987

5. Property Plant & Equipment

PPE	Machine/ Generator	Furniture, Fittings & Equipment	Office Equipment	It Equipment	Total
	10%	10%	10%	25%	
Year 2023					
As at 1st January, 2023	14,303,555	32,490,912	520,180	1,971,065	49,285,712
Additions	-	21,201,257	-	54,350	21,255,607
As at 31st December, 2023	14,303,555	53,692,169	520,180	2,025,415	70,541,319
Year 2024					
As at 1st January, 2024	14,303,555	53,692,169	520,180	2,025,415	70,541,319
Additions	-	3,434,872	-	-	3,434,872
Vandalism & Theft Due to riots	-	(3,686,654)	-	-	(3,686,654)
As at 31st December, 2024	14,303,555	53,440,388	520,180	2,025,415	70,289,538
As at 1st January, 2023	6,744,714	14,679,707	458,107	1,777,824	23,660,352
Charge for the year	755,884	3,901,246	6,207	61,898	4,725,235
Balance as at 31st December, 2023	7,500,598	18,580,954	464,314	1,839,722	28,385,588
As at 1st January, 2024	7,500,598	18,580,954	464,314	1,839,722	28,385,588
Charge for the year	680,296	3,485,943	5,587	46,423	4,218,249
Accumulated Depreciation as at 31st December 2023	-	(600,211)	-	-	(600,211)
Balance as at 31st December, 2024	8,180,893	21,466,686	469,901	1,886,145	32,003,625
As at 31st December, 2023	6,802,957	35,111,216	55,860	185,693	42,155,726
As at 31st December, 2024	6,122,662	31,973,702	50,279	139,270	38,285,912

6. Trade & Other Receivables

Description	2024 Kshs	2023 Kshs
Trade Receivables	48,873,244	46,554,548
Deposit for generator fuel	100,000	100,000
Vat Recoverable	1,151,273	997,091
Prepayment	1,198,485	1,183,440
Deposit for Electricity	1,168,094	1,168,094
Advance to ADC& AFC	-	-
Interest receivables	2,883,247	378,227
Total	55,374,342	50,381,400

Reconciliation of trade receivables

Opening balance	46,554,548	27,521,022
Debtors during the year	188,182,528	197,874,264
Payments during the year	(178,829,229)	(171,546,179)
Provision for doubtful debt	(7,034,603)	(7,294,559)
Total	48,873,244	46,554,548

Reconciliation of doubtful debts/credit losses

Accumulated provision for bad debts	84,174,418	76,879,859
Provision for doubtful debts/credit losses	7,034,603	7,294,559
Total	91,209,021	84,174,418

7. Cash & cash equivalent

Description	2024 Kshs	2023 Kshs
Term Deposits	115,000,000	100,000,000
Cash In Hand	168	11,095
Cash Bank	7,421,476	4,039,655
Total	122,421,644	104,050,750

8. Retained Earnings

Description	2024 Kshs	2023 Kshs
January 1st	122,168,671	122,168,671
2023 advance to partners	-	(6,361,410)
2023 Prior year adjustment	-	-
2024 profit	98,449,714	114,941,576
2024 partners drawings	(46,000,000)	(73,200,000)
2024 Rental Withholding Tax	(5,008,598)	(6,230,679)
2024 Due to partners	(47,441,116)	(29,149,487)
At 31st December	122,168,671	122,168,671

9. Loss on Vandalism & Theft

Description	2024 Kshs	2023 Kshs
Accumulated Depreciation	600,211	-
Net Book Value	3,686,653	-
Disposal Proceeds	-	-
Loss on theft	3,086,442	-

10. List of the vandalized items during riots against Financial bill

CCTV	817,000.00
Security Equipment	2,449,653.74
Walk through metal detector	420,000.00

11. Trade & Other Payables

Description	2024 Kshs	2023 Kshs
Tenants Deposits	32,529,820	32,883,519
Trade Payables	3,841,765	2,424,554
Prepaid Rent	5,674,538	3,124,526
Accrued Gratuity	2,200,539	1,446,963
Accrued PAYE	314,577	330,006
Accruals(General)	1,410,867	4,560,149
Accrued Audit Fee	500,000	500,000
Dues to partners	47,441,116	29,149,487
Total	93,913,223	74,419,205

21. Progress On Follow Up Of Auditor Recommendations

The partnership was issued with unqualified audit opinion and there were no pending issues in the auditor's report.

