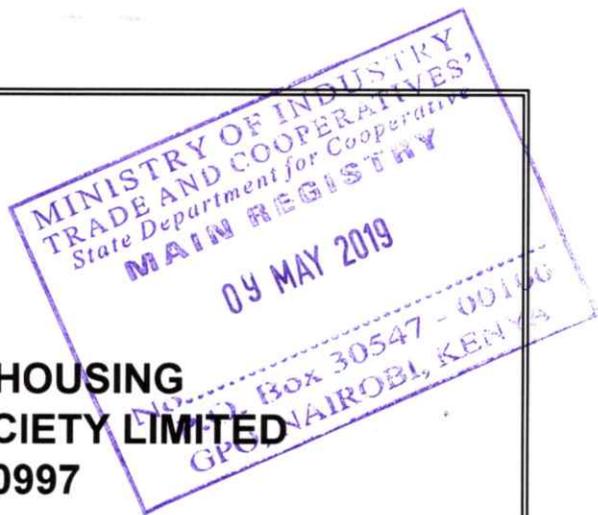


**WANANDEGE HOUSING
CO-OPERATIVE SOCIETY LIMITED
CS/NO: 10997**



**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018**



Omanwa & Associates
Certified Public Accountants and Secretaries (Kenya)
Commerce House, Moi Avenue
P.o Box 64447-00620 Nairobi

WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED - CS/NO.10997
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

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WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED - CS/NO.10997
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SOCIETY INFORMATION

MANAGEMENT COMMITTEE MEMBERS

Julius Mutia	Chairperson
Nelly Konchella	V. Chairperson
Caroline Ouma	Treasurer
Benjamin Wagude	Secretary
Stephen Kibuna	Member
Norbert Gongolo	Member
Anne Munyui	Member
Fanny Mwaka	Member
Bernard Owiti	Member
Charles Mureithi	Member

SUPERVISORY COMMITTEE

Mrs. Florence Akwera	Chairlady
Chadwick Wekesa	Secretary
Eliud Ndege	Member

EX-OFFICIAL

Maina Kibaki	Ag. Manager
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BANKERS

Co-operative Bank of Kenya Limited
Embakasi II Branch
Nairobi,

HEAD OFFICE

Wanandeg Plaza, 2nd Floor
P.O Box 700-00521
Embakasi Village
Nairobi

AUDITORS

Omanwa & Associates
Certified Public Accountants and
Secretaries (Kenya) Po Box 64447 -00620
Nairobi
TEL. 315592
info@omanwaassociates.com

WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED - CS/NO.10997
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STATISTICAL INFORMATION

	2018	2017	% Change
Membership - Active	674	900	-25.11%
-Dormant	1,196	900	32.89%
Total	1,870	1,800	3.89%
Employees of the Society	5	5	
Total Assets	201,106,111	199,023,610	1.05%
External Borrowing	53,585,001	49,184,597	8.95%
Investments	108,011,407	119,451,030	-9.58%
Core Capital	111,871,578	108,232,619	3.36%
Share Capital	96,488,814	93,706,230	2.97%
Institutional Capital	15,382,764	14,526,389	0.06
Total revenue	33,318,611	47,399,577	-29.71%
Total Land revenue	30,806,000	43,386,637	-29.00%
Total expenses	19,601,620	23,270,834	-15.77%
Key ratios:			
Capital Adequacy Ratio			
Core Capital / Total Assets	55.63%	54.38%	1.2%
Institutional Capital / Total assets	7.65%	7.30%	0.4%
Liquidity Ratio			
Liquid Assets / Long term Liab.	12.41%	2.33%	432.6%
Operating Efficiency / quality Ratios			
Total expenses / Total revenue	58.83%	49.10%	19.8%
Dividend rate on Members Share Capital	1.5%	0.0%	1.5%

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REPORT OF THE MANAGEMENT COMMITTEE

The Members of the Management Committee submit their annual report together with the audited Financial Statements for the year that ended 31st December 2018.

INCORPORATION

The Society is incorporated in Kenya under the Co-operative Societies Act, Cap 490 and licensed under the Sacco Societies Act No.14 of 2008, and is domiciled in Kenya.

PRINCIPAL ACTIVITY

The principle activity of the society is to promote thrift amongst its members by affording them an opportunity for accumulating their savings to create a source of funds from which members can invest in real estate and eventually provide housing to members at fair prices and reasonable rates of interest.

RESULTS

	<u>2018</u> Kshs	<u>2017</u> Kshs
Surplus before tax	3,150,868	1,230,849
Income Tax expense	<u>(945,261)</u>	<u>(292,063)</u>
Net surplus after tax (but before donations)	2,205,608	938,786
Donations	-	-
Retained surplus for the year	<u><u>2,205,608</u></u>	<u><u>938,786</u></u>
Interest & Dividends payment to Members	<u><u>1,809,448</u></u>	<u><u>-</u></u>

DIVIDENDS & INTEREST

The Management Committee recommends dividend payment on share capital of 1.5%, and interest to members Pepea deposits at 1.5%.

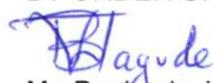
THE MANAGEMENT COMMITTEE

The Members of the Management Committee who served during the year and to the date of this report are as listed on page 2.

INDEPENDENT AUDITORS

Messrs Omanwa & Associates, Certified Public Accountants(K) were appointed during the year and have expressed their willingness to continue in office in accordance with the Co-operative Societies Act (Cap 490), as per Amendment No.2 of 2004.

BY ORDER OF THE MANAGEMENT COMMITTEE


Mr. Benjamin Wagude
HON. SECRETARY

DATE 2nd May 2019

WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED - CS/NO.10997
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

STATEMENT OF MANAGEMENT COMMITTEE'S RESPONSIBILITIES

The Sacco Societies Act No 14 of 2008 requires the Management Committee to ensure that the management maintains proper and accurate records that reflect the true and fair position of the position, Society's financial establish adequate and effective internal control systems and policies, safeguard the assets of the Society and take reasonable steps for the prevention and the detection of fraud and other irregularities. The directors are also responsible for the production of annual audited financial statements.

The Management Committee accept responsibility for the preparation and fair presentation of these financial statements, in accordance with the international Financial Reporting Standards and in the manner required by the Sacco Societies Act No. 14 of 2008. They also accept responsibility for;

- i) Designing, Implementing and maintaining such internal controls as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to error or fraud.
- ii) Selecting and implementing appropriate accounting policies ; and
- iii) Making accounting estimates and judgements that are reasonable in the circumstances

The Management Committee are of the opinion that the financial statements give a true and fair view of the financial position of the Society as at 31st December 2018, and the Society's financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Sacco Society's Act No.14 of 2008.

In preparing these financial statements the Management Committee have assessed the Society's ability to continue as a going concern. Nothing has come to the attention of the directors to indicate that the Society will not remain a going concern for at least the twelve months from the date of the statement.

Each of the persons who are the Management Committee at the time of signing this report confirms that:

- i) So far as that each is aware , there are no relevant audit information of which the Society's auditors are unaware and

- ii) That Management Committee has taken all the steps that ought to have been taken as a management in order to be aware of any relevant audit information and to establish that the Society's auditors are aware of that information.

The Management Committee acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Management Committee on 25th April 2019 and signed on its behalf by:

Chairman.....

Treasurer.....

Hon. Secretary.....

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED -CS/NO.10997
FOR THE YEAR ENDED 31ST DECEMBER 2018**

Our Opinion

We have audited the accompanying financial statements of Wanandegge Housing Co-operative Society Ltd set out on pages 8 to 21 which comprises the Statement of Financial Position as at 31st December 2018, the Statement of Comprehensive Income, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies as set out on pages 12 to 21

In our opinion, the financial statements present fairly, in all material respect, the financial position of the Society as at 31st December 2018, and its financial performance and cash flows for the then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act Cap 490.

Basis of Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the audit of the Financial Statements* section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountant (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code, and in accordance with other ethical requirements applicable to performing the audit of financial statements in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Other Information

The Committee are responsible for the other information. The other information comprises of Statement of Management Committee Responsibilities, Report of the Management Committee, Statistical Information and the Annual Report. Other information does not include the Financial Statements and our Auditor's report thereon

Our opinion on the Financial Statements does not cover the other information and we do not express an audit opinion or any form of assurance or conclusion thereon

In connection with our audit of the Financial Statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the Financial Statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Management Committee for the Financial Statements.

Management is responsible for the preparation of financial statements that give a true & fair view in accordance with the International Financial Reporting Standards and the requirements of the Co-operative Societies Act Cap 490, 2015. The management & the directors are required to maintain systems of internal controls sufficient to provide a reasonable assurance that assets are safeguarded against loss, and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true & fair financial statements.

In preparing the financial statements, the CMC are responsible for assessing the Society's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors intend to liquidate the Society or to cease operation, or has no realistic alternative to do so.

The Management Committee are responsible for overseeing the Society's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatement 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 the financial statement.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED -CS/NO.10997
FOR THE YEAR ENDED 31ST DECEMBER 2018**

AUDITOR REPORT CONTINUED

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- i) 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 our 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.
- ii) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sacco's Internal Control. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- iii) Conclude on the appropriateness of 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 Sacco's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are conditions inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or may cause the Sacco to cease to continue as a going concern.
- iv) Evaluate the overall preparation, 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 preparation.
- v) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Sacco to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Sacco audit. We remain solely responsible for our audit opinion.

**REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF
WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED -CS/NO.10997
FOR THE YEAR ENDED 31ST DECEMBER 2018**

AUDITOR REPORT CONTINUED

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we 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 our independence, and where applicable, related safeguards.

From matters communicated with those charged with governance, we determine those matters that were of most significant in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless the law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication. There wasn't any matter in this case.

Other Required Legal Reporting

As required by the Co-operative Society Act Cap 490 and the Sacco Societies Act No. 14 of 2008, we report to you, based on our audit, that:

- i) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit;
- ii) in our opinion, proper books of account have been kept by the Society, so far as appears from our examination of those books; and
- iii) the Society's statement of financial position and statement of comprehensive income are in agreement with the books of account; and
- iv) the Society's business was conducted in accordance with the provisions of the Co-operative Societies Act Cap 490 and in accordance with Sacco's By-laws and any other resolutions made by the members at a general meeting.

Engagement Partner

The engagement Partner responsible for the audit resulting in this Independent auditor's report is CPA Evans M Maeba P/NO 1124.



OMANWA & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS & SECRETARIES
PIN NO. P051165248Z

Date..... *BM May 2019*



WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED - CS/NO.10997
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

	Note	2018 Kshs	2017 Kshs
INCOME			
Income from Sale of Land	3(A)	30,806,000	43,386,637
Less:Direct Expenses	4	(11,451,999)	(24,030,602)
Net land income		19,354,001	19,356,035
Loan Interest Income	3(B)	2,512,611	4,012,940
Other Income			
Other Operating Income	3(C)	885,876	1,132,708
Total Income		22,752,488	24,501,683
Expenses			
Administration Expenses	5(a)	(7,018,262)	(4,389,382)
Personnel Expenses	5(b)	(5,134,067)	(5,246,574)
Governance Expenses	5 (d)	(1,143,764)	(1,555,238)
Marketing Expenses	5 (e)	(368,949)	(778,685)
Professional Fees	5 (f)	(506,388)	(224,484)
Financial Expenses	5 (c)	(5,430,190)	(11,076,471)
Net Operating Surplus/(Deficit) before Tax		3,150,868	1,230,849
Income tax expense -applicable rate 30%		(945,261)	(292,063)
Net Surplus for the year		2,205,608	938,786

WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED - CS/NO.10997
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2018

STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2018

	Note	2018 Kshs	2017 Kshs
ASSETS			
Cash and Cash Equivalents	6	3,469,763	357,155
Receivables & Prepayments	7	14,688,030	3,686,272
Deferred Assets	8	52,416,022	52,416,022
Loans to Members	9	15,573,582	13,938,419
Investment in properties for sale	10	108,011,407	119,451,030
Financial Investments	11	678,900	580,800
Property, Plant and Equipments	12	3,458,875	4,259,623
Intangible Assets	13	2,809,533	4,013,618
Tax Claimable	14	-	320,670
TOTAL ASSETS		201,106,111	199,023,609
LIABILITIES AND EQUITY			
LIABILITIES			
Members Deposits	15	27,961,673	26,297,908
Payables & Accrued expenses	16	5,253,820	15,308,485
Tax Payable	14	624,591	-
Payments to Members	17	1,809,448	-
Long term Loan	18	53,585,001	49,184,597
TOTAL LIABILITIES		89,234,533	90,790,990
EQUITY			
Share Capital	19	96,488,814	93,706,230
Fair Value Reserve		456,400	358,300
Statutory Reserve		5,797,868	5,356,748
Revenue Reserves		9,128,496	8,811,341
TOTAL EQUITY		111,871,578	108,232,619
TOTAL LIABILITIES AND EQUITY		201,106,111	199,023,609

The Financial Statements were approved by the Management Committee on
and signed on its behalf by:-

Chairman: 

Treasurer: 

Secretary: 



WANANDEGE HOUSING CO-OPERATIVE SOCIETY LIMITED - CS/NO.10997
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STATEMENT OF CHANGES IN EQUITY

	Retained Earnings Kshs	Share Capital Kshs	Statutory Reserve Kshs	Fair Value Kshs	Total Kshs
YEAR 2018					
As at the start of the year	8,811,342	93,706,230	5,356,747	358,300	108,232,619
Years Contribution	-	2,782,584	-	98,100	2,880,684
Surplus/(deficit) for the year	2,205,608	-	-	-	2,205,608
Transfer to Statutory Reserve	(441,122)	-	441,122	-	-
Prior year adjustment	-	-	-	-	-
Proposed Dividends	(1,447,332)	-	-	-	(1,447,332)
As at end of Year	9,128,496	96,488,814	5,797,868	456,400	111,871,578
YEAR 2017					
As at the start of the year	8,063,313	89,546,396	5,168,990	358,300	103,136,999
Years Contribution	-	4,159,834	-	-	4,159,834
Surplus/(deficit) for the year	938,786	-	-	-	938,786
Transfer to Statutory Reserve	(187,757)	-	187,757	-	-
Pepea Interest	-	-	-	-	-
Proposed Dividends	-	-	-	-	-
Prior year adjustment	(3,000)	-	-	-	(3,000)
As at end of Year	8,811,342	93,706,230	5,356,747	358,300	108,232,619

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STATEMENT OF CASH FLOWS			
	Note	2018 Kshs	2017 Kshs
Cashflows from Operating Activities			
Income and other Receipts	3	34,566,603	48,532,285
Direct expense	4	(11,451,999)	(24,030,602)
Interest Expense	5c	(2,603,022)	(8,225,256)
Payments to employees and suppliers	5	<u>(12,467,783)</u>	<u>(12,278,904)</u>
		8,043,799	3,997,523
(Increase)/Decrease in Operating Assets			
Receivables and Prepayments	7	(11,001,758)	(1,749,023)
Loans and advances	9	(1,635,163)	(5,123,301)
Increase/(Decrease) in Operating Liabilities			
Payables and Accruals	16	(12,737,923)	(2,973,319)
Members Deposit	15	1,663,765	(12,842,744)
		<u>(15,667,280)</u>	<u>(18,690,864)</u>
Net Cash From Operating Activities before Tax		(15,667,280)	(18,690,864)
Income Tax paid	14	-	(2,597)
		<u>(15,667,280)</u>	<u>(18,693,461)</u>
Cash flows to Investing Activities			
Disposal of Investments	10	11,439,623	24,855,135
Net cash used in investing Activities		11,439,623	24,855,135
Cash flows from Financing Activities			
Share Capital Contribution	19	2,782,584	4,159,834
Prior Year Adjustment		-	(3,001)
Borrowings received	18	14,978,445	443,439
Repayment of borrowing	18	(10,420,764)	(17,093,792)
Dividends Paid	17	-	(2,686,921)
Net cash used in Financing Activities		7,340,265	(15,180,441)
Net Change in Cash and cash equivalents		3,112,608	(9,018,767)
Cash and Cash Equivalents at the Start of the Year		<u>357,155</u>	<u>9,375,922</u>
Cash and Cash Equivalents at the End of the Year	6	3,469,763	357,155

NOTES TO THE FINANCIAL STATEMENTS

1 Basis of Preparation of Financial Statements

1.1 Basis of Preparation

The Financial Statements have been prepared on an historical cost basis, except for the measurement at revaluation amounts of certain property and equipment, marketable securities and financial instruments at fair value, impaired assets at their recoverable amounts and actuarially determined liabilities at their present value where applicable.

The accounts have been prepared in accordance with and comply with International Financial Reporting Standards which allows management to use estimates, assumptions and judgements in the process of applying the Society's accounting policies.

Statement of Compliance

The financial statements have been prepared in accordance with the Kenya Co-operative Societies Act, and International Financial Reporting Standards (IFRS) and comply in all material respects.

1.2 Changes in Accounting Policies and Disclosures

The accounting policies adopted are consistent with those of the previous financial year except as follows:

Amendments resulting from improvements to IFRS to the following standards did not have any impact on the accounting policies, financial position or performance of the Society.

Improvements to IFRS

Between 2008 and 2010, the IASB issued amendments to some of its standards, primarily with a view to removing inconsistencies and clarifying wordings. The adoption of the following amendments where relevant, resulted in changes to accounting policies but did not have any impact on the Financial position or performance of the Society.

IAS 7, Statement of Cash Flows: Statement of Cash Flows states that only expenditure that results in recognising an asset can be classified as a cash flow from investing activities. This amendment had no impact on the Financial Statements of the Society.

IAS 36, Impairment of Assets: Although not necessary in the circumstances of this Society, the amendment clarifies that the largest unit permitted for allocating goodwill acquired in a business combination, is the operating segment as defined in IFRS 8 before aggregation for reporting purposes. The amendment has no impact on the Society as all its assets were in good working condition.

Other amendments resulting from Improvements to IFRS to the following standards did not have any impact on the accounting policies, Financial position or performance of the Society:

FRS 2, Share-based Payment

IAS1, Preparation & Presentation of Financial Statements

IAS 34, Interim Financial Reporting

IAS 39 Financial Instruments: Recognition & Measurement

IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments.

The following amendments were effective for annual periods on or after either 1st July 2010 or 1st January 2011.

IFRS 7, Financial Instruments: Disclosure

IAS 1, Presentation of Financial Statements

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ANNUAL REPORT AND FINANCIAL STATEMENTS
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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The Society has or will adopt the following standards on their effective dates.

IAS 24, Related Party Disclosures (Amendment)

Effective date, on or after 1st January 2011. It clarifies and simplifies the definition of a related party and its identification as to remove any inconsistencies in its application. The Society is currently assessing the impact of adopting the amendment.

IFRS 9, Financial Instruments: Classification and Measurement

This standard will be adopted in phases the first phase being classification and measurement of the Society's Financial assets. The Society is currently assessing the impact of adopting IFRS 9, however, the impact of adoption depends on the assets held by the Society at the date of adoption, and it is not practical to quantify the effect.

IFRIC 14, Prepayment of a Minimum Funding Requirement

Effective date after 1st January 2011 with retrospective application. The amendment corrects an unintended consequence of IFRIC 14, IAS 19. Without the amendments, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. These amendments provides guidance on assessing the recoverable amount of a net pension asset. The amendment permits an entity to treat the prepayment of a minimum funding requirement as an asset. The amendment has no impact on this financial statements of the Society.

IAS 40, Investment property

Effective 1st January, 2012. The amendment introduces a presumption that an investment property is recovered entirely through sale. This presumption is rebutted if the investment property is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the investment property over time, rather than through sale. The standard is not application in the operations of the Society.

IFRS 13, Fair Value Measurement

Effective 1st January 2013. This new standard provides guidance on how to measure fair value of financial and non-financial assets and liabilities when fair value measurement is required or permitted by IFRS. Because of its effective date, the Society is not intending to adopt the amendment on its Financial Position or performance

Pension and Other Post Employment Benefits

The cost of defined benefit pension plans and other post employment medical benefits is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long term nature of these plans, such estimates are subject to significant uncertainty. The net employee liability was nil as all liabilities were settled by 31st Dec 2015

Fair Value of Unquoted Equity Instruments (Note 7 a)

The unquoted equity instruments have been quoted based on the expected cash flows discounted at current rates applicable for items with similar terms and risk characteristics. This valuation requires the Society to makes estimates about expected future cash flows and discount rates, and hence they are subject to uncertainty. Further details are given in Note 7a

Use of Estimates in the Preparation of the Financial Statements & Assumptions Made

In preparing the financial statements, the directors are required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosures of contingent assets and liabilities. Use of available information and the application of judgment is inherent in the formation of estimates. Actual results in future could differ from these estimates which may be material to the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

2. Summary of Significant Accounting Policies

a) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Society and the revenue can be reliably measured. Revenue is recognised at fair value of consideration received or receivable taking into account contractually defined terms of payment(mostly monthly) and recognised net of taxes. The following specific recognition criteria must be met before revenue is recognised:-

New members to the society are required to pay application fee. The fees is recognised in the income statement in accordance with ISA 1.

ii) Finance Revenue

Finance revenue comprises interest receivable from bank deposits and investment in securities. It is recognised as it accrues in profit or loss, using the effective interest rate method.

b) Property and Equipment

Depreciation is charged on reducing method aimed at writing off the assets over their useful life. The actual lives of the assets and residual values are assessed at the reporting date and may vary depending on technological innovations, asset life cycle, maintenance costs, future market conditions, the remaining life of the asset and projected disposal values

c) Depreciation

Depreciation on Fixed Assets is computed on reducing method basis at the rates stated here below:-

Computers & Accessories	30%
Furniture & Office Equipments	12.5%
Computers Software	30.0%

d) Provision for Doubtful Debts

The estimated provision for doubtful debts if any is based on the period for which the debt was outstanding combined with some knowledge of the financial position of the receivables and/ or the circumstances surrounding the underlying transaction. However this is the first year of operation and there were no bad debts.

This policy is to ensure that the Society regularly evaluates debts and their recoverability, maintain timely and appropriate provision account in order to accurately reflect the condition of the statement of financial position. It is also intended to promote well-reasoned, effective work plans for problem debts and effective internal controls to manage the level of such debts.

Specific provisions are established where full recovery of principal is considered doubtful. Specific provision are made against finalised customer accounts net of deposits. Provisions are determined primarily by reference to historical ratios of write-offs to balances in default.

General provisions for bad and doubtful debts are maintained to cover non identified probable losses and latent risks inherent in the overall debt portfolio. The provisions are determined having regard to the general risk profile of the credit portfolio, historical loss experience and economic conditions.

The amounts required to bring the provisions for impairment to new assessed levels are charged to statement of comprehensive income.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

e) Financial Instruments

Financial assets and liabilities are recognized on the Statement of Financial Position when the entity has become a party to the contractual provisions of the instrument.

f) Trade Receivables

Trade receivables are carried at anticipated realizable values. An estimate is made for doubtful receivables based on the review of all outstanding amounts at year end.

g) Bad Debts

Bad debts are written off when all reasonable steps to recover them have failed

h) Bank Borrowings

Interest bearing loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges including premiums payable on settlement or redemption, are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent that they are not settled in the period they arise

i) Trade payables

Trade payables are stated at their nominal value.

j) Investment in Equities

Investment in equities are initially recorded at cost and subsequently adjusted to their fair values. Gains or losses arising from changes in fair value are recognized in the income statement in the year in which they arise.

k) Current Income Tax

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 taxation authorities. The tax laws & rates used to compute the amounts are those enacted by the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in income statement.

l) Deferred Income Tax

Where applicable, deferred Tax is provided using liability method on temporary differences at the reporting date between the Tax bases of the assets and liabilities and their carrying amounts for financial reporting purposes.

m) Trade and Other Payables

These are non interest bearing liabilities and are carried at amortised cost, which is measured at the fair value of the consideration to be paid in future in respect of goods and services supplied by the supplier, whether billed or not, less any payments already made.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

n) Currency

The accounts are presented in Kenya shillings rounded off to the nearest one shilling.

o) Risk Management Policies

The financial risk management objectives and policies are outlined below:

Investment risk

The Society is exposed to the risk that it might buy land which is double sold by the vendor.

Exposure to the investment risk is managed by among others:

- (1) Ensuring that before buying land, a search is done with the Ministry of Lands under the County.
- (2) No land buying is executed without full approval of the Land Board in the respective County
- (3) All the land buying transactions are done through the lawyers and documents registered.
- (4) A title land is retained by the Society until the member clears the balance is when the transfer is done un to him or her.

Liquidity risk

The society is exposed to the risk that it may have difficulties in meeting members demand for Land.

Liquidity risk is addressed through :

- (1) The Society has an aggressive policy of increasing members share Capital.
- (2) The society does not invest members share savings in fixed properties.
- (3) The society may use bank loans and overdraft facilities to meet short term liquidity requirements.
- (4) Approval of loans is subject to availability of funds as indicated in the cash flow reports.

p) Cash and Cash equivalents

For the purpose of the Statement of Cash Flows, Cash and cash equivalents comprise cash in hand, deposits held at call with banks and investments in money market instruments.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2018	2017
	Kshs	Kshs
3 (A) INCOME		
Proceeds from sale of Land	30,806,000	43,386,637
Less: Direct Expenses-below	(11,451,999)	(24,030,602)
	<u>19,354,001</u>	<u>19,356,035</u>
(B) LOAN INTEREST INCOME		
Loan Interest income	2,874,727	4,012,940
Less: Interest Expense	(362,116)	-
	<u>2,512,611</u>	<u>4,012,940</u>
(C) OTHER INCOME		
Entrance Fees	38,000	25,000
Share Transfer fees	11,100	43,950
Application Fees	162,000	225,000
Penalties	552,861	805,188
Dividend income	15,618	-
Interest from bank	17,297	-
Site visit Fee	-	31,570
Miscellenous Income	89,000	2,000
	<u>885,876</u>	<u>1,132,708</u>
4 Direct Expenses		
Purchase of land	11,451,999	24,030,602
	<u>11,451,999</u>	<u>24,030,602</u>
5 EXPENSES		
a) Administration Expenses		
Telephone and Postage	75,240	102,060
Internet & Email	181,720	130,100
Water & Electricity	243,483	245,354
Office Rent & Rates	981,232	703,043
Printing & Stationery	41,165	68,463
Repairs and maintenance	17,000	2,090
Office Expenses	212,785	151,885
Cleaning Expenses	6,600	-
Supervision Fees	9,200	8,700
Vat on Audit fees	14,400	-
Travel & Subsistence allowance	143,305	131,615
Sytem Maintenance fee	74,924	344,772
Subscriptions & Licences	-	10,000
Land project expenses	5,017,208	2,500,000
	<u>7,018,262</u>	<u>4,398,082</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2018	2017
	Kshs	Kshs
b) Personnel Expenses		
Salaries & Wages (Permanent Staff)	2,730,662	2,678,384
Wages to Casual labour	71,500	60,500
House Allowance	907,262	840,954
Staff Transport & Allowance	224,402	469,440
Provident Fund	234,051	239,802
Other Staff allowance	287,000	-
NSSF	11,400	10,400
Staff Medical Insurance	603,286	917,516
Staff Leave Allowance	64,504	29,578
	<u>5,134,067</u>	<u>5,246,574</u>
c) Financial Expenses		
Interest on external borrowings	2,603,022	8,225,256
Depreciation	800,748	1,046,551
Amortisation	1,204,085	1,720,122
Bank Charges	822,334	84,542
	<u>5,430,190</u>	<u>11,076,471</u>
d) Governance Expenses		
Annual General Meeting	374,750	182,212
Committee Sitting Allowance	510,744	1,009,806
Committee Travelling Allowance	114,495	201,930
Committee Education	28,500	37,700
Other Committee Expenses	29,605	38,590
Members Education	85,670	-
Ushirika Expenses	-	85,000
	<u>1,143,764</u>	<u>1,555,238</u>
e) Marketing Expenses		
Marketing Expenses & Promotion	310,485	774,885
Public Relations and Advertisement	58,464	3,800
	<u>368,949</u>	<u>778,685</u>
f) Professional Fees		
Audit fees	90,000	85,000
Legal Fees	259,288	118,784
Consultancy	157,100	12,000
	<u>506,388</u>	<u>203,784</u>
Total Expenses	<u>19,601,620</u>	<u>23,258,834</u>
6 CASH AND CASH EQUIVALENTS		
Co-op Bank-Escrow	2,209,291	-
Co-op Savings	959,527	-
Mpesa Paybill Account	191,284	265,076
Housing Finance Savings Acc	92,079	92,079
Petty Cash	17,582	-
	<u>3,469,763</u>	<u>357,155</u>
7 RECEIVABLES AND PRE- PAYMENTS		
Katani Professional Due from members	153,940	153,940
Prepayments- Rent Deposit	102,735	102,735
Payroll Control Acc	2,707,155	3,160,397
Katani Prepaid professional fees	11,724,200	269,200
	<u>14,688,030</u>	<u>3,686,272</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2018	2017
	Kshs	Kshs
8 Deferred Expenses		
Interest on Loan -2014	4,785,976	4,785,976
Interest on Loan -2013	11,035,761	11,035,761
Interest on Loan-2012	15,593,516	15,593,516
Interest on Loan-2011	7,992,808	7,992,808
Stamp Duty	1,002,000	1,002,000
Legal Fees	5,741,583	5,741,583
Kisaju 1 Expenses	1,638,422	1,638,422
Committee Expenses	2,800,000	2,800,000
Projects Marketing Costs	919,200	919,200
Staff Salaries-(Embakasi & Oletepesi II Project)	906,756	906,756
	<u>52,416,022</u>	<u>52,416,022</u>
These are costs incurred on acquisition of land for sale and will form part of computation on completion of the project		
9 Loans to Members		
Balance brought Forward	14,211,052	9,087,751
Add Loans Issued	51,344,810	11,529,310
Accrued interest on Loans	2,532,737	1,966,946
Less Loan for repossed plots	-	-
Loan Repayment	<u>(52,242,384)</u>	<u>(8,372,955)</u>
	<u>15,846,215</u>	<u>14,211,052</u>
Less provision for loan loss	(272,633)	(272,633)
Balance carried forward	<u>15,573,582</u>	<u>13,938,419</u>
Members' personal Accounts listings	<u>15,255,521</u>	<u>14,248,200</u>
	590,694	(37,148)
10 Investments Property		
Land		
Kisaju II	3,736,867	5,605,346
Embakasi Apartments	29,824,502	29,824,502
Kisaju Block 4722-8.8 Accre Land	5,968,131	5,968,131
Kinanie	6,217,715	6,217,715
Tinga-Oletepesi	5,063,278	5,261,838
Kangundo road	55,589,822	64,962,406
Investment in Katani I	1,611,092	1,611,092
	<u>108,011,407</u>	<u>119,451,030</u>
11 Financial Investments		
Quoted		
Co-operative Bank of Kenya Ltd 12,000@ Kshs.39.9	478,800	216,000
Safaricom Shares 21,000 @ Khs. 8.457	177,600	342,300
	<u>656,400</u>	<u>558,300</u>
The quoted investments are stated at the current market value. The investment costs were Kshs. 5 21,000 Safaricom Limited Shares and Kshs.12 for 12,000 Co-operative Bank of Kenya Limited shares		
Unquoted		
Nachu	12,500	12,500
Codic	10,000	10,000
	<u>22,500</u>	<u>22,500</u>
Total Financial Investments	<u>678,900</u>	<u>580,800</u>

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2018 Kshs	2017 Kshs	
12 PROPERTY, PLANT AND EQUIPMENTS			
	Computers & Accessories 30.0%	Furniture & Fittings 12.5%	Total
Rate			
COST / VALUATION			
As at 1.1.2018	4,438,112	6,700,546	11,138,658
Additions	-	-	-
Disposals	-	-	-
As at 31.12.2018	<u>4,438,112</u>	<u>6,700,546</u>	<u>11,138,658</u>
DEPRECIATION			
As at 1.1.2018	2,904,996	3,974,039	6,879,035
Charge for the year	459,935	340,813	800,748
Disposals	-	-	-
As at 31.12.2018	<u>3,364,931</u>	<u>4,314,852</u>	<u>7,679,783</u>
NET BOOK VALUE			
As at 31.12.2018	<u>1,073,181</u>	<u>2,385,694</u>	<u>3,458,875</u>
As at 31.12.2017	<u>1,533,116</u>	<u>2,726,507</u>	<u>4,259,623</u>
13 INTANGIBLE ASSETS- SOFTWARE			
Cost /Valuation			
As at Start of the year	7,210,032	7,210,032	
	<u>7,210,032</u>	<u>7,210,032</u>	
Amortization			
As at start of the year	3,196,414	1,476,292	
Charge for the year	1,204,085	1,720,122	
As at 31st December 2018	<u>4,400,499</u>	<u>3,196,414</u>	
N.B.V. As at 31st December 2018	<u>2,809,533</u>	<u>4,013,618</u>	
14 TAXATION			
Balance Brought forward	(320,670)	(610,136)	
Provision for the year	945,261	292,063	
Less: Tax Paid	-	(2,597)	
	<u>624,591</u>	<u>(320,670)</u>	
15 MEMBERS DEPOSITS			
Pepea Deposits	24,141,060	20,290,300	
Plots deposits	3,820,613	6,007,608	
	<u>27,961,673</u>	<u>26,297,908</u>	
16 PAYABLES AND ACCRUALS			
Statutory deductions	61,525	152,140	
Loan Insurance	69,660	-	
Audit Fees	90,000	79,700	
Vat on audit fees	14,400	-	
Supervision fees	9,200	8,700	
Uncollected Dividends- Housing	1,325,638	1,398,036	
Accruals - Project	2,500,000	12,486,510	
Software final	1,183,397	1,183,397	
	<u>5,253,820</u>	<u>15,308,483</u>	

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	2018 Shs	2017 Shs
17 PAYMENTS TO MEMBERS		
ii). DIVIDENDS PAYABLE		
Balance Brought forward	-	2,686,921
paid during the year	-	(2,686,921)
	<u>-</u>	<u>-</u>
Interest on members deposits provision for the year	362,116	
	1,447,332	-
	<u>1,809,448</u>	<u>-</u>
18 LONG TERM LOAN		
Co-operative Bank		
Balance Brought forward	48,741,158	65,834,950
Addition in the year	14,908,816	-
Repayment during the year	(10,134,602)	(17,093,792)
	<u>53,515,372</u>	<u>48,741,158</u>
Bank Overdrafts		
Savings Account	-	285,797
Current Acc	69,629	157,277
Petty Cash	-	365
	<u>69,629</u>	<u>443,439</u>
Total	<u>53,585,001</u>	<u>49,184,597</u>
19 SHARE CAPITAL	93,706,230	89,546,396
At 1st January	2,782,584	4,159,834
Issued during the year	<u>96,488,814</u>	<u>93,706,230</u>
20 PRIOR YEAR ADJUSTMENTS		
Depreciation Over/ under charge	-	3,000
	<u>-</u>	<u>3,000</u>
21 RELATED PARTY TRANSACTIONS		
Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.		
Placings are made in the Society by Management Committee and staff. Land as sold to members at 31st December 2018 include the ones sold to Management Committee Members. All transactions with related parties are at arm's length in the normal course of business, and on terms and conditions similar to those applicable to other Members.		
Management Committes' Remunerations:		
As Allowances	510,744	1,009,806
As expenses	114,495	201,930
	<u>625,239</u>	<u>1,211,736</u>
22 EVENTS AFTER REPORTING PERIOD		
There are no significant events after the reporting period which have been reported in these Financial Statements.		
23 CONTIGENT LIABILITIES		
The Society has a court case on Embakasi plot which is yet to be resolved .However, no contingent liability has been provided in the books.		
24 COMPARATIVES		
Where necessary, comparative figures have been adjusted to conform with changes in the presentations in the current year.		
25 CURRENCY		
The Financial Statements are presented in Kenya Shillings (Kshs)		