



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

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST DECEMBER 2024**



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
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SOCIETY INFORMATION

BOARD OF DIRECTORS

Abraham Maloba	Chairperson
Julius Mutia	V. Chairperson
Caroline Ouma	Treasurer
Eric Gituma	Hon. Secretary
Stephen Kibuna	Member
Bernard Owiti	Member
Anne Munyui	Member
Eliud Ndege	Member
Japheth Simon	Member

SUPERVISORY COMMITTEE

Fanny Mwaka	Chairperson
Chadwick Wekesa	Secretary
Andrew Chikamai	Member

EX-OFFICIAL

Maina Kibaki	Society 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

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STATISTICAL INFORMATION

	2024	2023	% Change
Membership - Active	1,059	1,059	0.00%
-Dormant	1,900	1,900	0.00%
Total	2,959	2,959	0.00%

Employees of the Society	Male	3	3
	Female	3	3

Total Assets	213,750,120	209,334,150	2.11%
External Borrowing	27,781,177	30,986,698	-10.34%
Investments	107,863,082	110,776,173	-2.63%
Core Capital	107,731,620	105,277,976	2.33%
Share Capital	104,422,429	103,219,929	1.16%
Institutional Capital	3,309,191	2,058,047	0.61
Total revenue	40,516,207	37,550,131	7.90%
Total Land revenue	39,623,392	34,937,773	13.41%
Total expenses	19,574,600	21,134,425	-7.38%

Key ratios:

Capital Adequacy Ratio

Core Capital / Total Assets	50.40%	50.29%	0.1%
Institutional Capital / Total assets	1.55%	0.98%	0.6%

Liquidity Ratio

Liquid Assets / Long term Liab.	5.68%	3.54%	60.6%
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Operating Efficiency / quality Ratios

Total expenses / Total revenue	48.31%	56.28%	-14.2%
Dividend rate on Members Share Capital	5.0%	0.0%	5.0%

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REPORT OF THE BOARD OF DIRECTORS

The Members of the Board of Directors submit their annual report together with the audited Financial Statements for the year that ended 31st December 2024.

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

	2024 Kshs	2023 Kshs
Surplus before tax	1,251,144	2,509,843
Income Tax expense	-	-
Net surplus after tax (but before donations)	1,251,144	2,509,843
Donations	-	-
Retained surplus for the year	1,251,144	2,509,843
Interest & Dividends payment to Members	2,927,825	-

DIVIDENDS & INTEREST

The Board of Directors does not recommends any dividend payment on share capital , and interest to members Pepea deposits.

THE BOARD OF DIRECTORS

The Members of the Board of Directors who served during the year and to the date of this report are as listed on page 1.

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. Eric Gituma
HON. SECRETARY

DATE 20/03/2025

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STATEMENT OF BOARD OF DIRECTORS RESPONSIBILITIES

The Sacco Societies Act No 14 of 2008 requires the Board of Directors to ensure that the Society 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 Board of Directors 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 Board of Directors 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 2024, 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 Board of Directors 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 Directors who are the Board of Directors 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 the Board of Directors 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 Board of Directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibilities.

Approved by the Board of Directors on 20/03/2025 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 2024**

Our Opinion

We have audited the accompanying financial statements of Wanandeg Housing Co-operative Society Ltd set out on pages 8 to 23 which comprises the Statement of Financial Position as at 31st December 2024, 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 23

In our opinion, the financial statements present fairly, in all material respect, the financial position of the Society as at 31st December 2024, 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 Board is responsible for the other information. The other information comprises of the Statement of Board of Directors Responsibilities, Report of the Board of Directors, 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 Board of Directors 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 Board of Directors 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
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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
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AUDITORS 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 significance 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.....

21st March 2025



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STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2024

		2024	2023
	Note	Kshs	Kshs
INCOME			
Income from Sale of Land	3(A)	39,623,392	34,937,773
Less:Direct Expenses	4	(21,024,192)	(16,248,390)
Net land income		18,599,200	18,689,383
 Loan Interest Income	 3(B)	 892,815	 2,612,358
Other Income			
Other Operating Income	3(C)	1,333,729	2,342,527
 Total Income		 20,825,744	 23,644,268
 Expenses			
Administration Expenses	5(a)	(2,046,761)	(2,189,256)
Personnel Expenses	5(b)	(4,752,857)	(4,448,618)
Governance Expenses	5 (c)	(4,741,565)	(5,166,061)
Marketing Expenses	5(d)	(2,450,770)	(2,693,830)
Professional Fees	5 (e)	(657,000)	(816,700)
Financial Expenses	5(f)	(4,925,647)	(5,819,960)
 Net Operating Surplus/(Deficit) before Tax		 1,251,144	 2,509,843
 Income tax expense -applicable rate 30%	 14	 -	 -
 Net Surplus / (deficit) for the year		 1,251,144	 2,509,843

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STATEMENT OF FINANCIAL POSITION AS AT 31ST DECEMBER 2024

	Note	2024 Kshs	2023 Kshs
ASSETS			
Cash and Cash Equivalents	6	3,043,547	2,160,039
Receivables & Prepayments	7	23,478,130	24,395,994
Deffered Assets	8	52,416,022	52,416,022
Loans to Members	9	20,742,865	17,192,033
Investment in properties for sale	10	107,863,082	110,776,173
Financial Investments	11	974,850	974,850
Property, Plant and Equipments	12	1,210,375	1,419,039
Intangible Assets	13	4,021,249	-
TOTAL ASSETS		213,750,120	209,334,150

LIABILITIES AND EQUITY

LIABILITIES

Members Deposits	15	53,547,059	61,018,685
Payables & Accrued expenses	16	16,687,725	10,997,326
Tax Payable	14	1,053,465	1,053,465
Payments to Members	17	2,927,825	-
Long term Loan	18	27,781,177	30,986,698
Lease liability	20	4,021,249	-
TOTAL LIABILITIES		106,018,500	104,056,174



EQUITY

Share Capital	19	104,422,429	103,219,929
Fair Value Reserve		752,350	752,350
Statutory Reserve		7,396,095	7,145,865
Revenue Reserves		(4,839,254)	(5,840,168)
TOTAL EQUITY		107,731,620	105,277,976

TOTAL LIABILITIES AND EQUITY

213,750,120	209,334,150
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The Financial Statements were approved by the Board of Directors on
and signed on its behalf by

Chairman:

Treasurer:

Hon. Secretary:

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STATEMENT OF CHANGES IN EQUITY

	Retained Earnings Kshs	Share Capital Kshs	Statutory Reserve Kshs	Fair Value Kshs	Total Kshs
YEAR 2024					
As at the start of the year	(5,840,169)	103,219,929	7,145,866	752,350	105,277,976
Years Contribution	-	1,202,500	-	-	1,202,500
Surplus/(deficit) for the year	1,251,144	-	-	-	1,251,144
Transfer to Statutory Reserve	(250,229)	-	250,229	-	-
Proposed Dividends	-	-	-	-	-
As at end of Year	(4,839,254)	104,422,429	7,396,095	752,350	107,731,620
YEAR 2023					
As at the start of the year	(7,812,243)	101,716,913	6,643,897	752,350	101,300,917
Years Contribution	-	1,503,016	-	-	1,503,016
Surplus/(deficit) for the year	2,509,843	-	-	-	2,509,843
Transfer to Statutory Reserve	(501,969)	-	501,969	-	-
Prior year adjustment	(35,800)	-	-	-	(35,800)
Proposed Dividends	-	-	-	-	-
As at end of Year	(5,840,169)	103,219,929	7,145,866	752,350	105,277,976

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STATEMENT OF CASH FLOWS

	Note	2024 Kshs	2023 Kshs
Cashflows from Operating Activities			
Income and other Receipts	3	44,777,761	39,892,658
Direct expense	4	(21,024,192)	(16,248,390)
Interest Expense	5(f)	(4,653,827)	(5,424,188)
Payments to employees and suppliers	5	(14,712,109)	(15,418,331)
		<u>4,387,633</u>	<u>2,801,749</u>
(Increase)/Decrease in Operating Assets			
(Purchase) /Disposal of fixed assets	12		(187,509)
Receivables and Prepayments	7	917,864	(4,426,800)
Loans and advances	9	(3,550,832)	(2,077,061)
Increase/(Decrease) in Operating Liabilities			
Payables and Accruals	16	5,690,399	(32,683,085)
Members Deposit	15	(7,471,626)	23,099,129
Net Cash From Operating Activities before Tax		<u>(26,562)</u>	<u>(13,473,577)</u>
Income Tax paid	14	-	(83,030)
		<u>(26,562)</u>	<u>(13,556,607)</u>
Cash flows to Investing Activities			
(Increase)/Decrease in Investments for sale	10	2,913,091	23,098,390
Net cash used in investing Activities		<u>2,913,091</u>	<u>23,098,390</u>
Cash flows from Financing Activities			
Share Capital Contribution	19	1,202,500	1,503,016
Borrowings received (interest capitalisd)	18		-
Repayment of borrowing	18	(3,205,521)	(9,583,102)
Dividends Paid	17		-
Net cash used in Financing Activities		<u>(2,003,021)</u>	<u>(8,080,086)</u>
Net Change in Cash and cash equivalents		<u>883,508</u>	<u>1,461,697</u>
Cash and Cash Equivalents at the Start of the Year		<u>2,160,039</u>	<u>698,342</u>
Cash and Cash Equivalents at the End of the Year	6	<u>3,043,547</u>	<u>2,160,039</u>

1. Significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared under the historical cost basis, except where otherwise stated in the accounting policies below and are in accordance with International Financial Reporting Standards. The historical cost convention is generally based on the fair value of the consideration given in exchange of assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the society takes into account the characteristics of the asset or liability if market participants would take those characteristics into when pricing the asset or liability at the measurement date.

1.2 Statement of compliance

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

1.3 Going concern

The financial performance of the society is set out in the report of the directors and in the statement of profit or loss and the other comprehensive income. The financial position of the society is set out in the statement of financial position. Disclosures in respect of risk and capital management are set out in note 23

Based on the financial performance and position of the society and its risk management policies, the directors are of the opinion that the society is well placed to continue in business for the foreseeable future and as a result the financial statements are prepared on a going concern basis.

1.4 New and amended standards adopted by the society

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on

- IFRIC 23 Uncertainty over Income tax treatments- effective January 1, 2019. The interpretation sets out how to determine taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates where there is uncertainty over income tax treatments under AIS 12 ' Incometaxes'.

-Amendments to IAS 19 'Employee Benefits' effective for annual periods beginning on or after 1 January 2019 clarifying the effects of a retirement benefit plan amendment, curtailment or settlement.

-Amendments to IAS 23 'Borrowing Costs' effective for annual periods beginning on or after 1 January 2019 clarifying that specific borrowings remaining unpaid at the time the related asset is ready for its intended use or sale will comprise general borrowings.

-Amendments to IAS 28 'Investments in Associates and Joint Ventures' effective for annual periods beginning on or after 1 January 2019 clarifying that IFRS 9 is only applicable to investments to which the equity method is not applied.

-Amendments to IFRS 9 'Financial Instruments' effective for annual periods beginning on or after 1 January 2019 clarifying that the existence of prepayment features with negative compensation will not in itself cause the instrument to fail the amortised cost classification.

-Annual improvements to IFRSs 2015-2017 Cycle (effective on or after 1 January 2019): A number of small amendments to IFRS 3 ' Business combinations', IFRS 11 'Joint arrangements', and IAS 12 'Income taxes'

The adoption of these standards did not have any impact on the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.4 New and amended standards adopted by the Society (Continued)

-IFRS 16 'Leases' (issued in January 2016) effective for annual periods beginning on or after 1 January 2019, replaces IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement Contains a Lease' and their interpretations (SIC-15 and SIC-27). IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represents the economic substance of the transactions. The standard introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. It also substantially carries forward the lessor accounting requirements of IAS 17.

The adoption of this standard has a material impact on the financial statements, significantly increasing the Society's recognised assets and liabilities. It introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities. The Society has leases for offices in Nairobi, Mombasa and Kisumu. Each lease is reflected in the statement of financial position as a right to use asset and a lease liability.

The Society has elected not to include initial direct costs in the measurement of the right-to-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1st January 2019. The Society does not have any lease to measure the right-to-use asset or any prepaid lease payments that existed at the date of transition.

Leases are non-cancellable or may be cancelled by incurring a substantive termination fee. The Society must keep those properties in good state of repair and return the properties in their original condition at the end of the leases.

1.5 New standards, amendments and interpretations not yet adopted.

-Amendments to IFRS 3 'Business Combinations' and IFRS 11 'Joint Arrangements' effective for annual periods beginning on or after 1 January 2020 in relation to remeasurement of previously held interests on a joint operation on obtaining control.

-Amendments to IAS 1 'Presentations of Financial Statements', and 'Accounting Policies, Changes in Accounting Estimate and Errors' effective on or after 1 January 2020. The amendments align the definition of 'material' across the standards and to clarify aspects of the definition. They clarify that materiality will depend on the nature or magnitude of information, or both.

-Amendments to References to the Conceptual Framework for Financial Reporting - effective January 1, 2020.

The purpose of the conceptual framework is to assist the Board in developing standards, to help prepare and develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

IFRS 17 'Insurance Contracts' (issued May 2017) effective for annual periods beginning on or after 1 January 2021 establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts.

None of these are expected to have a significant effect on the financial statements of the society in the period of adoption

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.6 Critical accounting estimates and judgement

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

In the application of the accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other relevant factors. Such estimates and assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The directors have made the following assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

1.6.1 Measurement of expected credit losses (ECL):

The measurement of the expected credit loss allowance for financial assets measured at amortised cost and FVTOCI is an area that requires the use of complex models and significant assumption about future economic conditions and credit

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

- Determining criteria for significant increase in credit risk;
- Choosing appropriate models and assumptions for the measurement of ECL;
- Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and associated ECL; and
- Establishing groups of similar financial assets for the purposes of measuring ECL

ECLs are measured as the probability-weighted present value of expected cash shortfalls over the remaining expected life of the financial instrument.

The measurement of ECLs are based primarily on the product of the instrument's Probability of Default (PD), Loss Given Default (LGD), and Exposure At Default (EAD).

The ECL model contains a three-stage approach that is based on the change in the credit quality of assets since initial recognition.

Stage 1 - If, at the reporting date, the credit risk of non-impaired financial instruments has not increased significantly since initial recognition, these financial instruments are classified in Stage 1, and a loss allowance that is measured, at each reporting date, at an amount equal to 12-month expected credit losses is recorded.

Stage 2 - When there is a significant increase in credit risk since initial recognition, these non-impaired financial instruments are migrated to Stage 2, and a loss allowance that is measured, at each reporting date, at an amount equal to lifetime expected credit losses is recorded. In subsequent reporting periods, if the credit risk of the financial instrument improves such that there is no longer a significant increase in credit risk since initial recognition, the ECL model requires reverting to recognition of 12-month expected credit losses.

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 (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

1.7 Key sources of estimation and uncertainty

1.7.1 Measurement of Expected Credit Losses (ECL) (continued):

When one or more events that have a detrimental impact on the estimated future cash flows of a financial asset have occurred, the financial asset is considered credit-impaired and is migrated to Stage 3, and an allowance equal to lifetime expected losses continues to be recorded or the financial asset is written off.

In the determination of the Sacco's ECL, the following classifications and assumptions are to be applied:

Category	Description and Key Assumption
Performing	This category consists of loans that are overpaid, have no arrears, are paid consistently through Direct Debits, checkoffs, bank transfers and standing orders. The loans are low risk and are fully secured.
Stage 1	These are loans with 2-3 months arrears, are fully secured through guarantors or other collateral. Aggressive follow up being done to prevent conversion to Stage 3
Stage 2	These are loans with 4-12 months in arrears, we have recovered member's deposits and have been allocated to debt collectors. Debt collection efforts have been enhanced to convert most of the accounts to Stage 1
Stage 3	These are loans with arrears beyond 12 months, are not secured but have been allocated to debt collectors. With improved efforts by debt collectors, we have about 25% of this category paying consistently on monthly basis. Efforts towards full recovery are being enhanced.

1.7.2 Assessment of significant increase in credit risk:

The determination of a significant increase in credit risk takes into account many different factors including a comparison of a financial instruments credit risk or PD at the reporting date and the credit or PD at the date of initial recognition. IFRS 9 however includes rebuttable presumptions that contractual payments are overdue by more than 30 days will represent a significant increase in credit risk (stage 2) and contractual payments that are more than 90 days overdue will represent credit impairment (stage 3). The society uses these guidelines in determining the staging of its assets unless there is persuasive evidence available to rebut these presumptions

1.7.3 Useful lives of property and equipment and intangible assets

Management reviews the useful lives and residual values of the items of property and equipment on a regular basis. During the financial year, the directors determined no significant changes in the useful lives and residual values.

1.7.4 Taxes

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax law, and the amount of taxable income for tax provisions. The amount of such provision is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority.

Significant management judgement is required to determine the amount of deferred tax liability that can be recognised, based upon the likely timing and the level of taxable losses together with future tax planning strategies.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

SIGNIFICANT ACCOUNTING POLICIES (Continued)

a) Revenue

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

i) Interest from loans to members

Interest on loans to members is calculated on a reducing balance method at a monthly rates ranging between 1% to 5%. Interest income is recognised on a time proportion basis by reference to the principle outstanding and the effective interest rate.

Interest due from defaulter's are recognised as suspended interest in the financial statements. Interest will be recognised as income upon receipt only

ii) Other interest Income

Other interest income comprises of interest receivable from deposits with banks and investment in securities. It is recognized when it is probable that the economic benefits will flow to the Sacco and the amount of income can be measured reliably and accrued in the probable that the economic benefits will flow to the Sacco and the amount of income can be measured reliably and accrued in the statement of comprehensive income, using the effective interest rate method. New members to the Sacco are required to pay an entrance fee. The fees are recognised in the Statement of Comprehensive Income in accordance with IAS 1.

b) Property, plant and equipment

All property, plant and equipment are initially recorded at cost. Depreciation is computed on reducing balance to write down the cost of each asset to its residual value over its estimated useful life. The annual depreciation rates in use are:

Computer Software	20.0%
Computers & Accessories	33.3%
Office Equipments	12.5%
Furniture & Fittings	12.5%

Gains or losses on disposal of property, plant and equipment are determined by reference to their carrying amounts and are taken into account in determining operating surplus.

c) Amortization

Computer Software licence cost is capitalised on the basis of the cost incurred to acquire it. This cost is amortised over five years at 20% per year.

d) Financial instruments

Financial assets and liabilities are recognized on the statement of financial position when the Sacco has become a party to the contractual provisions of the instrument.

e) 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.

f) Bad debts

Bad debts are written off when all reasonable steps to recover them have failed. Subsequent recoveries of amounts previously written off are credited to the profit or loss in the year of recovery.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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.

q) Leases

Finance Lease

Lease of property plant and equipment where the society assumes substantially all the benefits and risks of ownership are classified as finance leases. Assets acquired under finance leases are capitalized at the inception of the lease at the lower of their fair values and the estimated present value of the underlying lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rentals obligations, net of finance charges are included in non-current liabilities while the interest element of the finance charge is charged to the profit or loss account over the lease period.

Operating leases

Leases of assets where a significant proportion of the risks and rewards are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit or loss on straight line basis over the lease period. Prepaid operating lease rentals are recognized as assets and are subsequently amortized over the lease period.

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2024	2023
	Kshs	Kshs
3 (A) INCOME		
Proceeds from sale of Land	39,623,392	34,937,773
Less:Direct Expenses-below	(21,024,192)	(16,248,390)
	18,599,200	18,689,383
(B) LOAN INTEREST INCOME		
Loan Interest income	3,820,640	2,612,358
Less: Interest Expense	(2,927,825)	-
	892,815	2,612,358
(C) OTHER INCOME		
Entrance Fees	62,000	73,000
Share Transfer fees	6,050	35,375
Application Fees	195,000	462,000
Penalties	851,972	1,760,488
Miscellaneous incomes	216,818	7,000
Interest from bank	1,889	4,664
	1,333,729	2,342,527
4 Direct Expenses		
Purchase of land	(21,024,192)	(16,248,390)
	(21,024,192)	(16,248,390)
5 EXPENSES		
a) Administration Expenses		
Telephone and Postage	35,758	53,500
Internet & Email	225,763	117,764
Water & Electricity	162,880	184,211
Office Rent & Rates	929,679	1,008,741
Printing & Stationery	103,190	203,161
Repairs and maintenance	1,000	-
Office Expenses	321,521	278,859
Cleaning Expenses	6,900	5,700
Audit & Supervision Fees	9,200	9,200
Vat on Audit fees	14,400	14,400
Travel & Subsistence allowance	171,270	248,720
System Maintenance fee	-	-
Subscriptions & Licences	65,200	65,000
	2,046,761	2,189,256

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

	2024	2023
	Kshs	Kshs
b) Personnel Expenses		
Salaries & Wages (Permanent Staff)	2,649,237	2,456,182
Wages to Casual labour	-	33,500
House Allowance	624,527	624,527
Staff Transport & Allowance	197,282	183,722
Provident Fund	233,243	141,274
Other Staff allowance	356,000	362,000
NSSF	79,200	63,400
Housing levy	108,682	27,185.00
Staff Medical Insurance	487,979	530,000
Staff training	10,000	-
Staff Leave Allowance	6,707	26,828
	4,752,857	4,448,618
c) Governance Expenses		
Annual General Meeting	595,400	487,980
Committee Sitting Allowance	1,512,848	1,562,555
Committee education	124,000	-
Committee Travelling Allowance	2,155,187	2,857,580
Other Committee Expenses	151,130	257,946
Members Education	203,000	-
	4,741,565	5,166,061
d) Marketing Expenses		
Marketing Expenses & Promotion	2,450,770	2,693,830
	2,450,770	2,693,830
e) Professional Fees		
Audit fees	90,000	90,000
Legal Fees	542,000	148,200
Consultancy	25,000	578,500
	657,000	816,700
f) Financial Expenses		
Interest on external borrowings	4,653,827	5,424,188
Depreciation	208,665	253,797
Amortisation	-	-
Bank Charges	63,155	141,975
	4,925,647	5,819,960
Total Expenses	19,574,600	21,134,425
6 CASH AND CASH EQUIVALENTS		
Co-op Savings	2,933,035	2,057,020
Housing Finance Savings Acc	92,079	92,079
Petty Cash	15,010	10,940
Current Account	3,423	-
	3,043,547	2,160,039
7 RECEIVABLES AND PRE- PAYMENTS		
Katani Professional Due from members	1,381,940	1,381,940
Prepayments- Rent Deposit	102,735	102,735
Payroll Control Acc	2,360,874	4,349,238
Plot debtors	5,926,498	4,710,998
Salary advance	51,000	6,000.00
Katani Prepaid professional fees	13,655,083	13,845,083
	23,478,130	24,395,994

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NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

8 Deferred Expenses

	2024 Kshs	2023 Kshs
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
	52,416,022	52,416,022

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	17,368,285	15,291,224
Add Loans Issued	2,551,676	-
Accrued interest on Loans	5,289,364	4,290,208
Loan Repayment	(4,290,208)	(2,213,147)
	20,919,117	17,368,285

Less provision for loan loss (176,252) (176,252)

Balance carried forward **20,742,865** **17,192,033**

Members' personal Accounts listings

Unreconciled balance **15,629,753** **12,414,744**
(5,289,364) **(4,953,541)**

10 Investment Property

Land		
Kisaju II	2,491,305	1,245,652
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	198,560	4,368,318
Kangundo road	24,886,096	27,886,200
Investment in Katani I	1,627,880	1,611,092
Acacia Kitengela	17,550,000	23,400,000
Kisumu Serene	-	487,953
Nyahera Lake View	1,000,000	1,000,000
Amani Kadongo	1,968,750	3,375,000
Malindi Green View PHS 1	1,274,904	3,190,000
Additional	-	2,201,610
Lukenya	5,200,000	-
ILBisil	7,228,572	-
Brookvale South Coast	2,426,667	-
	107,863,082	110,776,173

11 Financial Investments

Quoted

Co-operative Bank of Kenya Ltd 12,000@ Kshs.12.95	155,400	155,400
Safaricom Shares 21,000 @ Kshs. 37.95	796,950	796,950
	952,350	952,350

The quoted investments are stated at the current market value. The investment costs were Kshs.37.95

21,000 Safaricom Limited Shares and Kshs12.95 for 12,000 Co-operative Bank of Kenya Limited shares

Unquoted

Nachu	12,500	12,500
Codic	10,000	10,000
	22,500	22,500

Total Financial Investments

974,850 **974,850**

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

12 PROPERTY, PLANT AND EQUIPMENTS

Rate COST / VALUATION	Computers & Accessories 30.0%	Furniture & Fittings 12.5%	Total Kshs
As at 1.1.2024	4,556,780	6,700,546	11,257,326.00
Additions	-	-	-
Disposals	-	-	-
As at 31.12.2024	<u>4,556,780</u>	<u>6,700,546</u>	<u>11,257,326.00</u>
DEPRECIATION			
As at 1.1.2024	4,378,010	5,460,276	9,838,286
Charge for the year	53,631	155,034	208,665
Disposals	-	-	-
As at 31.12.2024	<u>4,431,641</u>	<u>5,615,310</u>	<u>10,046,951</u>
NET BOOK VALUE			
As at 31.12.2024	<u>125,139</u>	<u>1,085,236</u>	<u>1,210,375</u>
As at 31.12.2023	<u>178,770</u>	<u>1,240,270</u>	<u>1,419,039</u>

13 INTANGIBLE ASSETS

Cost /Valuation	Right-to- Use	Software	Total
Opening balance	-	7,210,032	7,210,032
Addition during the year	4,770,085	-	4,770,085
Closing balance	<u>4,770,085</u>	<u>7,210,032</u>	<u>11,980,117</u>
Accumulated Amortisation			
Opening balance	-	7,210,032	7,210,032
Charge for the period	748,836	-	748,836
Closing balance	<u>748,836</u>	<u>7,210,032</u>	<u>7,958,868</u>
Carrying Values			
Net Carrying Values	<u>4,021,249</u>	<u>-</u>	<u>4,021,249</u>
Net Carrying Values 2024			

14 TAXATION

	2024 Kshs	2023 Kshs
Balance Brought forward	1,053,465	1,136,495
Provision for the year	-	-
Less: Tax Paid	-	(83,030)
	<u>1,053,465</u>	<u>1,053,465</u>

15 MEMBERS DEPOSITS

	2024 Kshs	2023 Kshs
Plots deposits	11,573,217	36,490,451
Pepea Deposits	41,973,842	24,528,234
	<u>53,547,059</u>	<u>61,018,685</u>

16 PAYABLES AND ACCRUALS

	2024 Kshs	2023 Kshs
Statutory deductions	457,921	185,590
Loan Insurance	686,870	535,672
Audit Fees	90,000	90,000
Vat on audit fees	14,400	14,400
Supervision fees	9,200	9,200
Uncollected Dividends- Housing	3,884,584	3,885,784
Accruals - Project	10,506,917	5,208,847
Software final	1,037,833	1,067,833
	<u>16,687,725</u>	<u>10,997,326</u>

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	2024 Shs	2023 Shs
17 PAYMENTS TO MEMBERS		
ii). Interest on member deposits		
Balance Brought forward	-	-
Proposed during the year	2,927,825	-
	<u>2,927,825</u>	<u>-</u>
18 LONG TERM LOAN		
Co-operative Bank		
Balance Brought forward	30,986,698	40,569,800
Repayment during the year	(3,205,521)	(9,583,102)
	<u>27,781,177</u>	<u>30,986,698</u>
Total	<u>27,781,177</u>	<u>30,986,698</u>
19 SHARE CAPITAL		
At 1st January	103,219,929	101,716,913
Issued during the year	1,202,500	1,503,016
	<u>104,422,429</u>	<u>103,219,929</u>
20 Lease Liabilities		
Lease liabilities in the statement of financial position are made up as follows:		
Adjustment on transition to IFRS 16	-	1,316,538
Additions	4,770,085	187,509
Less: Lease payments during the year	(748,836)	(1,504,047)
	<u>4,021,249</u>	<u>-</u>
Made up as follows:		
- Payable with the next 12 Months	767,557	-
- Payable after 12 months and within 5 years	3,253,692	-
	<u>4,021,249</u>	<u>-</u>
21 PRIOR YEAR ADJUSTMENTS		
Being reinstatement of members contribution on plot deposits w/o against penalty income.		(35,800)
Being an adjustment for tax paid in 2023	83,030	
	<u>83,030</u>	<u>(35,800)</u>
22 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 2024 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.		
Board of Directors Remunerations:		
As Allowances	1,512,848	1,562,555
As expenses	2,155,187	2,857,580
	<u>3,668,035</u>	<u>4,420,135</u>
23 EVENTS AFTER REPORTING PERIOD		
There are no significant events after the reporting period which have been reported in these Financial Statements.		
24 CONTINGENT 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.		
25 COMPARATIVES		
Where necessary, comparative figures have been adjusted to conform with changes in the presentations in the current year.		
26 CURRENCY		
The Financial Statements are presented in Kenya Shillings (Kshs)		