

CHAIRMAN'S REPORT TO THE MEMBERS OF WANANDEGE HOUSING CO-OPERATIVE SOCIETY LTD, DURING THE ANNUAL GENERAL MEETING ON 25th AUGUST 2018

The Director of Co-operative Development Nairobi County, distinguished Guests, my fellow Investors, Ladies and Gentlemen. I am pleased and privileged to present to you an overview of the Society's performance for the period ended 31st December 2017.

Operating Environment.

Prolonged electioneering period revealed that land is no longer immune to political risk. HassConsult land market and price survey report for year 2017 revealed that the land prices no longer defy political risk resulting in growth rates flattening as uncertainty gripped the market in 2017.

The economy continued to experience unstable macro-economic environment in 2017 with inflation rate increasing to 8% in December 2017 from 6.3% in 2016 owing to decrease in consumer purchasing power. The economic indicators showed negative signs with a GDP falling to 4.4% in 2017. We have also had a challenging environment especially because we draw most of our investors from Kenya airways.

Performance of Wanandeg Housing

The financial sector deteriorated and Land market remained depressed as market confidence was worsening every day due the reduced customer purchasing power and dollar effect. This unfavorable macro-economic condition faced the Society up to 31st December, 2017 hence the society was only able to close one project i.e Tinga 11 in Oletepesi.

Due to high expenditure associated with title processing of the closed project and 10 years backlog of Kisaju 1 the earnings reduced simultaneously with the same margin cost to 24 million from 27 million last year's comparative figure.

Due to aggressive membership recruitment drive in the year under review, the society was able to substantially increase the share capital by 5% to stand at kes 94 Million up from kes 89 million in the year 2016. The assets base stands at kes 200 Million and society was able to disburse Pepea loans to the tune of kes 11 million.

Society Achievements

I am pleased to report to you that, your society was commended and rewarded with two coveted trophies during 2017 Ushirika day celebrations, for excelling in various competitive slots, which included **3rd highest return and 2nd in cost cutting Housing within its category of Housing Co-operatives Nationally**. Additionally, the Society was able to make tremendous progress in closing and processing of Titles deeds for various projects as follows;-

a) TINGA 2 PROJECT

I am pleased to announce successful closure of Tinga 11 with 398 plots, as at 31st December 2017. A total of 242 title deeds were released and some investors have already collected their titles. A total 98 deeds are pending at Kajiado land office while 58 investors are yet to complete their transfer forms. Those investors who are yet to collect their deeds will be issued to them today. The society is planning to take all the plot owners to Tinga to be shown their plots in coming days.

b) KANTAFU PROJECT ON KANGUNDO ROAD

i. KANTAFU PHASE II

After successful closure of Kantafu Phase 1 project the management committee embarked on Kantafu phase II project. This is very prime property comprising of 331 plots along Kangundo road next to the proposed Great Eastern by pass selling at a very reasonable price kes 500,000 per plot. 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 size at price of between kes 800,000 and kes 1million. By the end of year 197 plots were already sold of which 111 transfer forms are pending executions at Mavoko land office and another 83 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 plots.

c) KISAJU 1 PROJECT

Work on Kisaju 1 project title deed processing is ongoing and the society is determined to finalize the processing of title deeds in mid-September this year for all plot owners. However, the deeds will only be issued to investors who have cleared their title processing fee of Kes 40,000.00 as agreed during Kisaju 1 stakeholders meeting held on 27th Aug 2016.

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

Total land bought was 100 acres with four (4) mother titles against 80 Million loan borrowed from Co-operative bank and all four titles charged as collateral.

We are currently estimating a loss on this project of approximately kes 52 million.

As indicated in last year's chairman speech, the costs incurred on this project were way above the normal market rates.

Some of the factors that led to this loss were;

1. The duration taken by some members to pay off their loans
2. Co-op bank loan interest rate fluctuation over the years

Status of surcharge case against the previous committee members

Sixteen members of previous committee including three from supervisory committee and the former CEO were surcharged (11 members received their letters) from the Commissioner for the Co-operative Development in an attempt to recover over 39 million against their names in accordance with section 73 of the Co-op Society Act. The surcharge letters ordered them to pay the said amount within 30 days of receipt of the surcharge.

Seven members however, have filed appeal in co-operative tribunal and have served both the office of the Commissioner and Wanandegehousing. The tribunal is yet to give further directive.

The Future Strategic Plan

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 partnership with likeminded organizations in order to bring on board new products. In this regard, I am happy to announce that your management Committee in partnership with Property Dynamic and other interested Housing Co-operatives 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. These partnership 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.

Financing of our projects is difficult due to lack of adequate liquidity. To avoid the repercussions associated with high geared institutions, our Society will need to generate more internal equity through share capital. This will enhance our profitability ratio as well retaining our subsidized rates for our plots. I am therefore, recommending members to increase their shares to 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.

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

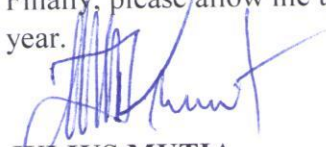
in order to catch up with the latest developments and also make suggestions for further improvements .We wish to thank you all for your support in this regard.

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.

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 recognize and appreciate the role of other Wanandegge Housing supporters and friends in the business, i.e. the Department of Co-operative Development, KUSCCO, Wanandegge SACCO, the Auditors Omanwa & Co. Associates. 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 remaining part of the year.



JULIUS MUTIA
CHAIRMAN