

**CHAIRMAN'S REPORT TO THE MEMBERS OF WANANDEGE HOUSING  
COOPERATIVE SOCIETY LTD, DURING THE ANNUAL GENERAL MEETING ON  
30<sup>TH</sup> APRIL, 2016**

The Director of Co-operative Development Nairobi County, invited Guests, my fellow

Co-operators, Ladies and Gentlemen. I am pleased and privileged to present to you an overview of the society's performance for the period ended 31<sup>st</sup> December, 2015. Overall the Society's performance was very good and we were able to record an increase of 66% in earnings and 80% in members deposits. I am personally encouraged by the performance so far. It also gives me a lot of pride to inform you that our organization has not only become more profitable but it is also declaring a dividend of 8% for the year 2015.

This is an increase of 33% from the previous year.

**Operating environment**

The economy continued to experience a stable macroeconomic environment in 2015 with inflation remaining at a single digit of 6.58% in December 2015 down from 6.02% in 2014 owing to increase in consumer goods prices and interest rates. Other economic indicators showed positive signs with a GDP growth of 6.2% in 2015 from 5.3% in 2014. This is however projected to decline slightly.

The year saw significant increase in interest rates with the benchmark 91 day Treasury bill rate increasing from 8.53% in January 2015 to 10.4065% as at December 2015.

We have also had a challenging environment especially since we draw most of our investors from Kenya airways.

**Performance of Wanandeg Housing.**

Given the favorable macro-economic conditions, the financial Sector remained stable. It is in this environment that the results of the Society up to 31<sup>st</sup> December, 2015 show continued growth in all parameters coupled with improved efficiency. I am pleased to report that the Society recorded an overall increase in turnover of 66% from Kshs.22.8 million in 2014 to Kshs.37.9 million. During the year under review, the Society was able to substantially close Tinga 2 and Kisaju 2 projects and start Kantafu project which is new major project on Kangundo road. During the period under review the mobilisation and lending of resources was as vibrant as ever. The Share capital rose by 8% to stand at Kshs.84.6m million up from Kshs.78.2m million in the year 2014. The assets base grew by 25% to Kshs.195 million, while

member's deposits rose by 80%. On the other hand the Society was able to disburse pepea loans in the tune of kes.4.3 during the year under review.

I will give you an overview of all projects shortly before the end of my speech.

### **Appropriation of the Net Surplus**

We are pleased to recommend to you for your consideration, a declaration of dividend of kshs.6.46 million at the rate of 8% for the year ended December 31, 2015 from 6% (Kes.4.6 million) in 2014 which is an increase of 40%. However, members are of course at liberty to declare a lower rate. At this point, let me also caution that high rate of dividend may increasingly become difficult for the Society to sustain because our priority is to provide cheaper and affordable land and houses for purposes of maximizing our members wealth in the short and long run.

The purpose of our institution I believe is to provide better and affordable houses and land while on the other hand giving members a good return on their share Capital. This is the mandate of the Board and it should be achieved at a minimal cost to the members.

### **Society Achievements**

I am also pleased to report to you that for the 4<sup>th</sup> year in a row; your Society was commended and rewarded with four coveted trophies for excelling in various competitive slots, which included, **2<sup>nd</sup> highest return and best Housing products within its category of Housing Cooperatives Nationally.** Additionally, the Society was able to make tremendous progress in closing and processing of title deeds for various projects as follows:-

#### **a) TINGA 2 PROJECT**

I am pleased to inform you that after the successful closure of Tinga 1 with 211 plots, the Society embarked to Tinga 2 project which is substantially complete after successfully selling all the 398 plots, where 222 were fully paid and 176 partly paid as at 31<sup>st</sup> December, 2015. The Title documents are in the final phase of processing and they will be ready in the plot owners' names next month. The Society is planning to take all the plot owners to Tinga to be shown their plots once the rains subside next month.

**b) KANTAFU PROJECT ON KANGUNDO ROAD**

I am pleased to inform you that after the successful closure of Tinga 1 and Kisaju Annex and Kisaju 2 projects the Management Committee embarked on Kantafu project in the fourth quarter of year 2015. This is a very prime property comprising of 444 plots on Kangundo road next to the proposed Great Eastern bypass selling at a very reasonable price of kes.450, 000. This is one of our most sought projects with high demand because the price is very competitive compared to our competitors in the neighborhood who are selling their plots of similar sizes at prices of between kes.800,000 and Kes. 1.0 million. As we speak 74 no of plots are already sold out and another 76 no of plots are partly paid up. I would like to encourage all of you to get a share of this property before we run out of space.

We are going to be calling the plot owners who are fully paid up to ballot for the initial 74 plots.

**c) KATANI PROJECT**

The Management Committee has processed all the title deeds for KATANI land owners except for 11 plot owners who have not cleared their fees. We urge the remaining land owners to clear their fees as soon as possible to facilitate their transfers in order to minimise on the Stamp duty which has already more than doubled owing to the appreciation of land.

**d) KISAJU 2 PROJECT**

We had a total of 74 plots, 60 are fully paid up while 14 are partly paid for.

I am pleased to inform you that the Society has finished processing the 74 title deeds for Kisaju 2 project and Investors who have cleared their balances will get their title deeds in their names next month.

We expect to close this project by August this year, subject to the 14 investors completing their payments.

**e) KISAJU 1 PROJECT**

Work on KISAJU 1 project title deed processing is ongoing though at a slower phase because the majority of our members acquired these plots through a five year Cooperative bank loan facility which they are still repaying. However, the Society is determined to finalise the processing of Title deeds in June this year for plot owners who paid their plots in cash and those who have cleared their loans. We would like to urge all the land owners who have loan balances to clear them as soon as possible to facilitate the processing of their title deeds in

order to minimise on the stamp duty which has been increasing owing to the appreciation of land.

I would now like to briefly present an overview of this project.

Total land bought was 100 acres and made up of four (4) titles against an 80 million loan taken from cooperative bank and charged to the land

We currently have a balance of kes 18.9 million pending.

The following is the cost analysis of this project.

We are currently estimating a loss on this project of approximately kes 40 million.

As indicated in my speech last year, the costs incurred on this project were way above the normal fees paid.

The duration taken by some members to pay off their loans, co-op bank loan interest rate fluctuation over the years, and manual entries done on member accounts have greatly contributed to the loss in this project.

We currently have two of the titles that are now being processed in order to issue members with their titles while the other two are still held as collateral with the bank.

**f) EMBAKASI APARTMENTS**

We are still in court with Kenya Airports Authority and awaiting a ruling in our favor over the property.

The hearing for interparty is in June this year.

Our lawyers are currently compiling the witness statements in preparation for the case.

The project is as such suspended until the case is determined.

**g) KINANIE PROJECT**

The Kinanie project was closed several years ago and was officially handed over to the land owners in January, 2014.

We still have the borehole and dam plots in the society's name.

The two properties were offered to the kinanie buyers but no feedback has been received.

The board will shortly offer the same to any prospective buyers.

I wish to assure you that your Society's Board of directors will not relax as a result of these successes; instead these good results only help to motivate us to even greater achievements in the future. Needless to say the Board will continue to rely on your full support through suggestions and constructive criticism.

## **The Future Strategic Plans**

To survive in the coming years, our Society will need to continue exploring the potential of expanding its operations by seeking and introducing new and innovative products and services in order to broaden its revenue base and also improve service delivery to its membership. It is in recognition of this fact that the Board has continued to seek partnerships with friendly organizations in order to bring on board new products. In this regard, I am happy to announce that your Management Committee in partnership with Safaricom Investment and Stima investment are in the process of signing a MOU to facilitate the Marketing and selling of products for each other on commission basis in addition to our normal products. This exchange programme will enable the Society to provide its customers with a diversified portfolio of products and services in addition to generating additional revenues at minimal costs. During the coming year the Society will embark on the process of reviewing the Society Strategic plan in order to reflect on new opportunities and challenges which will be implemented in phases over a three-year period. Members will be consulted at the appropriate time to give their input for the success of the entire process. Meanwhile during this meeting I will be asking you to pass a resolution to amend the Society By-laws to fix the minimum shares at 150 of kes 1000 each and open the maximum cap since it is well defined in the Co-operative Society's Act Cap.490 that no one member will be allowed to hold more than 5% of the Societies Share capital.

If this proposal is approved among other recommendations, members will be able to increase their shares beyond the current maximum of 150 shares and earn more dividends in future since the amount of shares held by each member determines the amount of dividends payable at the end of the financial year. More funds will also be availed to the Society and this will help to reduce the Societies cost of doing business resulting to more earnings which will be shared by the members in dividends.

Financing of our projects gets difficult due to lack of adequate liquidity. By approving the increase in share capital, this will go all a long way in enhancing our profitability ratio.

We will be able to finance our projects without loans and thus give even better dividends and or plots/houses at subsidized rates.

The Board is also in the process of working on a dividend and interest policy which will enable the Society to pay interest on Pepea deposits starting from 31<sup>st</sup> December, 2016 going forward. The Board will also shortly increase the maximum Pepea loan from the current maximum of

kes. 500,000 to enable member to acquire land and other properties conveniently. We encourage you all to continue to boost you pepea deposits and keep your share accounts active so that you can be able to continue enjoying greater benefits and participate in the decision making process of your Society as we embark on a journey of greater profitability and achievements.

### **Reengineering of the Society's operations**

Last year you approved a budget to acquire a new Management Information System and I am happy to inform you that the implementation is on course and we are expected to go live on 1<sup>st</sup> June this year. It is envisaged that with proposed measures which includes Computer Server upgrade, installation of Microsoft 2016 Navision software and our revamped website our members will be able to transact business on line with their Society in the next few months and this will help enhance efficiency in service delivery.

The Society will continue making more improvement on our website whose address is; <http://www.wanandegehousing.com>. I believe all of us will reap benefits from this initiative, since for the last two years members have been accessing all the information relating to the AGM through the homepage. I would like to urge our members to visit our website regularly in order to catch up with the latest developments and also make suggestions for further improvements. We wish to thank you all for your support in this regard.

I am very grateful for the support and understanding that my Board and the staff have received from the entire membership in steering our Society thus far. By the grace of God, I am confident that our co-operators will continue to support the Management Committee in various activities and the challenges of the years to come.

### **Election of the Management and the Supervisory Committee**

In accordance with the elections guidelines provided by the Department of Co-operative Development dated 25<sup>th</sup> January, 2008; one third of the Management Committees is expected to have their mandate renewed by the Annual General meeting this year after serving their three terms in office. The retiring Management Committee members are **Mrs. Nelly Konchella and I and both of us** being eligible for re-election; offer our candidature amongst others for your consideration and election. You will also be expected to elect two other members to fill two vacant positions in the Management Committee occasioned by the exit of four Management

Committee members who were barred from holding Co-operative leadership by the Commissioner for Co-operatives Development after inquiring into the affairs of our Society. In this regard you will also be expected to ratify the co-option of Ms. Grace Wambugu and Caroline Ouma who were co-opted to the Management Committee to facilitate the smooth running of the Society after the exit of the four Board members. In the Supervisory Committee **Ms. Florence Akwera will be retiring by rotation and being eligible for re-election**, offers her candidature amongst others for your consideration and election. You will also be expected to elect one other member to fill one vacant position in the Supervisory Committee occasioned by the exit of one Supervisory Committee member who was also barred from holding Co-operative leadership. You will therefore, at an appropriate stage during this meeting be called upon to exercise your right to vote and fill these vacancies in the Management and the Supervisory Committees. I believe we have done a very commendable job during our term in office and there is a lot of unfinished business and as you deliberate on the elections, please take this into consideration and remember to comply with gender balance to be in line with our constitution.

### **Appreciation**

I would like to record my sincere gratitude to you all in your respective capacities (as our customers/shareholders/members; Management and Supervisory Committee members and Staff) for the support, understanding, enthusiasm, confidence, drive and hard work as well as your individual and collective contribution towards the attainment of the remarkable growth and performance of the Society. I also wish to recognise and appreciate the role of other Wanandeg Housing supporters and friends in the business, i.e. the Department of Co-operative Development, KUSCCO; Wanandeg Sacco, the Auditors - M/s. Kreston KM & Co., the Co-operative Bank of Kenya Ltd, our Legal Advisors, Consultants and several others who may not be with us here today.

Finally, please allow me to wish you all happy and a very successful year 2015.

  
**ERIC MBUGUA**  
**CHAIRMAN**