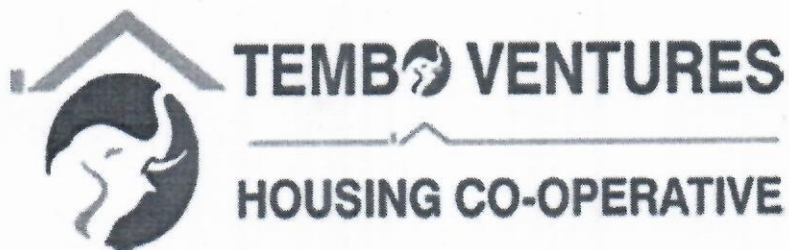


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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LIMITED**

**ANNUAL REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**



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

**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD  
ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

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**SOCIETY INFORMATION**

**BOARD MEMBERS:**

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

**SUPERVISORY COMMITTEE MEMBERS**

Harrison Mutua	Chairperson
Evalyne Wanjiku Kiiru	Secretary
Martin Mutie	Treasurer

**MANAGEMENT TEAM**

HENRYMUNGE NGENE	Manager
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**REGISTERED OFFICE**

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

**INDEPENDENT AUDITOR**

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

**PRINCIPAL BANKER**

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

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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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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 2022.

**INCORPORATION**

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

**PRINCIPAL ACTIVITY**

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

**RESULT**

	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Surplus for the year	6,334,515	6,346,846
Tax	(1,900,355)	(1,904,054)
Net Surplus for the year	<b>4,434,161</b>	<b>4,442,792</b>
Appropriations		
Dividends	(3,342,596)	(3,347,333)
Balance transferred to retained earnings	<b>1,091,565</b>	<b>1,095,459</b>

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

The Board of Directors do propose interest on members' deposits at a rate of 7% (7% in 2021) and dividend on share capital at a rate of 7 % (7.5% in 2021) for the year ended 31 December 2022.

**INDEPENDENT AUDITOR**

The Society's auditors, Henry Smith and Wilson, Certified Public Accountants (K) were appointed during the year and 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 <sup>27</sup>...../03/2023



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**TEMBO VENTURES HOUSING CO-**  
**ANNUAL REPORT AND AUDITED**  
**FOR THE YEAR ENDED 31 DECEMBER**

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<b>STATISTICAL INFORMATION</b>	<b>2022</b>	<b>2021</b>
Number of members	650	640
	<b>Kshs</b>	<b>Kshs</b>
Total Assets	293,985,112	194,111,812
Core Capital	60,306,397	58,075,873
Share Capital	48,161,702	47,018,004
Institutional Capital	12,144,695	11,057,869
Members' Deposits	90,045,776	84,710,241
Reserves	7,074,004	6,187,172
Current Assets	150,541,218	129,207,493
Investments	14,747,500	14,547,500
Total Liabilities	233,678,715	136,035,960
Borrowings	44,475,043	11,259,830
Total Revenue	56,982,417	53,758,705
Total Expenses	9,230,795	9,393,094
Surplus before tax	6,334,515	6,346,846

**Key Ratios**

Core Capital/Total Assets	20.5%	29.9%
Institutional Capital/Total Assets	4.13%	5.70%
Current ratio	0.64	0.95
Gross Profit margin	35%	36%
Percentage of Total Expenses/Net Revenue	59%	60%
Return on Shareholders fund	11%	11%
Gearing ratio	15%	6%
Interest on member deposits	7%	7%
Dividend on share capital	7.0%	7.5

**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
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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 .....<sup>27<sup>th</sup></sup> March ...../032023 and signed on its behalf by:

  
.....  
CHAIRMAN

  
.....  
TREASURER

  
.....  
COMMITTEE MEMBER



## SERVICES:

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

## PARTNERS:

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

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## TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2022

### REPORT OF INDEPENDENT AUDITOR TO MEMBERS OF TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD FOR THE YEAR ENDED

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

We have audited the accompanying financial statements set out on page 8 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 information .

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 business for the twelve months ended 31 December 2022 and of its profits and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the Kenyan SACCO 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.



**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
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**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 SACCO 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.

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.



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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
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**Auditor's responsibility**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error and to issue an auditor's report that included 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 a 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 an audit 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 significant, including deficiencies in internal control that we identify during our audit.

**Report on other Legal Requirements**

As required by the Sacco Societies Act no 14 of 2008 and 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 business has not been conducted in accordance with the provisions of the Sacco Societies Act and the Co-operative Societies Act.

The engagement partner responsible for the audit resulting in this independent auditors' report was CPA Peter M Njathi , Practicing License No. P/1420.

  
**Henry Smith & Wilson**  
**Certified Public Accountants**

Date: 27/03/2023

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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
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**STATEMENT OF COMPREHENSIVE INCOME**

	Notes	2022 Kshs	2021 Kshs
Land Sales	3	55,060,000	51,664,000
Cost of sales	4	(35,579,864)	(33,090,053)
<b>Net Turnover</b>		<b>19,480,136</b>	<b>18,573,947</b>
Less Rebates to members		(5,837,242)	(4,928,712)
		<b>13,642,894</b>	<b>13,645,235</b>
Other operating income	5	1,922,417	2,094,705
		<b>15,565,311</b>	<b>15,739,940</b>
Administrative expenses	6	(6,124,473)	(5,026,879)
Governance expenses	7	(1,775,733)	(2,005,390)
Financial expenses	8	(1,330,590)	(2,360,825)
		<b>(9,230,795)</b>	<b>(9,393,094)</b>
<b>Surplus before Tax</b>		<b>6,334,515</b>	<b>6,346,846</b>
Tax		(1,900,355)	(1,904,054)
<b>Total Comprehensive Income</b>		<b>4,434,161</b>	<b>4,442,792</b>
<b>Less : Statutory Reserve</b>		<b>(886,832)</b>	<b>(888,558)</b>
<b>Net Comprehensive Income</b>		<b>3,547,328</b>	<b>3,554,234</b>



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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
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## STATEMENT OF FINANCIAL POSITION

	Notes	2022 Kshs	2021 Kshs
<b>ASSETS</b>			
Cash and cash equivalent	9	23,421,387	4,746,345
Investments	10	14,747,500	14,547,500
Assets held for sale	11	90,945,121	96,890,403
Land	12	16,000,000	16,000,000
Accounts and other receivables	14	34,869,593	27,570,745
Deferred Cost of Sales	15	110,874,763	32,248,002
Related Party Balances		-	141,044
Taxation	20	1,305,117	-
Intangible assets	22	778,008	972,510
Property & equipment	21	1,043,625	995,263
<b>TOTAL ASSETS</b>		<b>293,985,112</b>	<b>194,111,812</b>
<b>LIABILITIES</b>			
Members deposits	16	90,045,776	84,710,241
Accounts payables	17	37,539,607	20,800,180
Deferred Sales	18	61,618,289	19,123,015
Borrowings	19	44,475,043	11,259,830
Taxation	20	-	142,694
<b>TOTAL LIABILITIES</b>		<b>233,678,715</b>	<b>136,035,960</b>
<b>EQUITY</b>			
Share capital	SCE	48,161,702	47,018,004
Proposed Dividends		3,342,596	3,347,333
Statutory Reserves	SCE	7,074,004	6,187,172
Retained Earnings	SCE	1,728,096	1,523,364
<b>TOTAL SHAREHOLDERS FUND</b>		<b>60,306,397</b>	<b>58,075,873</b>
		<b>293,985,112</b>	<b>194,111,833</b>

The financial statements on pages 8 to 11 were approved and authorized for issue by the Board of Directors on .....27/03/2023 and were signed on its behalf by:

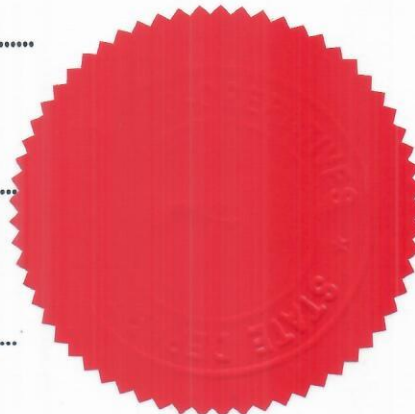
Chairman



Secretary



Treasurer

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**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
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**STATEMENT OF CHANGES IN EQUITY**

	<b>SHARE CAPITAL Kshs</b>	<b>RETAINED EARNINGS Kshs</b>	<b>STATUTORY RESERVES Kshs</b>	<b>TOTAL Kshs</b>
<b>2021</b>				
As at 1 January 2021	46,056,757	1,316,462	5,298,613	52,671,832
Share capital contribution	961,247	-	-	961,247
Surplus for the year	-	4,442,792	-	4,442,792
Transfer to statutory reserve	-	(888,558)	888,558	-
Proposed dividend	-	(3,347,333)	-	-
<b>As at 31 December 2021</b>	<b>47,018,004</b>	<b>1,523,363</b>	<b>6,187,171</b>	<b>58,075,872</b>
<b>2022</b>				
As at 1 January 2022	47,018,004	1,523,363	6,187,171	58,075,872
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)
<b>As at 31 December 2022</b>	<b>48,161,702</b>	<b>1,728,096</b>	<b>7,074,004</b>	<b>60,311,135</b>



**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
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**STATEMENT OF CASHFLOWS**

Note

		<b>2022</b>	<b>2021</b>
		<b>Kshs</b>	<b>Kshs</b>
<b><u>Cashflows from Operating Activities</u></b>			
Net Profit for the Year		6,334,515	6,346,846
Add back: Depreciation		115,958	237,331
Add back: Amortisation		194,502	243,128
Tax Paid		(3,348,165)	(931,493)
Dividend paid		(1,085,557)	(2,231,555)
		<b>2,211,253</b>	<b>3,664,257</b>
<b><u>(Increase)/Decrease in Operating Assets</u></b>			
Loans & Advances to Members			
Receivables & Prepayments		(7,298,848)	(8,411,443)
Financial Assets		(200,000)	(240,000)
		<b>(7,498,848)</b>	<b>(8,651,443)</b>
<b><u>Increase /(Decrease)in operating Liabilities</u></b>			
Members' Deposits	16	8,143,691	16,519,407
Members' Deposits Withdrawals	16	(5,235,882)	(6,451,684)
Payables and accruals		16,739,427	13,660,254
		<b>19,647,236</b>	<b>23,727,977</b>
<b>Net cash generated from/(used in) operating activities</b>		<b>19,647,236</b>	<b>23,727,977</b>
<b><u>Cash flows from Investing Activities</u></b>			
Assets held for sale		5,945,282	3,526,025
Deferred Cost of Sales		(78,626,761)	(32,248,002)
Deferred Sales		42,495,274	19,123,015
Purchase of property, plant & equipment		-	(356,480)
<b>Net cash used in/generated from investing activities</b>		<b>(30,186,205)</b>	<b>(9,955,442)</b>
<b><u>Cash flows from Financing Activities</u></b>			
Borrowings		33,215,213	(6,426,670)
Share capital		1,143,698	961,247
Related Party Transactions		142,694	846,777
		<b>34,501,605</b>	<b>(4,618,646)</b>
<b>Net cash inflows</b>		<b>18,675,041</b>	<b>4,166,703</b>
<b>Cash and cash equivalents as at start of the year</b>		<b>4,746,345</b>	<b>579,641</b>
<b>Cash and cash equivalents as at end of the year</b>		<b>23,421,386</b>	<b>4,746,344</b>

**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
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**NOTES TO THE FINANCIAL STATEMENTS**

**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:

- 1) Identify the contract(s) with a customer. There is a legally enforceable contract between a customer and Tembo Ventures Co-operative Society Limited.
- 2) Identify the performance obligations in the contract. Performance obligations include the construction of houses & purchase of land as per the requirements of the contract.
- 3) Determine the transaction price. The Society applies a markup on the expenses incurred during construction of the houses and purchase of the land.
- 4) 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.
- 5) 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 i.e. Transfer of land, completion of the house, and transfer the house to the customer on full payment of the contract amount.

**2 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.



**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
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**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	10.00%
Furniture, Fittings & Equipment	10.00%

**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 2022 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-**

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-Ammdements to IAS 16 and IAS 38: Clarification of Acceptable Methods of**

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.



**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



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**

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.



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.



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**(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:

(a) the fair value of the collateral held;

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

(c) 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 the transactions. Gains or losses on exchange are recognised in profit or loss.

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 2022 is made up as follows:

	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>Kshs</b>
Trade receivables	34,869,593	27,570,745
Bank balance	22,028,066	606,595
	<u>56,897,659</u>	<u>28,177,341</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.



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**(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>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>KSHS</b>
<b>2 LAND SALES</b>		
Mountain view	550,000	550,000
Ruiru Breeze	2,000,000	-
Ruiru Northview	-	1,900,000
Juja Crescent II	7,689,000	4,893,000
Malaa Springs	420,000	9,200,000
Juja Palms II	2,500,000	750,000
Juja OAK	12,500,000	9,545,000
Ruiru Greens view	3,000,000	5,000,000
Tembo plains view II	12,510,000	5,000,000
Ruiru Plains	2,700,000	12,000,000
Ruiru Hill View	4,400,000	6,588,000
Tembo gardens Juja farm	15,788,000	1,798,000
<b>Gross income</b>	<b>64,057,000</b>	<b>57,224,000</b>
<b>3 Credit notes for respossed land sold prior years</b>		
Ruiru Northview	-	(1,700,000)
Malaa Springs	-	(810,000)
Juja Palms II	(699,000)	(750,000)
Juja OAK	(5,000,000)	(1,190,000)
Ruiru Greens view	(1,500,000)	(2,500,000)
Ruiru Hill View	(1,798,000)	1,390,000
<b>Total credit notes</b>	<b>(8,997,000)</b>	<b>(5,560,000)</b>
<b>Net Land Sales</b>	<b>55,060,000</b>	<b>51,664,000</b>
<b>4 Cost of Sales</b>		
Discount	(662,961)	-
Sales commissions	(93,948)	-
Ruiru Northview	-	1,005,036
Juja Crescent II	(6,648,956)	4,054,228
Malaa Springs	-	4,376,783
Juja OAK	(4,054,228)	6,545,273
Ruiru Greens view	-	1517500
Tembo plains view II	(7,114,578)	3,884,000
Ruiru Plains	(1,880,920)	7,523,680
Tembo court	(1,514,667)	-
Ruiru Hill View	(1,788,333)	2,757,410
Tembo gardens Juja farm	(11,821,273)	1,426,143
	<b>(35,579,864)</b>	<b>33,090,053</b>
<b>Surplus on Sale of land</b>	<b>90,639,864</b>	<b>18,573,947</b>



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	<b>2022</b>	<b>2021</b>
	<b>Kshs</b>	<b>KSHS</b>
<b>5 OTHER OPERATING INCOME</b>		
Dividend Income	4,000	4,000
Entrance fees	28,000	60,000
Interest income	1,865,417	1,880,256
Member withdrawal fees	25,000	150,449
<b>Total Operating income</b>	<b>1,922,417</b>	<b>2,094,705</b>
<b>6 ADMINISTRATIVE EXPENSES</b>		
Employee expenses	2,460,250	2,053,200
Staff medical expenses	135,734	166,867
Marketing expenses	752,879	894,839
Rent and rates	368,220	368,220
Insurance expenses	201,853	13,741
Office expenses	36,671	64,787
Professional fees	119,000	287,750
Telephone & internet expenses	141,950	247,482
Travelling expenses	58,620	67,060
Repairs & Maintainance	9,250	8,251
Bulk SMS expenses	200,000	
Bank charges	123,978	48,767
Printing & Stationaries	80,708	97,256
Legal fees	896,200	
Audit fees	150,000	170,000
Supervision & Recoverable fees	39,200	17,200
Depreciation	115,958	237,331
Amortization	194,502	243,128
License & permits	39,500	41,000
<b>Total administartive expenses</b>	<b>6,124,473</b>	<b>5,026,879</b>
<b>7 GOVERNANCE EXPENSES</b>		
Sitting allowance	1,583,118	1,713,870
AGM expenses	132,615	153,500
Committee travel	60,000	138,020
<b>Total Governance exp</b>	<b>1,775,733</b>	<b>2,005,390</b>

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<b>8 FINANCIAL EXPENSES</b>	<b>2022</b>	<b>2021</b>
Interest on member deposits	-	-
Interest on Sacco Loan	1,244,937	2,208,850
Insurance on Tembo Sacco Loan	85,653	151,975
<b>Total financial expense</b>	<b>1,330,590</b>	<b>2,360,825</b>
<b>9 CASH &amp; CASH EQUIVALENTS</b>		
CIC UNIT Trust	2,680,630	3,672,268
Tembo Sacco FOSA Savings	(1,505,524)	395,070
Co-operative bank current account	22,028,066	606,595
Tembo Sacco FOSA Current account	72,528	(48,607)
Mpesa	115,520	89,059
NIC	30,000	30,000
Petty cash	165	1,960
<b>Total</b>	<b>23,421,385</b>	<b>4,746,345</b>
<b>10 INVESTMENTS</b>		
Balance B/F	14,547,500	14,307,500
Tembo Sacco Deposits	200,000	240,000
<b>Total investment</b>	<b>14,747,500</b>	<b>14,547,500</b>
<b>11 ASSETS HELD FOR SALE</b>		
Kisaju Plains	36,440,741	36,440,741
Kamulu Meadows	1,258,000	1,258,000
Juja Bliss Phase 1	-	7,868,900
Ruiru Breeze	-	2,796,216
Juja crescent 2	0.49	4,561,006
Plains View 2	-	14,332,108
Ruiru plains	1,510,460	2,821,380
Tembo Gardens	9,556,857	18,539,822
Tembo Court	17,537,516	-
Ruiru Northview 2	24,641,547	8,272,230
<b>Total AHS</b>	<b>90,945,121</b>	<b>96,890,403</b>



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<b>12 Land</b>	<b>2022</b>	<b>2021</b>
Freehold land (Ruiru)	16,000,000	16,000,000
<b>Total</b>	<b>16,000,000</b>	<b>16,000,000</b>
<b>13 SHARE CAPITAL</b>	<b>2022</b>	<b>2021</b>
At the start of the year	47,018,004	46,056,757
Contribution	1,143,698	961,247
	<b>48,161,702</b>	<b>47,018,004</b>
<b>14 TRADE RECIEVABLES</b>		
Plot buying scheme	20,983,821	22,028,938
Downpaiymnts	4,380,000	4,380,000
Other recievable (Juja Bliss Phase 1)	7,868,847	-
Prepayment	192,528	-
Suspense account	211,314	148,820
Withholding tax	1,096,040	1,012,987
Checkoff control a/c	137,043	-
<b>Total trade recievable</b>	<b>34,869,593</b>	<b>27,570,745</b>
<b>15 DIFFERED COST OF SALES</b>		
Opening bal 1st jan	32,248,002	-
Project direct cost	78,626,761	24,807,747
Professional fees	-	6,799,968
Marketing & commissions	-	640,287
<b>Closing bal 31st Dec</b>	<b>110,874,763</b>	<b>32,248,002</b>

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	<b>2022</b>	<b>2021</b>
<b>16 MEMBER DEPOSITS</b>		
Bal B/F	84,710,240	74,642,516
Deposits contributed during the year	10,188,332	10,108,710
Capitalization of interest & dividends	5,242,825	6,410,698
Transferred to share capital	-	(169,762)
Deposits withdrawn	(10,095,621)	(6,281,922)
<b>Bal C/F</b>	<b>90,045,776</b>	<b>84,710,240</b>
<b>17 ACCOUNTS AND OTHER PAYABLES</b>		
Trade payables	31,362,934	15,589,582
Audit fees	150,000	170,000
Supervision and recoverables fees	15,200	17,200
Proposed interest	5,837,242	4,928,712
Payroll	174,230	67,239
Accruals	-	27,447
<b>Total</b>	<b>37,539,607</b>	<b>20,800,180</b>
<b>18 DEFERRED SALES</b>		
Deferred sales	61,618,289	19,123,015
	<b>61,618,289</b>	<b>19,123,015</b>
<b>19 BORROWING</b>		
Tembo Sacco Loan balance B/F	11,259,830	17,686,500
Loan received during the year	39,641,213	-
Loan repayment	(6,426,000)	(6,426,670)
	<b>44,475,043</b>	<b>11,259,830</b>
<b>20 TAXATION</b>		
At start of the year	142,694	(829,867)
Charge for the year	1,900,355	1,904,054
Tax payment	(3,348,165)	(931,493)
<b>At the end of the year.</b>	<b>(1,305,117)</b>	<b>142,694</b>



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**21 PROPERTY AND EQUIPMENT**

	<b>EQUIPMENT KSHS. 10.00%</b>	<b>FURNITURE &amp; FITTING KSHS. 10.00%</b>	<b>TOTAL KSHS.</b>
<b>Cost or valuation</b>			
As at 1st January 2021	1,414,980	108,666	1,523,646
Additions	306,780	49,700	356,480
Disposal	-	-	-
<b>As at 31st December 2021</b>	<b>1,721,760</b>	<b>158,366</b>	<b>1,880,126</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>
<b>DEPRECIATION</b>			
As at 1st January 2021	611,664	35,868	647,532
Charge for the year	222,019	15,312	237,331
<b>As at 31st December 2021</b>	<b>833,683</b>	<b>51,180</b>	<b>884,863</b>
As at 1st January 2022	833,683	51,180	884,863
Charge for the year	103,540	12,419	115,958
<b>As at 31st December 2022</b>	<b>937,223</b>	<b>63,599</b>	<b>1,000,821</b>
<b>NET BOOK VALUE</b>			
As at 31st December 2021	888,077	107,186	995,263
As at 31st December 2022	931,857	111,767	1,043,625

**22 INTAGIBLE ASSETS**

<b>Cost or valuation</b>	
As at 1st January 2021	2,336,085
<b>As at 31st December 2021</b>	<b>2,336,085</b>
As at 1st January 2022	2,336,085
<b>As at 31st December 2022</b>	<b>2,336,085</b>
<b>Amortization</b>	
As at 1st January 2021	1,120,447
Charge for the year	243,128
<b>As at 31st December 2021</b>	<b>1,363,575</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>
<b>NET BOOK VALUE</b>	
As at 31st December 2021	-
As at 31st December 2022	-

CS/15373

**TEMBO VENTURES HOUSING CO-OPERATIVE SOCIETY LTD**  
**ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b>	<b>2021</b>
	<b>Ksh</b>	<b>Ksh</b>
<b>23 MOVEMENT OF PROPOSED DIVIDENDS</b>		
Dividends Proposed B/F	3,347,041	2,231,555
Dividends paid out	(1,085,627)	(2,231,555)
Dividends re-invested	(2,261,533)	-
<b>Dividends C/F</b>	<b>(118)</b>	<b>-</b>

**TAX COMPUTATION: 2022**  
**KRA PIN: P051445901Y**

Surplus before tax	6,334,515
Add Depreciation & Armotization	310,460
Less wear & tear	(310,460)

**Taxable income**

**6,334,515**

Tax @30%

1,900,355

Profit after tax

**4,434,161**