



**TEMBO VENTURES HOUSING CO-OPERATIVE  
SOCIETY LIMITED- CS/15373**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31ST DECEMBER 2023**

**Prepared by:-**

Henry Smith & Wilson

Certified Public Accountants (K)

Kalson Towers, 6<sup>th</sup> Floor

P.O. Box 9937-00100

Nairobi

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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
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**SOCIETY INFORMATION**

**Board Members:**

Joseph Muchemi Muruthi	Chairman
Florida Nyokabi Nguru	Vice Chairperson
Ian Gikundi Mutethia	Hon. Secretary
Agnes Nyambura Ngamini	Treasurer
Wilfred Gichovi	Member
Catherine Ngatia	Member
Beatrice Akumu	Member
Abel Ratemo	Member

**Supervisory Committee:**

Martin Mutie	Chairperson
Evalyne Wanjiku Kiiru	Secretary
Angela Gaithuma	Member

**Management Team:**

Benjamin Okumu	CEO
Henry Munge Ngene	Manager

**Registered Office:**

Tembo Sacco Complex,  
Garden Estate Road, Off Thika Road,  
P.O Box 91-00618,  
Nairobi, Kenya.

**Principal Banker:**

Co-operative Bank of Kenya,  
Thika Road Mall Branch,  
P.O Box 67881-00200,  
Nairobi.

**Independent Auditor:**

Henry Smith & Wilson  
Certified Public Accountants,  
6th Floor, Kalson Towers, Crescent  
Road, Parklands,  
P.O. Box 9937-0100,  
Nairobi, Kenya.

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**REPORT OF THE BOARD OF DIRECTORS**

The Board of Directors submit their annual report together with the audited financial statements for the year ended 31 December 2023.

**INCORPORATION**

The society is incorporated in Kenya under the Co-operative Societies Act Cap 490 and is domiciled in Kenya.

**PRINCIPAL ACTIVITY**

The Society's principal activity is buying and selling land to members.

**RESULT**

	<u>2023</u> Kshs	<u>2022</u> Kshs
Surplus for the year	3,577,441	6,334,515
Tax	(1,073,232)	(1,900,353)
Net Surplus for the year	<u>2,504,208</u>	<u>4,434,161</u>
Appropriations		
Dividends	-	(3,342,596)
Balance transferred to retained earnings	<u>2,504,208</u>	<u>1,091,565</u>

**INTEREST ON MEMBER DEPOSITS AND DIVIDENDS ON SHARE CAPITAL**

The Board of Directors do propose interest on members' deposits at a rate of 0% (7% in 2022) and dividend on share capital at a rate of 0% (7.5% in 2022) for the year ended 31 December 2023.

**INDEPENDENT AUDITOR**

The Society's auditors, Henry Smith and Wilson, Certified Public Accountants (K) have expressed their willingness to continue in office in accordance with section 719(1) of the Companies Act ( Cap 486) and under the terms of section 25(4) of the co-operative Societies(Amendment) Act No.2 of 2004.

**BY ORDER OF THE BOARD OF DIRECTORS**

  
.....  
**SECRETARY**

**DATE** 3/04/2024



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<b>STATISTICAL INFORMATION</b>	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Number of members	665	640
Total Assets	280,514,666	293,985,112
Core Capital	67,312,593	60,306,398
Share Capital	56,006,285	48,161,702
Institutional Capital	11,306,308	12,144,696
Members' Deposits	94,488,699	90,045,776
Reserves	7,574,845	7,074,004
Current Assets	118,759,673	150,541,218
Investments	14,887,500	14,747,500
Total Liabilities	213,202,073	233,678,715
Borrowings	92,000,265	44,475,043
Total Revenue	109,339,595	56,982,417
Total Expenses	22,885,054	9,230,796
Surplus before tax	3,577,441	6,334,515

**Key Ratios**

Core Capital/Total Assets	24.0%	20.5%
Institutional Capital/Total Assets	4.03%	4.13%
Current ratio	0.56	0.64
Gross Profit margin	23%	35%
Percentage of Total Expenses/Net Revenue	86%	59%
Return on Shareholders fund	5%	11%
Gearing ratio	33%	15%
Interest on member deposits	0%	7%
Dividend on share capital	0%	7%

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**STATEMENTS OF BOARD OF DIRECTORS' RESPONSIBILITIES**

The Society Act, No.14 of 2008 requires the Board of Directors to prepare financial statements for each year which give a true and fair view of the state of affairs of the society as at the end of the financial year and its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Board of Directors to ensure that the society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the society. They are also responsible for safeguarding the assets of the society and ensuring that the business of the society has been conducted in accordance with its objectives, by-laws and any other resolutions made at society's general meeting.

The Board of Directors accepts responsibility for the annual financial statements which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with International Financial Reporting Standards (IFRS) and in the manner required by the Co-operatives Societies Act, Cap 490. The Board of Directors is of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the society and of its operating results in accordance with the International Financial Reporting Standards (IFRS). The Board of Directors further accepts responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the Board of Directors to indicate that the society will not remain a going concern for at least twelve months from the date of this statement.

Approved by the Board of Directors on .....31/12...../2024 and signed on its behalf by:

  
.....  
**CHAIRMAN**

  
.....  
**TREASURER**

  
.....  
**COMMITTEE MEMBER**



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**REPORT OF INDEPENDENT AUDITOR TO MEMBERS OF TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**

**Auditor's Report on the Financial Statements**

We have audited the accompanying financial statements set out on page 7 to 25 of Tembo Ventures Housing Co-operative Society Ltd, that comprise:-

- i. Statement of Comprehensive Income
- ii. Statement of Financial Position
- iii. Statement of Changes in Equity
- iv. Statement of Cash flows and
- v. A summary of significant accounting policies and other explanatory notes .

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.

**Opinion**

In our opinion to the foregoing, the financial statements referred to above present fairly, in all material aspects, the financial position of the society for the twelve months ended 31 December 2023 and of its statement of comprehensive income and the cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Kenyan Cooperative Societies Act.

**Basis of opinion**

We conducted our audit in accordance with the international standards on auditing (ISA's). Our responsibility under those standards are further described in the Auditors Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our audit opinion.

**Independence**

We are independent of the Society in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our ethical responsibilities in accordance with the IESBA Code.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in addition to the opinion we do not provide a separate opinion on these matters.

**Other Information**

The directors are responsible for the other information. Other information comprises the directors' reports and other statements included within the annual report but does not include our report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance 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 knowledge obtained in the audit or otherwise appears to be materially misstated if based on the work we have performed we conclude that there is a material misstatement of this information. We are required to report that we have nothing to report on this regard.

**Responsibilities of Board of Directors and those Charged with Governance**

As explained more fully in the statement of Management Committee's responsibilities on Page 4, the Management Committee is responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Kenyan Cooperative Societies Act.

In preparing the financial statements the Board of Directors are responsible for assessing the Society's ability to continue as a going concern and using the going concern basis of accounting unless Management either intends to liquidate the Society or to cease operations or has no realistic alternative to do so.

**BRANCHES:**

**SERVICES:**

- Auditing
- Accountancy
- Taxation
- Consultancy & Business Advising
- Training & Development

**PARTNERS:**

- Mr. S.K. Ndegwa  
(Managing)
- Mr. W.M. Mutero
- Mr. P.M Njathi
- Mr. S. Muturi



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**REPORT OF INDEPENDENT AUDITOR TO MEMBERS OF TEMBO VENTURES HOUSING  
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Those charged with governance are responsible for overseeing the Society's financial reporting process. The responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

**Auditor's responsibility**

Our objective is 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 assurance but not a guarantee that an audit conducted in accordance with International Standard on Auditing (ISA's) will always detect material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if individually or in the aggregate they could reasonably be expected to influence the economic decisions of users on the basis of these financial statements.

As part of our audit and in accordance with ISA's we exercise professional judgement and maintain professional skepticism throughout the audit.


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

**Report on other Legal Requirements**

As required by the the Co-operative Societies Act Cap 490, we report to you that based on our audit;

- 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;
- iii. The Society's Statements of Financial Position and Comprehensive Income are in agreement with the books of account;
- iv. The Society is solvent and we have reasonable grounds to believe it will remain solvent in the foreseeable future, and
- v. Nothing has come to our attention that causes us to believe that the Society business has not been conducted in accordance with the provisions of the the Co-operative Societies Act

The engagement partner responsible for the audit resulting in this independent auditors' report was CPA. Simon K Ndegwa, Practicing License No. P/1173

  
Henry Smith & Wilson  
Certified Public Accountants

Date: 4<sup>th</sup> April, 2024

HENRY SMITH & WILSON  
CPA (K)  
P. O. Box 9937 - 00100  
- NAIROBI

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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2023 Kshs	2022 Kshs
Sales from land & houses	1	107,209,880	55,060,000
Cost of sales	3	(82,877,101)	(35,579,864)
<b>Net Turnover</b>		<b>24,332,779</b>	<b>19,480,136</b>
Less Rebates to members	16	-	(5,837,242)
		<b>24,332,779</b>	<b>13,642,894</b>
Other operating income	4	2,129,715	1,922,417
		<b>26,462,494</b>	<b>15,565,311</b>
Administrative expenses	5	(19,731,332)	(6,124,473)
Governance expenses	6	(2,006,478)	(1,775,733)
Financial expenses	7	(1,147,243)	(1,330,590)
		<b>(22,885,054)</b>	<b>(9,230,796)</b>
<b>Surplus before Tax</b>		<b>3,577,441</b>	<b>6,334,515</b>
Tax		(1,073,232)	(1,900,354)
<b>Total Comprehensive Income</b>		<b>2,504,208</b>	<b>4,434,160</b>
Less : Statutory Reserve		(500,842)	(886,832)
<b>Net Comprehensive Income</b>		<b>2,003,367</b>	<b>3,547,328</b>



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**STATEMENT OF FINANCIAL POSITION**

	Notes	2023 Kshs	2022 Kshs
<b>ASSETS</b>			
Cash and cash equivalent	8	1,820,113	23,421,387
Investments	9	14,887,500	14,747,500
Assets held for sale	10	93,504,107	90,945,121
Land	11	-	16,000,000
Accounts and other receivables	13	21,285,886	34,869,593
Deferred Cost of Sales	14	145,122,833	110,874,763
Taxation	19	2,149,567	1,305,117
Intangible assets	21	622,406	778,008
Property & equipment	20	1,122,254	1,043,625
<b>TOTAL ASSETS</b>		<b>280,514,666</b>	<b>293,985,112</b>
<b>LIABILITIES</b>			
Members deposits	15	94,488,699	90,045,776
Accounts payables	16	356,220	37,539,607
Deferred Sales	17	26,356,889	61,618,289
Borrowings	18	92,000,265	44,475,043
<b>TOTAL LIABILITIES</b>		<b>213,202,073</b>	<b>233,678,715</b>
<b>EQUITY</b>			
Share capital		56,006,285	48,161,702
Proposed Dividends			3,342,596
Statutory Reserves	SCE	7,574,845	7,074,004
Retained Earnings	SCE	3,731,463	1,728,096
<b>TOTAL SHAREHOLDERS FUND</b>		<b>67,312,593</b>	<b>60,306,398</b>
		<b>280,514,666</b>	<b>293,985,113</b>

**REGISTERED**  
 SEC. 25(7) Co-operative Societies  
 ACT CAP 490 (Amended 2004)  
**11 APR 2024**  
 Sign..... *Makwani*  
**JAVEL M. MURIRA**  
 FOR: COMMISSIONER OF CO-OPERATIVES

The financial statements on pages 7 to 10 were approved and authorized for issue by the Board of Directors on .....<sup>3</sup> /04/2024 and were signed on its behalf by:

Chairman ..... *[Signature]*

Secretary ..... *[Signature]*

Treasurer ..... *[Signature]*



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**STATEMENT OF CHANGES IN EQUITY**

	<u>SHARE CAPITAL Kshs</u>	<u>RETAINED EARNINGS Kshs</u>	<u>STATUTORY RESERVES Kshs</u>	<u>TOTAL Kshs</u>
<b>2023</b>				
As at 1 January 2023	48,161,702	1,728,096	7,074,004	56,963,802
Share capital contribution	7,844,583	-	-	7,844,583
Surplus for the year	-	2,504,208	-	2,504,208
Transfer to statutory reserve	-	(500,842)	500,842	-
Proposed dividend	-	-	-	-
Proposed Honoraria	-	-	-	-
<b>As at 31 December 2023</b>	<u><b>56,006,285</b></u>	<u><b>3,731,463</b></u>	<u><b>7,574,845</b></u>	<u><b>67,312,593</b></u>
<b>2022</b>				
As at 1 January 2022	47,018,004	1,523,363	6,187,172	54,728,539
Share capital contribution	1,143,698	-	-	1,143,698
Surplus for the year	-	4,434,161	-	4,434,161
Transfer to statutory reserve	-	(886,832)	886,832	-
Proposed dividend	-	(3,342,596)	-	(3,342,596)
Proposed Honoraria	-	-	-	-
<b>As at 31 December 2022</b>	<u><b>48,161,702</b></u>	<u><b>1,728,096</b></u>	<u><b>7,074,004</b></u>	<u><b>56,963,802</b></u>

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**STATEMENT OF CASHFLOWS**

	<u>Note</u>	<u>2023</u> <u>Kshs</u>	<u>2022</u> <u>Kshs</u>
<b><u>Cashflows from Operating Activities</u></b>			
Net Profit for the Year		3,577,441	6,334,515
Add back: Depreciation		121,432	115,958
Add back: Amortisation		155,602	194,502
Tax Paid		(2,524,311)	(3,348,165)
Dividend paid	22	(1,536,528)	(1,085,557)
Interest Paid	23	(2,001,714)	-
Honoraria	24	(461,000)	-
		<u>(2,669,078)</u>	<u>2,211,253</u>
<b>(Increase)/Decrease in Operating Assets</b>			
Receivables & Prepayments		13,887,706	(7,298,848)
Financial Assets		(140,000)	(200,000)
		<u>13,747,706</u>	<u>(7,498,848)</u>
<b>Increase /(Decrease)in operating Liabilities</b>			
Members' Deposits		4,142,924	8,143,691
Members' Deposits Withdrawals		-	(5,235,882)
Payables and accruals		(35,953,474)	16,739,427
		<u>(31,810,550)</u>	<u>19,647,236</u>
<b>Net cash generated from/(used in) operating activities</b>			
<b><u>Cash flows from Investing Activities</u></b>			
Assets held for sale		(2,558,985)	5,945,282
Deferred Cost of Sales		(18,248,070)	(78,626,761)
Deferred Sales		(35,261,400)	42,495,274
Purchase of property, plant & equipment		(170,700)	-
		<u>(56,239,156)</u>	<u>(30,186,205)</u>
<b>Net cash used in/generated from investing activities</b>			
<b><u>Cash flows from Financing Activities</u></b>			
Borrowings		47,525,222	33,215,213
Share capital		7,844,583	1,143,698
Related Party Transactions		-	142,694
		<u>55,369,805</u>	<u>34,501,605</u>
		<u>(21,601,273)</u>	<u>18,675,041</u>
<b>Net cash inflows</b>			
Cash and cash equivalents as at start of the year		23,421,386	4,746,345
Cash and cash equivalents as at end of the year		1,820,113	23,421,386



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**ACCOUNTING POLICIES**

**1 Summary of Significant Accounting Policies**

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

**Basis of preparation**

**a) Statement of compliance**

The financial statements are prepared in accordance with and comply with International Financial Reporting Standards (IFRSs).

These financial statements are presented in the functional currency, Kenya shillings (KShs) and prepared under the historical cost convention, except as specified below under fair value measurement in accordance with applicable IFRSs.

The financial performance of the society is set out in the Director's report and in the statement of profit or loss and other comprehensive income. The financial position of the society is set out in the statement of financial position.

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.

**b) Revenue recognition**

**Project income**

Under IFRS 15, revenue is recognised when the goods or services are transferred to the customer, at the transaction price. Applying IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The society is not fully in compliance with the provisions of the standard. The core principle is derived in a five step model framework:

- i) Identify the contract(s) with a customer. There is a legally enforceable contract between a customer and Tembo Ventures Co-operative Society Limited.
- ii) Identify the performance obligations in the contract: Performance obligations include the construction of houses & purchase of land as per the requirements of the contract.
- iii) Determine the transaction price: The Society applies a markup on the expenses incurred during construction of the houses and purchase of the land.
- iv) Allocate the transaction price to the performance obligations in the contract: The transaction price is only allocated to the purchase of land & construction of houses.
- v) Recognise the revenue when (or as) the entity satisfies a performance obligation: Revenue is recognised based on the above when the performance obligation has been satisfied ie. Transfer of land, completion of the house and transfer the house to the customer on full payment of the contract amount.

**Other income**

- i) Entrance fee is recognized when a new member joins the society;
- ii) Dividend is recognized when the right to receive income is established. Dividend are reflected as a component of other operating income based on the underlying classification of the equity instrument;
- iii) Commission income is recognized upon successful completion of the transaction;
- iv) Miscellaneous income is recognized upon performance of the services agreed on.
- v) Interest income is recognized on a cash basis in the profit or loss for the year using the effective yield on the asset. Interest income includes income from investment in money markets. When financial assets become impaired, interest income is thereafter not recognized until such time that recoverability is assured.



### ACCOUNTING POLICIES (CONT'D)

#### c) **Property, plant and equipment**

All property, plant and equipment are initially recorded at cost. Certain classes of property, plant and equipment are subsequently shown at revalued amounts, based on periodic valuations by the independent valuers, less subsequent cost. All other property plant and equipment are stated at historical cost less accumulated depreciation and impairment losses.

	<b>Rates</b>
IT Equipments	10%
Furniture,Fittings & Equipment	10%

#### **Intangible Assets**

Intangible assets include computer software recognised in the books at cost and amortised over an estimated useful life based on the circumstances at an annual rate of 30% per annum based on reducing balance method.

#### **De-recognition**

The carrying amount of an item of property, plant and equipment shall be derecognized:

- (a) on disposal; or
- (b) when no future economic benefits are expected from its use or disposal.

The gain or loss arising from the De recognition of an item of property, plant and equipment shall be included in profit or loss when the item is derecognized (unless IAS 17 requires otherwise on a sale and leaseback). Gains shall not be classified as revenue.

#### (d) **Adoption of new Standards and Interpretations**

The following standards and interpretations have been adopted as they are mandatory for the year ended 31 December 2023 as they were effective for annual periods beginning on or after 1 January 2016;

##### **i) Disclosure Initiative - Amendments to IAS 1**

The amendments clarify the materiality requirements in IAS 1, that specific items in the statements of comprehensive income and financial position may be disaggregated, that entities have flexibility as to the order in presenting notes to the financial statements,; and that the share of other comprehensive income of associates and joint ventures, accounted for using the equity method, must be presented in aggregate as a single line item, and classified between those items that will not be subsequently reclassified to profit or loss. The amendments are intended to assist entities in applying judgement when meeting the presentation and disclosure requirements in IFRS, and do not affect recognition and measurement.

##### **ii) IFRS 10, IFRS 12 and IAS 20 Investment Entities; Applying the Consolidation Exemption-Amendments to IFRS 10,IFRS 12 and IAS 28**

The amendments to IFRS 10 clarify that the exemption in paragraph 4 of IFRS from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures its subsidiaries at fair value. Furthermore, the amendment to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measure at fair value.

The amendment to IAS 28 allow the investor, when applying the equity method to retain the fair value measurement applied by the investment entity, associate or joint venture to its interest in subsidiaries.

##### **iii) IAS 16 and IAS 38-Ammdgements to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortization**

The amendment clarifies the principle in IAS 16;Property ,Plant and Equipment and IAS 38;Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business(of which the asset is part) rather than the economic benefits that are consumed through use of the asset. As a result, the ratio of revenue generated to the total revenue expected to be generated cannot be used to depreciated property, plant and equipment and may only be used in very limited circumstances to amortized intangible assets.



**ACCOUNTING POLICIES (CONT'D)****iv) Accounting for Acquisition of interest in joints operations-Amendments to IFRS 11**

The amendment requires an entity acquiring an interest in a joint operation, in which the activity of the joint operation constitutes a business, to apply, to the extent of its share, all of the principles in IFRS 3 and other IFRSs that do not conflict with the requirements of IFRS 11 Joint Arrangements. Furthermore, entities are required to disclose the information required by IFRS 3 and other IFRSs for business combinations. The amendment also apply to an entity on the formation of a joint operation if, and only if, an existing business is contributed by one of its parties to the joint operation on its formation. Furthermore, the amendment clarify that, for the acquisition of an additional interest in a joint operation in which the activity of the joint operation constitutes a business, previously held interest in the joint operation must not be remeasured if the joint operator retains joint control.

**v) IAS 27:Equity Method in Separate Financial Statements-Amendments to IAS 27**

The amendment allow an entity to use the equity method as described in IAS 28 to account for its investment in subsidiaries joint ventures and associates in its separate financial statements. Therefore, an entity must account for its investments either(1) at cost;(2) in accordance with IFRS 9; or (3) using the equity method. The entity must apply the same accounting for each category of investment, and the amendment must be applied retrospectively.

**vi) IAS 7:Disclosure Initiative-Statement of Cash flows**

The amendment are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financial activities, including both changes arising from cash flow and non-cash changes. The amendments are intended to provide information to help investors better understand changes in a Society's debt.

**e) New Standards and Interpretations not yet adopted**

The following new Standards and amendments to standards and interpretation effective 31 December 2016 are not expected to have a significant effect on the financial statements of the Society in future financial periods, or not applicable to the Society based on the existing assets and liabilities;

**(i) IFRS 9: Financial instruments**

Issued on 24<sup>th</sup> July 2014 this standard replaces earlier version of IFRS 9 and superseded IAS 39, the criteria for classification into these categories are significantly different. In addition, the IFRS9 impairment model has been changed from an "incurred loss" model from IAS 39 to an "expected loss" model.

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption permitted.

The Society is assessing the potential impact on its financial statements resulting from the application of IFRS 9 but this is yet to be implemented during the year.

**The Society classifies its financial instruments into the following categories:**

i) **Financial assets at fair value**, which comprise of those held at Fair Value through Other Comprehensive Income(FVOCI) which meet the Solely Payments of Principal and Interest(SPPI) test and are held in a business model in which assets are managed both to collect contractual cash flows and for sale and those held at Fair Value through Profit or Loss(FVTPL) which are all other financial assets that do not qualify for measurement at FVOCI



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**ACCOUNTING POLICIES (CONT'D)**

- ii) Financial assets at amortized cost**, which comprise of financial assets which meet the Solely Payments of Principal and Interest (SPPI) test and are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows only.
- iii) Financial liabilities at fair value through profit or loss**, which comprise of those held for trading and those designated at FVTPL upon initial recognition.
- iv) Financial liabilities at amortized cost**, which comprises of all other financial liabilities except for those that the fair value option has been elected.
- ii) IFRS 15: Revenue from Contracts**  
IFRS 15 was issued on May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognizing revenue. The Society is yet to assess the full impact of the new standard on the required effective date and has not complied fully with the standard in the financial year 2022 and its prior years.
- iii) IFRS 16: Leases**  
The new standard introduces a single on balance sheet accounting model, similar to the current finance lease accounting. Under the new standard the society will be required to recognize a 'right to use' asset and a lease liability for all identified leased assets in the statement of financial position. The current operating lease (rent) expense will be replaced with a depreciation and finance charge. The standard becomes applicable for the financial year beginning on or after 1 January 2019 and the society intends to adopt IFRS 16 in the subsequent year. While it is not expected to be a material impact on overall cash flows and net profit or loss, the quantification of such impact cannot be reliably measured.
- iii) IFRS 2: Classification and Measurement of Share Based Payments Transactions-Amendments to**  
The amendments to IFRS 2 are intended to eliminate diversity in practice, and addresses three main areas; (1) The effect of vesting conditions on the measurement of a cash -settled share based payment transactions, (2) The classification of a share based payment transaction with net settlement features for the withholding tax obligations (3) The accounting where a modification of the terms and conditions of a share based payment transaction changes its classification from cash settled to equity settled.
- (f) IAS 12: Income Taxes**  
According to IAS 12, current tax for current and prior periods shall, to the extent unpaid, be recognized as a liability. If the amount already paid in respect of current and prior periods exceeds the amount due for those periods, the excess shall be recognized as an asset. Current tax liabilities (assets) for the current and prior periods shall be measured at the amount expected to be paid to (recovered from) the taxation authorities, using the tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability. Currently enacted tax rates are used to determine deferred income tax.



## ACCOUNTING POLICIES (CONT'D)

Deferred income tax assets are recognized only to the extent that it is probable that the future taxable profits will be available against which temporary differences can be utilized.

### (g) Financial liabilities and equity instruments issued by the Society

#### Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Society are recorded at the proceeds received, net of direct issue costs. The capital comprise primarily of minimum share capital prescribed under the By-laws of the Society.

#### Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- The amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- The amount initially recognized less, where appropriate, cumulative amortization recognized in accordance with the revenue recognition policies.

#### Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

All financial liabilities are recognized initially at fair value of the consideration given plus the transaction cost with the exception of financial liabilities carried at fair value through profit or loss, which are initially recognized at fair value and the transaction costs are expensed in the statement of comprehensive income.

Subsequently, all financial liabilities are carried at amortized cost using the effective interest method except for financial liabilities through profit or loss which are carried at fair value.

All financial liabilities are classified as non-current except financial liabilities at fair value through profit or loss, those expected to be settled in the Society's normal operating cycle, those payable or expected to be paid within 12 months of the reporting date and those which the company does not have an unconditional right to defer settlement for at least 12 months after the reporting date.

#### De recognition of Financial Liabilities

Financial liabilities are derecognized only when the obligation specified in the contract is discharged or cancelled or expires.

#### Provision for liabilities and charges

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

#### Other financial liabilities

All other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.



## ACCOUNTING POLICIES (CONT'D)

### (h) Employee entitlements

Employee entitlement to long service awards are recognized when they accrue to employees. Provision is made for the estimated liability of such entitlements as a result of services rendered by employees up to the reporting date. The estimated monetary liability for employees' accrued annual leave entitlement at the reporting date is recognized as an expense accrual.

### (i) Retirement benefit obligations

The Society operates a defined contribution scheme for all employees. A defined contribution plan is a pension plan under which the society pays fixed contributions into a separate entity. The assets of these schemes are held in a separately administered fund that is funded by contribution from the society and employees.

The Society has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior period. The society's contributions to the defined contribution schemes are charged to the profit or loss in the year to which they relate.

The Society also contributes to a mandatory statutory defined contribution pension scheme, the National Social Security Fund (NSSF) at varying values for its employees as legislated from time to time.

### (j) Statutory reserves

Transfers are made to the statutory reserve fund at a rate of 20% of net operating surplus after tax in compliance with the provision of section 47 (1 & 2) of the Co-operative Societies Act ,Cap 490.

### (k) Cash and cash equivalents

Cash and cash equivalents comprise of cash at hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value net of bank overdrafts.

### (l) Provisions for liabilities and other charges

A provision is recognized in the statement of financial position when the Society has a legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cashflows at a pre tax rate that reflects current market assessment of the time value of money and when appropriate, the risks specific to the liability.

### (m) Collateral

The Society discloses:

(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with paragraph 37(a) of IAS 39; and

(b) the terms and conditions relating to its pledge

When the Society holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose:-

(i) the fair value of the collateral held;

(ii) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and

(iii) the terms and conditions associated with its use of the collateral.



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**(n) Foreign Currency Transactions**

Transactions in foreign currency are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Kenya Shillings at the rate of exchange ruling at that date.

Transactions during the period in foreign currencies are translated at the rates ruling at the dates of Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

**(o) Financial Risk Management**

The Society has exposed the following risks from the use of financial instruments:

- i) Credit risk
- ii) Liquidity risk
- iii) Market risk

The note presents information about the Society's exposure to each of the above risks, the Society's objectives, policies and processes for measuring and managing risk, and the Society's management of capital. Further quantitative disclosures are included throughout these financial statements. The Society's risk management policies are established to identify and analyse the risks faced by the Society, to set appropriate risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Society activities.

**1. Credit Risk**

Credit risk arises mainly on cash and cash equivalents and trade & other receivables. Management assesses the credit quality of each customer, taking into account its financial position, past experience and other factors. The amount that best represents the Society's maximum exposure to credit risk as at 31 December 2023 is made up as follows:

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables	21,285,886	34,869,593
Bank balance	1,820,113	22,028,066
	<u>23,105,999</u>	<u>56,897,660</u>

**2. Liquidity Risk**

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as and when they fall due. The Society's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Society's reputation.

**3. Market Risk**

Market risk is a risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as interest rates, foreign exchange rates and equity prices.



**ACCOUNTING POLICIES (CONT'D)**

**(p) Key source of estimation uncertainty**

These are assumptions applied in estimating the carrying amounts and the underlying estimation uncertainty may lead to those amounts changing materially in the next 12 months. Examples of situations involving estimation uncertainty:

(a) In the absence of recently observed market prices, future oriented estimates are necessary to measure the recoverable amounts of classes of property, plant and equipment.

(b) The effect of technological obsolescence on inventories

(c) Provisions subject to future outcome of litigation in progress

(d) In determining the liability for long-service payments, management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

**(q) Significant judgment(s) in applying the Society's accounting policies**

Disclosure is made of significant judgements (apart from those involving estimations) made in applying the accounting policies that have the most significant effect on the amounts recognized in the financial statements.

Examples of judgments:

(1) When substantially all the significant risks and rewards of ownership of financial assets are transferred to other entities

(2) Whether in substance, particular sales of goods are financing arrangements and therefore do not give rise to revenue

(3) Whether the relationship with a special purpose entity indicates control of the Special Entity

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	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
	<hr/>	<hr/>
<b>1 Revenue</b>		
Income from land sales	42,349,880	64,057,000
Income from housing sales	64,860,000	-
<b>Gross income</b>	<b>107,209,880</b>	<b>64,057,000</b>
	<hr/>	<hr/>
<b>2 Credit notes for respossed land sold prior years</b>		
Credit notes for land	-	(8,997,000)
Credit notes for houses	-	-
<b>Total credit notes</b>	<b>-</b>	<b>(8,997,000)</b>
	<hr/>	<hr/>
<b>Net Land Sales</b>	<b>107,209,880</b>	<b>55,060,000</b>
	<hr/>	<hr/>
<b>3 Cost of Sales</b>		
Purchase of land	(32,315,597)	(35,579,864)
Construction of Houses	(50,561,504)	-
Tax Paid	(82,877,101)	(35,579,864)
<b>Surplus on Sales</b>	<b>24,332,779</b>	<b>19,480,136</b>
	<hr/>	<hr/>

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	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>4 OTHER OPERATING INCOME</b>		
Dividend Income	4,000	4,000
Entrance fees	99,000	28,000
Interest income	1,683,696	1,865,417
Member withdrawal fees	343,019	25,000
<b>Total Operating income</b>	<b>2,129,715</b>	<b>1,922,417</b>
<b>5 ADMINISTRATIVE EXPENSES</b>		
Employee expenses	4,282,620	2,460,250
Staff medical expenses	110,263	135,734
Marketing expenses	486,214	752,879
Rent and rates	362,084	368,220
Insurance expenses	219,770	201,853
Office expenses	295,064	36,671
Professional fees	-	119,000
Telephone & internet expenses	150,570	141,950
Travelling expenses	49,406	58,620
Repairs & Maintainance	27,550	9,250
Bulk SMS expenses	300,000	200,000
Bank charges	75,319	123,978
Printing & Stationaries	104,052	80,708
Legal fees	527,235	896,200
Audit fees	150,000	150,000
Supervision & Recoverable fees	25,200	39,200
Bad debt provision	12,248,847	-
Depreciation	121,432	115,958
Amortization	155,602	194,502
License & permits	40,105	39,500
<b>Total administrartive expenses</b>	<b>19,731,332</b>	<b>6,124,473</b>
<b>6 GOVERNANCE EXPENSES</b>		
Sitting allowance	1,718,178	1,583,118
AGM expenses	288,300	132,615
Committee travel	-	60,000
<b>Total Governance exp</b>	<b>2,006,478</b>	<b>1,775,733</b>



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**NOTES TO THE FINANCIAL STATEMENTS (CONT'D)**

	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>7 FINANCIAL EXPENSES</b>		
Interest on Sacco Loan	1,055,456	1,244,937
Insurance on Tembo Sacco Loan	91,787	85,653
<b>Total financial expense</b>	<b>1,147,243</b>	<b>1,330,590</b>
<b>8 CASH &amp; CASH EQUIVALENTS</b>		
CIC UNIT Trust	48,805	2,680,630
Tembo Sacco FOSA Savings	-	(1,505,524)
Co-operative bank current account	1,438,903	22,028,066
Tembo Sacco FOSA Current account	97,221	72,528
Mpesa	133,000	115,520
NIC	30,000	30,000
Petty cash	4,813	165
<b>Total</b>	<b>1,820,113</b>	<b>23,421,385</b>
<b>9 INVESTMENTS</b>		
Balance B/F	14,747,500	14,547,500
Tembo Sacco Deposits	140,000	200,000
<b>Total investment</b>	<b>14,887,500</b>	<b>14,747,500</b>
<b>10 ASSETS HELD FOR SALE</b>		
Kisaju Plains	36,440,741	36,440,741
Kamulu Meadows	1,258,000	1,258,000
Ruiru plains	570,000	1,510,460
Tembo Gardens	3,866,176	9,556,857
Tembo Court	12,189,645	17,537,516
Ruiru Northview 2	20,032,622	24,641,547
Juja Ridge	14,316,627	-
Tembo Airportview	4,830,297	-
<b>Total AHS</b>	<b>93,504,107</b>	<b>90,945,121</b>

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	<b>2023</b>	<b>2022</b>
	<b>Kshs</b>	<b>Kshs</b>
<b>11 LAND</b>		
Freehold land (Ruiru)	-	16,000,000
<b>Total</b>	<b>-</b>	<b>16,000,000</b>
<b>12 SHARE CAPITAL</b>		
At the start of the year	48,161,702	47,018,004
Contribution	7,844,583	1,143,698
	<b>56,006,285</b>	<b>48,161,702</b>
<b>13 TRADE RECIEVABLES</b>		
Plot buying scheme	20,875,401	20,983,821
Downpayments		4,380,000
Other recievable (Juja Bliss Phase 1)		7,868,847
Prepayment	119,032	192,528
Suspense account	211,314	211,314
Withholding tax	-	1,096,040
Tax Paid	80,139	137,043
<b>Total trade recievable</b>	<b>21,285,886</b>	<b>34,869,593</b>
<b>14 DIFFERED COST OF SALES</b>		
Opening bal 1st jan	110,874,763	32,248,002
Project direct cost	34,251,469	78,626,761
<b>Closing bal 31st Dec</b>	<b>145,122,833</b>	<b>110,874,763</b>



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	<u>2023</u> kshs	<u>2022</u> kshs
<b>15 MEMBER DEPOSITS</b>		
Bal B/F	90,045,776	84,710,240
Deposits contributed during the year	5,355,954	10,188,332
Capitalization of interest & dividends	4,882,117	5,242,825
Deposits withdrawn	<u>(5,795,147)</u>	<u>(10,095,621)</u>
<b>Bal C/F</b>	<b><u>94,488,699</u></b>	<b><u>90,045,776</u></b>
<b>16 ACCOUNTS AND OTHER PAYABLES</b>		
Trade payables	(379,776)	31,362,934
Audit fees	150,000	150,000
Supervision and recoverables fees	25,200	15,200
Proposed interest	-	5,837,242
Accruals	<u>560,795</u>	<u>174,230</u>
<b>Total</b>	<b><u>356,219</u></b>	<b><u>37,539,607</u></b>
<b>17 DEFFERED SALES</b>		
Defered sales	<u>26,356,889</u>	<u>61,618,289</u>
	<b><u>26,356,889</u></b>	<b><u>61,618,289</u></b>
<b>18 BORROWING</b>		
Tembo Sacco Loan balance B/F	44,475,043	11,259,830
Loan received during the year	52,344,052	39,641,213
Loan repayment	<u>(4,818,830)</u>	<u>(6,426,000)</u>
	<b><u>92,000,265</u></b>	<b><u>44,475,043</u></b>
<b>19 TAXATION</b>		
At start of the year	(1,305,116)	142,694
Charge for the year	1,073,232	1,900,355
Tax payment	(522,597)	(3,348,165)
Withholding tax	<u>(1,395,086)</u>	<u>-</u>
<b>At the end of the year.</b>	<b><u>(2,149,567)</u></b>	<b><u>(1,305,116)</u></b>

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**NOTES TO THE FINANCIAL STATEMENTS CONT'D****20 PROPERTY AND EQUIPMENT**

	<b>EQUIPMENT</b>	<b>FURNITURE &amp;</b>	<b>TOTAL</b>
	<b>KSHS.</b>	<b>FITTING</b>	<b>KSHS.</b>
	<b>10%</b>	<b>KSHS.</b>	<b>KSHS.</b>
	<b>10%</b>	<b>10%</b>	
<b>Cost or valuation</b>			
As at 1st January 2022	1,721,760	158,366	1,880,126
Additions	147,320	17,000	164,320
Disposal	-	-	-
<b>As at 31st December 2022</b>	<b>1,869,080</b>	<b>175,366</b>	<b>2,044,446</b>
As at 1st January 2023	1,869,080	175,366	2,044,446
Additions	132,700	38,000	170,700
Disposal	-	-	-
<b>As at 31st December 2023</b>	<b>2,001,780</b>	<b>213,366</b>	<b>2,215,146</b>
<b>DEPRECIATION</b>			
Tax Paid	833,683	51,180	884,863
Charge for the year	103,540	12,419	115,959
<b>As at 31st December 2022</b>	<b>937,223</b>	<b>63,599</b>	<b>1,000,822</b>
As at 1st January 2023	937,223	63,599	1,000,822
Charge for the year	77,093	14,977	92,069
<b>As at 31st December 2023</b>	<b>1,014,316</b>	<b>78,576</b>	<b>1,092,891</b>
<b>NET BOOK VALUE</b>			
As at 31st December 2022	931,857	111,767	1,043,624
As at 31st December 2023	987,464	134,790	1,122,255
<b>21 INTAGIBLE ASSETS</b>			
<b>Cost or valuation</b>			
As at 1st January 2022			2,336,085
<b>As at 31st December 2022</b>			<b>2,336,085</b>
As at 1st January 2023			2,336,085
<b>As at 31st December 2023</b>			<b>2,336,085</b>
<b>Amortization</b>			
As at 1st January 2022			1,363,575
Charge for the year			194,502
<b>As at 31st December 2022</b>			<b>1,558,077</b>
As at 1st January 2023			1,558,077
Charge for the year			155,602
<b>As at 31st December 2023</b>			<b>1,713,679</b>
<b>NET BOOK VALUE</b>			
As at 31st December 2022	-	-	778,008
As at 31st December 2023	-	-	622,406

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**NOTES TO THE FINANCIAL STATEMENTS CONT'D**

	<b>2023</b>	<b>2022</b>
	<b>kshs</b>	<b>kshs</b>
<b>22 MOVEMENTS OF PROPOSED DIVIDENDS</b>		
Dividends Proposed B/F	3,342,478	3,347,041
Dividends paid out	(1,536,528)	(1,085,627)
Dividends re-invested	(1,805,950)	(2,261,533)
<b>Bal C/F</b>	<b>-</b>	<b>(118)</b>
<b>23 MOVEMENTS OF PROPOSED INTERESTS</b>		
Interests Proposed B/F	5,837,242	4,928,712
Interests paid out	(2,761,075)	(1,393,672)
Interest re-invested	(3,076,167)	(3,535,040)
<b>Bal C/F</b>	<b>-</b>	<b>-</b>
<b>24 MOVEMENTS OF PROPOSED HONORARIA</b>		
Honoraria Proposed B/F	757,000	808,000
Honoraria paid out	(461,000)	(565,600)
Tax Paid	(296,000)	(242,400)
<b>Bal C/F</b>	<b>-</b>	<b>-</b>

CS/15373

**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2023**

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**TAX COMPUTATION: 2023**

**KRA PIN: P051445901Y**

**2023**  
**Kshs**

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Surplus before tax

3,577,441

**Add:** Depreciation & Armotization

277,034

**Less:**wear & tear

(277,034)

**Taxable income**

**3,577,441**

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Tax @30%

1,073,232

Profit after tax

**2,504,208**

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