



**LSK HOUSING CO-OPERATIVE
SOCIETY LIMITED**



Annual Reports & FINANCIAL STATEMENTS — 2018 —

LSK HOUSING KIBOS GREEN PROJECT

AFFORDABLE
50 X 100
PLOTS IN
KISUMU CITY

Plots Status:
RESIDENTIAL
15 plots remaining
COMMERCIAL
Sold out



Prices:

Price Categories	Paid in 6 monthly installments	Paid in 12 monthly installments
LSK Housing Members	Kshs 650,000	Kshs 700,000
LSK & LSK Sacco Members	Kshs 700,000	Kshs 750,000
General Public	Kshs 750,000	Kshs 800,000

Booking fee: Kshs 100,000

PROPERTY FEATURES

1. 132 residential and 12 commercial plots
2. Ideal for quiet residential settlement
3. Water and electricity nearby
4. 10 Kms from Kisumu CBD
5. 1 Km from Kisumu-Muhoroni road and neighbouring Great Lakes University
6. Scenic view of Kajulu hills

For sales and reservations, call : 0707 762 516 / 0739 747 891

Tel: 020 5146300
Mobile: 0707-762 516/ 0739 747 891
Email: info@lskhousing.co.ke
www.lskhousing.co.ke



For viewing, call : 0773 0523 46

Crawford Business Park,
3rd Floor, Office Suite 23,
State Hse Rd,
Nairobi

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SOCIETY INFORMATION AS AT 31ST DECEMBER 2018

THE MANAGEMENT AND SUPERVISORY COMMITTEE MEMBERS

Management Committee



Justus Munyithya
Chairman



Caleb Nadebu
Vice Chairman



Kellen Njue
Secretary



Lawrence Mugambi
Treasurer



Jackson Awele
Member



Samuel Mwaniki
Member



Gad Gathu
Member



Gladys Wamaitha
Member



Boniface Mutwiri
Member

Supervisory Committee



Collins Wanderi
Chairman



Joseph Makumi
Secretary



Callen Masaka
Member

The Manager

Michael N. Wang'ang'a
P. O. Box 6740-00100
Nairobi

Registered office

LSK Housing Co-op Ltd
Crawford Business Park 3rd Flr
State House Road
P. O. Box 6740-00100
Nairobi

Auditors

Victor Mutisya & Company
Certified Public
Accountants (K)
P. O. Box 28421-00200
Nairobi

Principal Bankers

Co-operative Bank of Kenya
Kimathi Street Branch
Acc Name: LSK Housing Co-op Ltd,
A/c No: 01100169856100
P. O. Box 7512-00200
Nairobi

NOTICE FOR THE AGM 2019

TO ALL MEMBERS

RE: ANNUAL GENERAL MEETING

Notice is hereby given that an Annual General Meeting of LSK Housing Co-op Limited is convened and will be held on **Saturday 9th March 2019** at the **Six Eighty Hotel** along Kenyatta Avenue, Nairobi starting at **12.00 p.m.**

AGENDA:

1. To note attendance and apologies.
2. To note and adopt the minutes of the last Annual General Meeting held on Saturday, 18th March 2018.
3. To consider the Chairman's report for the year 2018.
4. To consider the Supervisory Board report for the year 2018.
5. To receive, consider and adopt the Financial Reports for the period ended 31st December 2018.
6. To appoint Auditors for the year 2019 – 2020 and fix their remuneration.
7. To declare a dividend of Kshs 200 per share held on fully paid up members.
8. To consider and approve the estimates of income and expenditure for the coming financial year.
9. To authorize/grant the Sacco borrowing powers for a maximum of Kshs 3,000,000,000/=
10. To approve payment of honorarium of Ksh 1,569,250 to the members of the Management and Supervisory Board.
11. To amend LSK Housing by-laws as per the attached proposal.
12. To approve payment of sitting allowance of Ksh 10,000 for Board meetings and Ksh 5,000 for Sub-Committee meetings plus the tax thereof.
13. To elect three retiring members of the Management Board pursuant to Rule 23 of Co-operative Societies Act to the effect that three members retire each year by rotation. Mr. Caleb Nadebu, Mr. Boniface Mutwiri and Ms Kellen Njue who are retiring and are OFFERING themselves for re-election. A member desiring to offer himself/herself for election (except one seeking re-election) should pick and return a dully filled up Nomination Form to the Sacco office at least seven (7) days before the AGM.
14. To elect pursuant to rule 28(1) of the Co-operatives Societies Rules one member of Supervisory Board following the retirement on rotation basis of Collins Wanderi who is offering himself for re-election. A member desiring to offer himself/ herself for election (except one seeking re-election) should pick and return a dully filled up Nomination Form to the secretariat offices at least seven (7) days before the date of the AGM.
15. To transact any other business whose notice will have been given to the Secretary fourteen (14) days prior to the date of the Annual General Meeting.

By the order of Management Board



KELLEN G. NJUE
HON. SECRETARY

CC: County Co-operatives Officer
Nairobi Province
P.O. Box 30202
Nairobi

MINUTES OF LSK HOUSING CO-OP LTD AGM

HELD ON SATURDAY 10TH MARCH 2018, 2.00 P.M.

AT SIX EIGHTY HOTEL, NAIROBI

MIN 1/10/03/2018: Preliminaries

After confirmation of quorum, the meeting was called to order by the Chairman at 2:15 p.m. A word of prayer was given by the Vice Chairman Caleb Nadebu Member Number 315.

343 Jemimah Keli
359 Elias Gitonga
363 Geoffrey Tele
431 Joshua Ogutu

MIN 2/10/03/2018: To note attendance and apologies

The meeting was attended by the following 78 Society members;

437 Collins Wanderi
467 Jackson Awele
473 Haron Gitonga

Member No. Member Name

3	Lawrence Mugambi	474	Leonard Kimathi
25	George Awino	481	Juma Ogendi
60	Gladys Wamaitha	158	Samuel Mwaniki
62	Kellen Njue	487	Moses Kenyanchui
78	Mary Ekaya	505	Peninah Mutungi
96	Gladys Gichuki	584	Anne Mungai
102	Eva Wambugu	585	Gad Gathu
124	Brown Kairaria	589	Paul Biage
151	Walter Omoke	599	Nicholus Bichang'i
160	David Matwetwe	617	Justus Munyithya
161	Tim Mweseli	645	Nathaniel Tum
173	Joseph Mutua	646	Pamela Khayemba
339	Maryanne Mungara	682	Andrew Ombwayo
218	Catherine Kinya	780	James Juguna
239	Joseph Makumi	818	Ambrose Mulandi
248	Walubengo Waningilo	830	Cyrus Nyamwamu
261	Jane Gitau	847	Benson Njuguna
265	Francis Maina	852	Njeru Ithiga
271	Japheth Mwalimu	857	Felix Kioko
281	Salome Beacco	953	Krystal Muindi
284	Kiprono Siele	958	Boniface Mutwiri
291	Christine Kipsang	968	Paul Njoroge
315	Caleb Nadebu	999	Rayola Danish
316	Alice Kimani	1057	Esther Kinuthia
		1060	Joel Kabaiku

1079	Edith Onyango
1114	Nicholas Malonza
1121	Robinah Akoth
1130	Beatrice Ogwang
1165	Rahab Njuguna
1203	Bernadette Ochieng
1221	Andrew Mutune
1319	Ben Sihanya

Absent with apology

The following apologies were received;

Member No.	Member Name
898	Simon Peter Mutugi
44	Richard Ongegu
314	Beatrice Kamau
296	Ardeline Kaari
56	Dedan Muriithi

In attendance

The following non-Society members were also in attendance;

Name	Organization
1. Dolphin Narembu	– Nairobi County Director of Co-operatives
2. Lucy Kimani	– Westlands Sub-county Co-operatives Director
3. Purity Kawira	– Westlands Sub-county Co-operatives Officer
4. Victor Mutisya	– External Auditor.

MIN 3/10/03/2018: Adoption of Agenda

The agenda was adopted as proposed.

MIN 4/10/03/2018: To note and adopt the minutes of last AGM held on 18th March, 2017

The Chairman read through the previous minutes.

The minutes were confirmed to be a true record upon proposal by Maryanne Kagongona Member No. 178 and seconded by Nicholas Bichanga Member No. 599.

MIN 5/10/03/2018: Matters arising from minutes of the previous meetings

There were no matters arising from minutes of the previous meeting.

MIN 7/10/03/2018: To consider the Chairman's Report for the year 2017

The Chairman thanked everyone for their attendance and support, informing them that the forum provides an opportunity to strengthen our relationships, mingle and share our thoughts on how we can collectively contribute positively in creating a better Society.

He highlighted the following achievements and challenges in the year 2017;

a) Membership:

- Our membership grew by 17% with 179 new members joining the Society in 2017 compared to 14% in year 2016. By end of December 2017, membership stood at 1,256 members.
- Out of these 1,256 members, only 438 members (35%) had met the minimum share capital requirement. Members were urged to purchase the minimum 50 shares so that the Housing Society can have capital to undertake bigger projects and also entitle members to higher dividends.

b) Revenue:

- The total turnover in 2017 is Kshs. 20,343,566/- compared to Kshs. 27,831,602/- in 2016.
- The income source was down mainly because Housing Society acquired a new project in the last quarter of the year and there were no complete sales made in the year.
- Also, a lot of cash is also held in plots that have been booked and not paid for in full, meaning the money is not be considered as income yet.

c) Share capital: Our share capital grew by 18% from Kshs. 45, 897,169/- in 2016 to Kshs 54,166,507/- in 2017. Our strategic objective is to grow share capital to at least Kshs. 250,000,000/- in the next five years.

d) Distribution of dividends: The Management proposed propose to pay **Kshs 3,947,000/-** as dividends on share capital which represents Kshs. 75 per share of Kshs. 1,000/-. The decrease in the dividends as compared to year 2016 is because the Society did not have a new project for the most part of the year and there were no complete sales acquired for the new project that came up in the last quarter of the year. We are very hopeful that the Kisumu-Kibos project will bring in more sales which will be factored in this year's income thus increasing the dividends for the year 2018. Member will have a choice of receiving

the dividend in cash, capitalizing it to shares or depositing it for current/future projects.

- e) **Review of By-laws:** The Management proposed to amend the By-laws (as per Agenda 11) to align them to the current business trends.
- f) **Management Committee:** The Management proposed to have a homogenous Management and Supervisory Committee with LSK Sacco to mean that members elected to the committees will be deemed to be elected at LSK Housing.
- g) **Projects:**
 - **Juja Project:** During the year the remaining 3 plots were booked by members and deposit paid. We are hopeful that the sales will be complete by mid of this year.
 - **Stoni Athi I project:** 321 plots out of 351 are now fully sold and a further 10 plots with deposit paid on them. Members were encouraged to finales payments and collect their titles at the Society office.
 - **Stoni Athi II project:** 126 plots out of 247 are already sold. Another 61 are booked and deposit paid on them. Members were also encouraged to finales payments and collect their titles at the Society office.
- h) **New Projects:**
 - **Kibos:** The Management unveiled a 20 acre project in Kibos-Kisumu project in November 2017. There are 146 1/8^{ths} parcels and 8 are currently fully sold. A total of 76 plots have been booked and deposit paid on them. There are currently 63 unsold plots selling at **Kshs 620,000/-** only for the fully paid up members of the Society. He urged members to take up the remaining plots so that we can endeavor to complete this particular project in the first quarter of the year.
 - The Management is also carrying out due diligence on some property in Mombasa with the aim of constructing holiday homes in the course of the year. Other prospective projects in other areas include Mt Kenya region which we will be launching in the near future.
- i) **MIS:** The implementation of the LSK Housing MIS was not complete by the end of year 2017. The process is however in the testing stage and the implementation phase should be complete by the end of March 2018.

This will make processes easier and aid members in booking of plots online.

The Chairman thanked the Management, the Supervisory Committee, the staff, the Society members and all the Stakeholders for their invaluable support and input during the year.

The Report was passed as proposed by Brown Kairaria Member No. 124 and seconded by Andrew Gachoka Member No. 40.

MIN 8/10/03/2018: To consider the Supervisory Board Report for the year 2017

The Chairman of the Supervisory Committee acknowledged and appreciated the support it had received from the management and secretariat during the period under review.

The following highlights were noted;

a) Ongoing projects:

- **Juja Project:** Progress had been made where the three (3) remaining plots have since been booked and deposits paid on them.
- **Stoni Athi I:** It was noted that the proposal to fence the property was under consideration. However, they were yet to implement the recommendation on providing access roads.
- **Stoni Athi II:** The Committee noted the slow up-take of the project and recommended the inclusion of transfer fee in the plots price so as to make the plots seem more attractive and competitive. The Chair further noted that there is need for more aggressive marketing.
- **Kibos-Kisumu:** The Committee commended and applauded the uptake of the plots. The Committee also suggested officially launching the project in Kisumu while involving the Governor's Office and the LSK Kisumu Branch, as well as advertising on newspapers.

b) Marketing: The recommended integrated marketing to ensure that the Society markets its products to members of the general public and in turn increase sales. This could include marketing models which incorporate vernacular stations in the regions where the projects are located.

c) Acquisition of paybill number: The Committee recommended that this acquisition needed to be prioritised after the completion of the MIS system.

d) MIS System: The Society had made progress to complete the MIS system. However, the Committee recommends that a policy manual with BCP and DRP components be developed before the system is rolled out.

e) Other projects: The Committee noted that the Sacco had a lot of idle cash which it could lend to LSK Housing that can in turn partner with NACHU to put up commercial developments for sale or rent.

The Chairman thanked the Management Board and staff for their diligent stewardship and for providing overall policy and direction for prudent management of the society.

The Report was passed as proposed by Danish Rayola Member No. 999 and seconded by Joseph Ogutu Member No. 431.

Reactions to the Supervisory Board's Report

Nicholas Bichanga Member No. 599 inquired on whether the Society could process titles for willing members, especially those who lived far from the Registries.

The members were informed that the management had considered transferring members titles as it had done in Stoni Athi I plots. However, this proved to be very costly and time consuming as members have different completion dates. Further, as per the law the Purchaser is responsible for conducting the transfer himself. The Treasurer also noted that it would not be possible to include transfer costs on the price of the plots since the costs fluctuate.

MIN 9/10/03/2018: To receive, consider and adopt the Financial Reports for the period ended 31st December 2017

The Treasurer took the members through the financial reports highlighting;

- The Society had only one official employee; a caretaker at the Stoni Athi plots.
- There was an increase in the number of creditors being that the Society had received deposits for the Kibos project.
- Revenue for the year 2017 decreased from Kshs 27,831,602/- in 2016 to Kshs. 20,343,566/- in 2017.
- Total expenditure for the year decreased to Kshs. 3.1 M compared to Kshs. 4.1M in the previous year.
- Total assets increased from Kshs 88,673,350/- in 2016

to Kshs. 159,477,465/- in 2017 due to the newly purchased Kibos property.

- Total liabilities increased from Kshs. 27,651,095/- in 2016 to Kshs. 88,586,772/- in 2017.
- Total members capital increased by from kshs. 61,022,255/- in 2016 to Kshs. 70,890,692/- at the close of our previous financial year.

The Auditor Mr. Victor Mutisya confirmed that the financial account gave the true state of the society financial status as at 31st December, 2017 save for the suspect accounts of Kshs. 483,200/- in respect of unanalyzed standing orders and direct banking by members. He also confirmed that the accounts had been approved and registered with the Commissioner.

The Report was passed as proposed by Andrew Ombwayo Member No. 682 and seconded by Nicholas Bichanga Member No. 599.

Reactions to the financial reports

Njonjo Mbiyu Member Number 175 inquired on whether the unanalyzed bankings could be reported as part of the unclaimed assets.

The Auditor replied that the Commissioner had advised that the same be converted into income however; the same would not be feasible in the event where a member later presents a receipt. He suggested moving a portion to income and leaving the rest for any eventuality.

MIN 10/10/03/2018: To authorize Members of the AGM to appoint auditors for the year 2018-2019 and fix their remuneration

The Treasurer explained to the members that the Sacco had invited tenders from the pre-qualified list of Auditors provided by the Ministry. However, only 5 firms responded with 1 firm not attaching any documents.

The Management noted that the Sacco staff had not conducted proper procurement, did not meet the Auditors and only analysed them by the data they had sent in. The Management therefore proposed the Firm of Victor Mutisya & Associates. The remuneration was fixed at Kshs. 107,532.-

The Treasurer assured members that rigorous procurement would be carried out in 2018 to obtain the very best of Auditors for the following year. The appointment was proposed by Mwalimu Japheth Member No. 271 and seconded by Joseph Ogutu Member No. 431.

MIN 11/10/03/2018: To declare a dividend of Kshs. 75 per share held on fully paid up members

This was passed as proposed by Brown Kairaria Member No. 124 and seconded by Andrew Gachoka Member No. 40.

MIN 12/10/03/2018: To consider and Approve the estimates of income and Expenditure for year 2018-2019

The Management presented the budget for 2018-2019 with the following highlights;

a) Revenue

- The proposal was to amend the 2017 revenue to Kshs 32,843,049/- as opposed to the approved revenue of Kshs. 42,263,831.63/-.
- This consideration was based on the 2017 actual revenue of Kshs. 20,343,566/-
- The 2019 revenue estimate was approved at Kshs. 42,695,963.70/-

b) Expenditure

- The proposal was to amend the 2018 expenditure budget to Kshs. 18,459,450.00/- as opposed to the approved expenditure of Kshs. 24,170,799.00/-
- This consideration was based on the 2017 actual expenditure of Kshs. 5,721,089/-
- The 2018 expenditure estimate was approved at Kshs. 18,459,450.00/-

c) Capital budget, furniture, computers & software

- The proposal was to amend the 2017 estimated expenses to Kshs. 35,350,000/- as opposed to the approved expenses of Kshs. 7,600,000/-
- The same was premised on the fact that the Society intended to procure some office space estimate at Kshs. 29M, some safes, cabinets, server and accounting software in the current year. An expense aimed at securing the file system and member data.
- The 2018 expenditure estimate was approved at Kshs. 8,350,000/-.

This was passed as proposed by Joseph Ogutu Member No. 431 and seconded by Andrew Ombwayo Member No. 682.

MIN 13/10/03/2018: To Authorize /Grant Society borrowing powers to a maximum of Kshs.2,000,000,000/-

This was passed as proposed by Jesse Owoko Member No. 803 and seconded by Japheth Mwalimu Member No. 271.

MIN 14/10/03/2018: To approve payment of honorarium of 5% on profit before tax to the members of the Management Board and Supervisory Board as a token of appreciation

This was passed as proposed by Brown Kairaria Member No. 214 and seconded by Elias Gitonga Member No. 359.

MIN 15/10/03/2018: To amend LSK Society By-laws as per attached proposal

The Secretary took the members through the By-laws amendments and explained that the changes were made to adopt the best practices and align the By-laws to the Ministry's Model By-laws.

The following amendments were passed after deliberations;

- a) Amendment of By-law 38 on election procedure to allow the Society vet candidates before the AGM.
- b) Amendment of By-law 39 (b) to allow annual retirement of a third of Board Members.
- c) Amendment of By-law 52 to allow reconstitution of sub-committees within seven days after the AGM.
- d) Amendment of By-law 70 to substitute the AGM with the Management Committee on issues of authority to erect buildings on Society's land.

These Resolutions were passed as proposed by Andrew Gachoka Member No. 40 and seconded by Joseph Ogutu Member No. 431.

MIN 16/10/03/2018: To elect four members of the Management Board following the retirement of Justus Munyithya, Lawrence Mugambi, Gladys Wamaitha, who are offering themselves for election and resignation of George Akoto

The four positions were declared vacant and the elections presided over by the Co-operative officers Lucy Kimani and James Mwangi.

Members were informed that only 2 members had applied by sending in their nomination forms. One of the nominees however, was not present for the AGM. Therefore, only the following four candidates were available and qualified for the positions;

- a) Justus Munyithya, proposed by Nicholas Bichanga Member Number 599 and seconded by Brown Kairaria Member Number 124
- b) Lawrence Mugambi; proposed by Paul Motanya Member Number 589 and seconded by Esther Kinuthia Member Number 1057
- c) Gladys Wamaitha; proposed by Christine Kipsang Member Number 291 and seconded by Joseph Ogutu Member Number 431
- d) Gad Gathu; proposed by Nicholas Bichanga Member Number 599 and seconded by Andrew Ombwayo Member Number 682

The four were elected unanimously and unopposed.

The newly elected officials thanked the members for their confidence in them and vowed to work hard to take the Society to greater heights.

MIN 19/10/03/2018: To elect one member of the Supervisory Committee following the retirement of Joseph Makumi who is offering himself for re-election

Members were informed that only one person had applied for the vacant position thus being the only one available and qualified for the elections;

- a) Joseph Makumi

He was re-elected unopposed. This was proposed by Japheth Mwalimu Member Number 775 and seconded by Andrew Gachoka Member Number 40.

MIN 20/10/03/2018: Any Other Business

The Secretary confirmed that no notice had been received.

The Chairman once again thanked the members for their patience, participation and invited the members for lunch.

There being no other business, the meeting ended.

Confirmed By



**Justus M. Munyithya
Chairman**



**Kellen G. Njue
Hon. Secretary**



*Justus M. Munyiya
Chairman, Management Committee
LSK Housing Ltd*

CHAIRMAN'S REPORT FOR THE YEAR ENDED 31ST DECEMBER 2018

Honorable members, the co-operative officer present, fellow board members, invited guests, ladies and gentlemen; it is my great honour and pleasure to welcome you to this year's Annual General Meeting. This forum provides an opportunity to strengthen our relationships, mingle and share our thoughts on how we can collectively contribute positively in creating a better Society.

Honorable members you have entrusted us with the enormous task of managing the society on your behalf. We carried out that duty with zeal and wish to report as follows:-

1. Membership

Our membership grew by 12% with 146 new members joining the Society in 2018. By end of December 2018, our membership stood at 1,402 members. Out of these 1,402 members, only 504 members (36%) have met the minimum share capital requirement. We urge all our members to purchase the minimum 50 shares so that the Housing Society can have capital to undertake bigger projects and also entitle members to higher dividends.

2. Revenue

The total turnover in 2018 is Ksh. 98,707,504 /- compared to Ksh. 20,343,566/- in 2017. The income source grew significantly because Housing Society acquired two new project in Kibos Kisumu and the Wakili Palm Villas-Diani project.

3. Share Capital

Our share capital grew by 20% from Ksh. **54,166,507** in 2017 to Ksh. in **64,857,368** in 2018. Our strategic objective is to grow share capital to at least Ksh. 250,000,000 in the next five years. This will enable us to undertake capital intensive projects that will add more value to our shareholders.

4. Distribution of dividends

This year we propose to pay **Ksh. 12,971,474 compared to Ksh. 5,896,076 in 2017** as dividends on share capital which represents Ksh. 200 per share of Ksh. 1,000. The increase in the dividends as compared to year 2017 is because the Society had sales from two new projects in Kibos and Diani in the financial year.

As per the practice started in year 2016, members will choose to be paid their dividends in one of the methods listed below;

- i) Capitalizing the dividends to shareholding,
- ii) Receive dividend in cash,
- iii) Depositing the dividends in a deposit account as deposit for current or future projects.

We encourage members to choose how they want their dividends appropriated.

5. Review of LSK Housing By-Laws

We have accumulated amendments to the By-laws approved in the AGM which are pending registration with the Commissioner. In the year 2018, the Commissioner advised us to table the various amendments in this AGM and forward them for registration. The amendments will be tabled as approved earlier for your ratification and onward transmission to the Commissioner.

6. Current Projects

a) Juja Project

During the year, two plots were fully sold and the third one booked with a deposit. We are hopeful that the sales will be complete by mid of this year.

b) Stoni Athi Project-1

321 plots out of 351 are now fully sold. We encourage

members who still have fully paid, to complete and pick their titles from our offices.

c) Stoni Athi Project- 2

126 plots out of 247 are already sold. Another 61 are booked and deposit paid on them. We have the titles ready for collection and we still encourage members to complete payment and pick their titles.

7. New Projects

a) Kibos-Kisumu

We managed to sell out 56 plots in with a further 72 booked with a deposit and only 15 plots remain unsold. The success of this project is one of the driving factors for the growth in revenue. We are also in advanced stages of approval of the subdivision and registration of individual title and expect the same to be complete this year.

b) Wakili Palm Villas-Diani

In August 2018, we acquired a 7.4 acre plot in Galu Kinondo area of Diani on the third row from the beach. The project concept involves construction of holiday units mainly for income generation purposes.

8. Committee Sitting Allowances.

We last did a review of the committee sitting allowances in 2016 to Ksh. 5,000 for Management Committee and 3,000 for Sub-committee meetings. A comparative study shows that we pay one of the lowest allowances to committee members for organisations of similar size. We will therefore, be seeking your approval for a resolution to increase the committee sitting allowance to Ksh. 10,000 and Ksh 5,000 for Management committee and Subcommittee meetings respectively.

9. Honoraria

Since 2015 we introduced a performance based method of deciding the Honoraria payable from the surplus to the Committee members as a token of appreciation. Members approved a rate of 5% of the profit before tax and dividend. This meeting will be seeking for your approval to pay honoraria of Ksh. 1,569,251 which is equivalent to 5% of the profit before tax and dividends.

10. Focus for the year

This year we intend to;

1. Continue to grow our Share capital to enable LSK Housing undertake more capital intensive projects.

To this end I would encourage members to reinvest their dividends rebates into share capital to continue earning ore dividends.

2. Increase our products by developing cheap and medium cost houses for sale to our members and non-members.
3. Break ground for our Wakili Palm Villas Project in Diani and commence construction.
4. Source more real estate opportunities in other key areas the country.
5. Venture into commercial buildings like office space.

11. Management Information Systems

During the year we completed customisation of LSK Housing Microsoft Navision system. This year we will focus on enhancements geared to streamlining services to our members. In the year, we plan to roll out a self-care portal for LSK Housing similar to the one for LSK Sacco including the ability for members to book and buy plots online.

12. Office Space

Over the years LSK Housing has been hosted by LSK Sacco whom it pays some rent. Due to the growth in both societies, the management committee has proposed a budget of Ksh. 60,000,000 for office space for LSK Housing to be implemented in conjunction with the LSK Sacco

Conclusion

In addition to the aforementioned appreciation to the good work done by the Management Committee, I appreciate the input into the governance of the Society made by the Supervisory Committee, the invaluable advice from the Ministry of Industrialization and Enterprise Development and the members of staff who have worked tirelessly to move the Society forward and ensure satisfaction of the members.

Once again, thank you very much and God bless you as you tackle the remainder of this year.



**Justus M. Munyithya,
Chairman, Management Committee,
LSK Housing Co-Operative Society Ltd.**

SUPERVISORY COMMITTEE (SC)

SUPERVISORY REPORT FOR THE YEAR 2018

Introduction

The Supervisory Committee appreciates the support it has received from management and the secretariat during the period under review. The committee has reviewed the processes, transactions and overall performance of the society for the period under review and we commend the board and management for prudent fiscal management of the Sacco.

The committee wishes to report as follows: -

1. Membership

The LSK Housing membership stands at 1,402 and share capital of Kshs. 64,857,368.

Out of the 1461 members, only 504 members have raised the minimum share capital of Kshs. 50,000.

This means that 898 members will not get dividends of 20% of the paid up capital of Kshs 50,000/= and can't buy LSK housing plots at the subsidized member prices.

We implore the MC to look into ways of having every member raise the minimum share capital.

2. Projects

a) Juja Project

The committee notes that there has been progress in sale of the 3 remaining plots in Juja and commends the Management Committee for the same.

We note that all the 3 plots have since been sold and 2 have been fully paid for while the third has a deposit of Kshs 2,400,000/=.

The amount now due from the Juja plot is Kshs 600,000/=.

b) Stoni Athi 1 Project

The committee notes the proposal to fence Stoni Athi 1 is under consideration. However, the committee notes that the MC is yet to act on the previous recommendation to provide access roads and the same may not be done within the year. This would have been a good incentive to members to complete their outstanding payments last year.

We still recommend that the same be done.

The SC notes that there are plans to fence off both Stone Athi 1 & 2.

c) Stoni Athi 2 Project

The committee notes of the slow up-take of this project and once more recommend that the MC considers including the cost of transfer of the plots in the selling price so as to make the same more attractive and competitive.

The committee notes that the MC is yet to provide amenities and/or take steps towards such provisions i.e. access roads. This can be a good incentive to members to complete their outstanding payments. The Committee further notes that had there been a better marketing model which would among others include field and point marketing, there would have been more sales hence more dividend to members.

The SC notes that there are plans to fence off both Stone Athi 1 & 2.

d) Kibos Project Kisumu.

The committee applauds and commends the uptake of KIBOS project. It is noted that 56 plots have fully paid for, with another 78 plots having been booked with a deposit and 16 plots remaining unsold.

The committee recommends that the MC utilizes local knowledge when dealing with transfer and subdivision and selling the remaining plots.

We note that the members are feeling jittery because they are yet to be issued with title deeds for the fully paid up plots.

We recommend that the Sacco liaises with the County Government on the issuance of this titles.

e) Wakili palm Villas project

The SC commends the MC in launching yet another successful project. However, the SC would recommend the following;

- i) The MC considers the cash flow position of LSK Housing before commencing a new project to mitigate the risk of Housing getting into cash flow problems
- ii) In constructing villas, we recommend that the individual buyers of the plots should enter into agreement with the contractor to shield LSK Housing from possible litigation.

3. MIS SYSTEM

The SC notes that progress has been made towards completion of the MIS system but the secretariat is yet to document an I.T. governance framework.

It is also noted that a Business Continuity Plan (BCP) and Disaster Recovery Plan (DRP) are being drafted and recommends that they be prioritized.

For the last one year we notice that there has only be customization hence there are fears that by the time the system is fully rolled out it may be redundant. The secretariat informs that there are only two members assigned to the system hence the delay in full implementation

Conclusion

The Supervisory committee (SC) commends Board and staff for the diligent stewardship of the Society resources and promising overall policy and direction for prudent management of Society.

Confirmed:



Collins Wanderi
Chairman



Joseph Makumi
Secretary



Callen Masaka
Member

FINANCIAL REPORTS

STATEMENT OF THE BOARD OF DIRECTORS RESPONSIBILITIES

The Co-operative Societies Act, requires the Management Committee 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 of its operating results for that year in accordance with International Financial Reporting Standards (IFRS). It also requires the Management Committee to ensure that the Society keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Society. The Committee is 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 the Society's general meeting.

The Management Committee 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 IFRS and in the manner required by the Co-operative Societies Act. The Management Committee 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 IFRS. The Management Committee 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 Management Committee 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 Management Committee on 20th February 2019 and signed on its behalf by:



Justus Munyithya
Chairman



Lawrance Mugambi
Treasurer



Kellen G. Njue
Committee Member

STATISTICAL INFORMATION FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018	2017
MEMBERSHIP		
Fully Paid	504	438
Partly Paid	898	818
Total	1,402	1,256
FINANCIALS		
	KSHS	KSHS
Total Assets	311,587,016	159,477,464
Share Capital	64,857,368	54,166,507
Institutional Capital	21,109,763	16,724,185
Core Capital	85,967,131	70,890,692
Total Revenue	98,707,504	20,343,566
Total Expenses	14,063,625	3,155,627
Employees of the Society	1	1
Capital Adequacy Ratio		
Institutional Capital/Total Assets	6.8%	10.5%
Core Capital/Total Assets	27.6%	44.5%
Liquidity Ratio		
Liquid Assets/Total Deposits & Long Term Liabilities	88.15%	89.50%
Operating Efficiency/Loan Quality Ratios		
Total Expenses/Total Revenue	14.2%	15.5%

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF LSK HOUSING CO-OPERATIVE SOCIETY LIMITED FOR THE YEAR ENDED 31ST DECEMBER 2018

We have audited the accompanying financial statements of LSK Housing Co-operative Society Limited set out on pages 15-20 which comprise the Statement of Financial Position as at 31st December 2018 and the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The Management Committee's Responsibility for the Financial Statements

The Management Committee is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and the requirements of the Kenyan Co-operative Societies Act. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement

Auditors' Responsibility

Our responsibility is to express an independent opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the Auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers the internal control relevant to the Society's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Society's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the

reasonableness of accounting estimates made by the Management Committee, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Limitation of Scope

The Accounts reflect a Suspense Account item (credit) of Kshs 913,202 in respect of unanalyzed bankings by members as at 31st December 2018 (2017 and 2016 figures were 670,200 and 483,200 respectively). The bankings could not be analyzed into their various components - share capital, deposits for plots, and entrance fees - because of lack of vital information including names of the members who had made the bankings.

Opinion

Except for the above observation, in our opinion, the financial statements give a true and fair view of the state of the Society's financial affairs as at 31st December 2018 and of its operating results and cash flows for the year then ended in accordance with the International Financial Reporting Standards and the requirements of the Kenyan Co-operative Societies Act.

Report on other Legal Requirements

As required by the Kenyan Co-operative Societies Act, we report to you based on our audit that:

- a) 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.
- b) In our opinion, proper books of account have been kept by the Society, so far as it appears from our examination of those books.

Victor Mutisya & Co.

VICTOR MUTISYA & CO.

Certified Public Accountants (K)

Date: 20th February 2019

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2018

		2018	2017
	NOTES	KSHS	KSHS
REVENUE			
Shares Transfer Fees		2,000	4,000
Membership Fees	(2)	190,000	147,000
Other Operating Income - Sale of Plots	(3)	91,252,455	15,942,000
Plot Deposit Refund Charges		90,000	110,000
		91,534,455	16,203,000
Less: Cost of Plots Sold	(4)	(57,606,304)	(8,636,402)
Net Operating Income		33,928,151	7,566,598
Other Comprehensive Income:			
Other Comprehensive Income for the Year	(9)	7,173,049	4,140,566
TOTAL INCOME		41,101,200	11,707,164
Administration Expenses	(5)	(2,614,670)	(1,033,244)
Other Operating Expenses	(6)	(11,448,955)	(2,122,383)
Net Operating Surplus/(Deficit) Before Income Tax	(7)	27,037,575	8,551,537
Income Tax Expense	(8)	(8,111,273)	(2,565,461)
TOTAL COMPREHENSIVE INCOME/(DEFICIT)		18,926,303	5,986,076

STATEMENT OF FINANCIAL POSITION

AS AT 31ST DECEMBER 2018

		2018	2017
	NOTE	KSHS	KSHS
ASSETS			
Society's Plots	(10)	195,559,992	95,974,456
Fixed Assets	(11)	2,644,268	15,358
Investments: NACHU Shares		30,000	30,000
Cash & Cash Equivalent	(12)	113,345,156	63,445,490
Sundry Debtors		7,600	12,160
TOTAL ASSETS		311,587,016	159,477,464
LIABILITIES			
Accrued Expenses	(13)	1,562,038	1,469,899
Dues to LSK Sacco	(14)	13,813,088	2,986,630
Other Creditors	(15)	209,331,557	83,460,043
Suspense Account: Unanalyzed Bankings	(16)	913,202	670,200
TOTAL LIABILITIES		225,619,885	88,586,772
EQUITY			
Share Capital	(17)	64,857,368	54,166,507
Reserves	(18)	21,109,763	16,724,185
TOTAL EQUITY		85,967,131	70,890,692
TOTAL LIABILITIES & EQUITY		311,587,016	159,477,464

The notes on pages 21 to 25 form an integral part of these accounts

The financial statements set out on pages 15 to 25 were approved by the Management Committee on 20th February 2019 and were signed on its behalf by:



Justus Munyiithya
Chairman



Lawrence Mugambi
Treasurer



Kellen G. Njue
Board Member



STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31ST DECEMBER 2018

2018

	Share Capital	Statutory Reserve	Revenue Reserve	Total Members Capital
	KSHS	KSHS	KSHS	KSHS
As at 01.01.2018	54,166,507	9,139,331	7,584,854	70,890,692
Additions During the Period	10,690,861	-	-	10,690,861
Profit/(Loss) for the Year	-	-	18,926,303	18,926,303
20% Transfer to Statutory Reserve	-	3,785,261	(3,785,261)	-
Provision for Dividends	-	-	(12,971,474)	(12,971,474)
Provision for Honoraria	-	-	(1,569,251)	(1,569,251)
As at 31/12/2018	64,857,368	12,924,592	8,185,171	85,967,131

2017

	Share Capital	Statutory Reserve	Revenue Reserve	Total Members Capital
	KSHS	KSHS	KSHS	KSHS
As at 01.01.2017	45,897,169	7,942,116	7,182,970	61,022,255
Additions During the Period	8,269,338	-	-	8,269,338
Profit/(Loss) for the Year	-	-	5,986,076	5,986,076
20% Transfer to Statutory Reserve	-	1,197,215	(1,197,215)	-
Provision for Dividends	-	-	(3,947,400)	(3,947,400)
Provision for Honoraria	-	-	(439,577)	(439,577)
As at 31/12/2017	54,166,507	9,139,331	7,584,854	70,890,692

STATEMENT OF CASH FLOW

FOR THE YEAR ENDED 31ST DECEMBER 2018

	2018	2017
	KSHS	KSHS
Cash Flow from Operating Activities		
Total Receipts	98,707,504	20,343,566
Cost of Land Sold	(57,606,304)	(8,636,402)
Payments to Employees and Suppliers	(13,277,152)	(2,938,794)
Bank Loan Interest Payment	-	-
	27,824,048	8,768,370
(Increase)/Decrease in Operating Assets:		
Debtors	4,560	(12,160)
Society's Land	(99,585,536)	(51,770,154)
Increase/(Decrease) in Operating Liabilities:		
Accrued Expenses	92,139	(460,110)
Other Creditors	74,305,920	42,642,300
Advances from LSK Sacco	11,173,242	2,220,234
Deposits for Plots	40,409,346	14,148,757
Unanalyzed Bankings	243,002	187,000
Honorarium Paid	(439,577)	(284,278)
Net Cash Flow/(Outflow) from Operating Activities	54,027,144	15,439,959
Tax Paid	(4,477,333)	(2,894,555)
Cash Flow from Investing Activities		
Purchase of Fixed Assets	(3,762,167)	-
	(3,762,167)	-
Cash Flow from Financing Activities		
Share Capital Contributions	10,690,861	8,269,338
Dividends Paid	(6,578,840)	(1,786,360)
	4,112,021	6,482,978
Net Increase/(Decrease) in Cash and Cash Equivalent	49,899,665	19,028,382
Cash and Cash Equivalent at Beginning of the Year	63,445,490	44,417,108
Cash and Cash Equivalent at End of the Year	113,345,155	63,445,490

NOTES TO THE FINANCIAL REPORTS FOR THE YEAR ENDED 31ST DECEMBER 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.

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

a) Statement of compliance & basis of preparation

The financial statements are prepared in accordance 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 as modified by revaluation of certain assets as prescribed by IFRSs.

b) Period Covered by the Accounts

The accounts produced cover the Society's operations over Twelve (12) months from 1st January 2018 to 31st December 2018.

c) Revenue recognition

Revenue as reflected in the accounts is recognized on cash basis.

d) Fixed Assets

During the year the Society was allocated part of the total cost of the Microsoft NAV software which was shared between the LSK Sacco Limited and the LSK Housing Society Limited in the ratio of 60:40 respectively.

e) 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.

f) 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 comprises primarily of minimum share capital prescribed under the By-laws of the Society.

g) Tax

Current tax is provided on the basis of the results for the year, as shown in the financial statements, adjusted in accordance with tax legislation.

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.

h) Statutory reserves

Co-op Act 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.

i) Trade and Other Payables

Trade and other payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate method.

j) Receivables

Receivables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest rate. A provision for impairment is recognized in the profit or loss account in the year when the recovery of the amount due as per the original terms is doubtful. The provision is based on the difference between the carrying amount and the present value of the expected cash flows, discounted at the

effective interest rate. Receivables not collectible are written off against the related provision. Subsequent recoveries of amounts previously written off are credited to the profit or loss account in the year of recovery

k) Cash and cash equivalents

Cash and cash equivalents comprise cash on 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

Provisions are recognized when the Sacco has a present obligation (legal or constructive) as a result of a past event, it is probable that the Sacco will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation.

m) Investments

Investments are stated at cost less provision for any permanent diminution in value.

NOTE 2: MEMBERSHIP FEES

This represents total collections by the Society from those joining the Society during the year.

NOTE 3: INCOME FROM SALE OF PLOTS

	2018	2017
	KSHS	KSHS
Juja Plots	6,000,000	-
Stoni Athi (1) Project Plots	701,000	2,123,000
Stoni Athi (2) Project Plots	8,531,455	13,819,000
Kibos Project Plots	37,290,000	-

Wakili Palm Villas Project	38,730,000	-
	91,252,455	15,942,000

NOTE 4: COST OF PLOTS SOLD

	2018	2017
	KSHS	KSHS
Juja Plots	2,943,500	-
Stoni Athi (1) Project Plots	372,684	1,118,052
Stoni Athi (2) Project Plots	4,296,200	7,518,350
Kibos Project Plots	23,169,664	-
Wakili Palm Villas Project	26,824,256	-
	57,606,304	8,636,402

NOTE 5: ADMINISTRATION EXPENSES

	2018	2017
	KSHS	KSHS
Plots Sellings Expenses	107,533	-
Telephone, Postage, E-Mail and Internet	39,393	29,641
Office General Expenses	20,585	30,795
Advertising	-	230,750
Travelling & Subsistence	17,040	-
Marketing and Publicity	1,462,902	344,620
Audit Fees & VAT	92,700	84,216
Audit Supervision Fees	8,192	7,460
Site Visits	512,785	107,000
Salaries and Wages	109,500	109,500
AGM Expenses	109,040	89,262
Legal Fees	135,000	-
	2,614,670	1,033,244

NOTE 6: OTHER OPERATING EXPENSES*(i) Members & Committee Expenses*

	2018	2017
	KSHS	KSHS
Committee Sitting Allowance	1,180,608	1,042,889
Committee Travelling Expenses	-	5,955
	1,180,608	1,048,844

(ii) Financial Expenses

	2018	2017
	KSHS	KSHS
Bank Charges	48,925	42,098
	48,925	42,098

(iii) Project Expenses

	2018	2017
	KSHS	KSHS
Kibos Project	115,000	-
Wakili Palm Villa	289,529	-
	404,529	-

(iv) Refund of LSK Sacco Hosting Expenses

	2018	2017
	KSHS	KSHS
	8,681,636	1,024,859

(v) Depreciation & Amortization :

	2018	2017
	KSHS	KSHS
Depreciation Expense	4,607	6,582
Amortization: Software	1,128,650	-
	1,133,257	6,582
TOTAL OTHER OPERATING EXPENSES	11,448,955	2,122,383

NOTE 7: NET OPERATING SURPLUS

The following items have been charged in arriving at net operating surplus:

	2018	2017
	KSHS	KSHS
Operating Lease Rentals Expenses	-	-

NOTE 8: INCOME TAX LIABILITY

Income tax has been calculated on the net operating surplus for the year adjusted in accordance with current tax legislation as follows.

	2018	2017
	KSHS	KSHS
Net operating surplus	19,864,526	4,410,970.99
Add: Other comprehensive income	7,173,049	4,140,566.00
Disallowed expenses	-	-
	27,037,575	8,551,536.99
Tax at 30%	8,111,273	2,565,461.10
Less: Tax at Source	(1,074,675)	(621,085.00)
Instalment Tax Paid	(1,458,282)	-
Tax Balance	5,578,316	1,944,376.10

NOTE 9: OTHER COMPREHENSIVE INCOME

This represents interest from Fixed Deposits with CIC Money Market Fund

NOTE 10: SOCIETY'S PLOTS

	2018	2017
	KSHS	KSHS
Juja Plots - 1 No.	1,471,750	4,415,250
Kibos Plots 90 No.	37,236,960	60,406,556
Stoni Athi Project (1) Plots -28 No.	5,217,576	5,590,260
Stoni Athi Project (2) Plots -99 No.	21,266,190	25,562,390
Wakili Palm Villas 34 No.	130,367,516	-
	195,559,992	95,974,456

NOTE 11: FIXED ASSETS AND DEPRECIATION SCHEDULE, 2018

	SOFTWARE	COMPUTERS & ACCESSORIES	TOTAL
	KSHS	KSHS	KSHS
COST			
As at 01/01/2018	-	44,776	44,776
Additions During the Year	3,762,167	-	3,762,167
(Disposals) During the Year	-	-	-
As at 31/12/2018	3,762,167	44,776	3,806,943
DEPRECIATION			
As at 01/01/2018	-	29,418	29,418
Charges for the Year	1,128,650	4,607	1,133,257
As at 31/12/2018	1,128,650	34,025	1,162,675
NET BOOK VALUE			
As at 31/12/2018	2,633,517	10,751	2,644,268
As at 31/12/2017	-	15,358	15,358

NOTE: During the year the cost of acquisition of the fully customised software was shared between LSK Sacco Society Limited and the LSK Housing Society Limited in the ratio of 60:40 respectively.

NOTE 12: CASH AND CASH EQUIVALENT

	2018	2017
	KSHS	KSHS
Petty Cash Balance	11,091	4,759
CIC Money Market Fund	101,810,629	57,720,806

NACHU Savings	50,000	50,000
Co-op Saving Account	11,024,255	4,490,037
Current Account - Co-Op Bank	449,181	1,179,888
	113,345,156	63,445,490

NOTE 13: ACCRUED EXPENSES

	2018	2017
	KSHS	KSHS
Audit Fees & VAT	55,619	84,216
Supervision Fees & Disbursements	8,192	7,460
Management Committee Expenses	238,579	118,575
Tax Penalties & Interest	1,259,648	1,259,648
	1,562,038	1,469,899

NOTE 14: DUES TO LSK SACCO

	2018	2017
	KSHS	KSHS
Balance Brought Forward	2,986,630	766,396
2018 Transactions		
LSK Sacco Funds Deposited in the LSK Housing Accounts	-	1,618,375
LSK Housing Funds Deposited in the LSK Sacco Accounts	(56,000)	(423,000)
Other Related Party Transactions:		
LSK Sacco 2018 Hosting Expenses to LSK Housing refund	8,681,636	1,024,859
Share of Microsoft NAV Software	3,762,167	-
	15,374,433	2,986,630
Less: Net Paid During 2018	(1,561,345)	-
Balance Carried Forward	13,813,088	2,986,630

During the year under review all related party transactions between LSK Housing Co-operative Society Ltd and LSK Sacco Society Ltd were consolidated so as to establish one debt position as at the end of the year.

NOTE 15: OTHER CREDITORS

	2018	2017
	KSHS	KSHS
Plot Selling Expenses	660,000	660,000
Deposits for Partly Paid Plots	63,720,696	23,311,350
Other Members Deposits	622,820	686,900
Lake Holdings (Kibos Project)	-	29,960,000
Kibos Sub-division Costs	16,822,400	16,822,400
Corporation Tax	5,578,316	1,944,376
Provision for Honoraria	1,569,251	439,577
Dividends Payable	13,003,074	6,610,440
Sundry Creditor: Refund for Plot No. 480	-	25,000
Other Members Funds in the Society	-	-
Unpaid Stoni Athi 1 Expenses	3,000,000	3,000,000
Wakili Palm Villas Project	104,355,000	-
	209,331,557	83,460,043

NOTE 16: UNANALYZED BANKINGS -Kshs.913,202

This represents bankings into the Society's account where the depositors did not bring the banking slips to the Office. The office could therefore neither issue receipts nor analyze the bankings into their various components (share capital, deposits for plots, and membership fees) because of lack of essential details, including the names of the depositors. (2017 figure was Kshs.670,220)

NOTE 17: SHARE CAPITAL

Authorized

Undetermined number of shares of kshs 1,000 each.

	2018	2017
	KSHS	KSHS
Balance Brought Forward	54,166,507	45,897,169
Contributions for the Year	10,690,861	8,269,338
Balance Carried Forward	64,857,368	54,166,507

NOTE 18: RESERVES

	2018	2017
	KSHS	KSHS
a) Statutory Reserve		
Balance Brought Forward	9,139,331	7,942,116
Transfer for the Year	3,785,261	1,197,215
Balance Carried Forward	12,924,592	9,139,331
b) Revenue Reserve		
Balance Brought Forward	7,584,854	7,182,970
Increase for the Year	600,317	401,884
Balance Carried Forward	8,185,171	7,584,854
Total Reserves	21,109,763	16,724,185

Detailed analysis of these is on page 19 to the Annual Report.

BUDGET ANALYSIS 2018

AND BUDGET PROPOSALS FOR 2019-2020

	ACTUAL	AMENDED BUDGET	ACTUAL BUDGET	VARIANCE	PROPOSED BUDGET	AMENDED BUDGET	PROPOSED BUDGET
	2017	2018	2018	2018	2019	2019	2020
INCOME							
1 INCOME FROM SALE OF PROPERTIES	15,942,000.00	25,507,200.00	33,646,151.00	8,138,951.00	33,159,360.00	50,469,226.50	60,563,071.80
2 INTEREST ON BANK DEPOSITS	4,140,566.00	6,210,849.00	7,173,049.00	962,200.00	8,074,103.70	8,074,103.70	9,688,924.44
3 DIVIDEND INCOME	-	-	-	-	-	-	-
4 MEMBERSHIP FEES		190,000.00	190,000.00	190,000.00		500,000.00	500,000.00
5 OTHER INCOME	261,000.00	1,125,000.00	92,000.00	(1,033,000.00)	1,462,500.00	1,462,500.00	1,755,000.00
TOTAL INCOME	20,343,566.00	32,843,049.00	41,101,200.00	8,258,151.00	42,695,963.70	60,505,830.20	72,606,996.24
EXPENDITURE							
1 AGM EXPENSES	128,786.00	300,000.00	322,115.00	22,115.00	300,000.00	500,000.00	500,000.00
2 MEMBERS EDUCATION	21,113.00	300,000.00	348,795.00	48,795.00	300,000.00	1,000,000.00	1,000,000.00
3 AUDIT FEES	84,216.00	150,000.00	92,700.00	(57,300.00)	150,000.00	150,000.00	150,000.00
4 SUPERVISION FEES	7,460.00	15,000.00	8,192.00	(6,808.00)	15,000.00	15,000.00	15,000.00
5 BYLAW EXPENSES	-	1,000.00	-	(1,000.00)	1,000.00	1,000.00	1,000.00
6 NACHU SUBSCRIPTIONS	-	1,500.00	-	(1,500.00)	1,500.00	1,500.00	1,500.00
7 BANK CHARGES	42,098.00	200,000.00	48,925.00	(151,075.00)	200,000.00	200,000.00	200,000.00
8 COMMITTEE SITTING ALLOWANCES	1,042,889.00	1,050,000.00	1,180,608.00	(227,580.22)	1,500,000.00	2,500,000.00	2,500,000.00
9 COMMITTEE TRAVEL EXPENSES	5,955.00	500,000.00	236,053.00	(263,947.00)	500,000.00	500,000.00	500,000.00
10 CORPORATE SOCIAL RESPONSIBILITY	-	100,000.00	-	(100,000.00)	100,000.00	100,000.00	100,000.00
11 EMAIL, INTERNET EXPENSES, TELEPHONE & POSTAGE		100,000.00	389,970.00	289,970.00	100,000.00	500,000.00	500,000.00
12 ELECTRICITY	16,166.00	50,000.00	118,480.00	68,480.00	50,000.00	150,000.00	150,000.00
13 GENERAL INSURANCE	12,663.00	50,000.00	-	(50,000.00)	50,000.00	50,000.00	50,000.00
14 LEGAL FEES	-	250,000.00	135,000.00	(115,000.00)	250,000.00	500,000.00	500,000.00
15 REPAIRS AND MAINTANCE FEES	-	500,000.00	-	(500,000.00)	500,000.00	500,000.00	500,000.00
16 RENT & RATES	276,000.00	300,000.00	276,000.00	(24,000.00)	300,000.00	500,000.00	500,000.00
17 PROJECTS EXPENSES			404,529.00	404,529.00		1,000,000.00	1,000,000.00
18 PRINTING AND STATIONERY	16,080.00	200,000.00	105,641.00	(94,359.00)	200,000.00	200,000.00	200,000.00
19 ADVERTISING,MARKETING &PUBLICITY	344,620.00	2,000,000.00	2,121,925.00	121,925.00	2,000,000.00	3,000,000.00	3,000,000.00
20 STAFF RECRUITMENT	-	500,000.00	-	(500,000.00)	500,000.00	500,000.00	500,000.00
21 STAFF SALARIES	523,520.00	1,000,000.00	2,897,083.00	1,897,083.00	1,000,000.00	3,000,000.00	3,000,000.00
22 NSSF &PENSION	25,640.00	300,000.00	136,243.00	(163,757.00)	300,000.00	300,000.00	300,000.00
23 STAFF MEDICAL	109,076.00	500,000.00	619,002.00	119,002.00	500,000.00	700,000.00	700,000.00
24 OTHER STAFF COSTS			1,219,056.00	1,219,056.00		1,500,000.00	2,000,000.00
25 TENDERING & PROCUREMENT	-	200,000.00	-	(200,000.00)	200,000.00	200,000.00	200,000.00
26 CONSULTANCY	7,635.00	500,000.00	25,375.00	(474,625.00)	500,000.00	500,000.00	500,000.00

LSK HOUSING BY-LAWS

AMENDMENTS SCHEDULE

By law number	Current reading	Proposed Change(s)	Justification
2016 AMMENDMENTS			
1.	2 (currently 2) REGISTERED OFFICE AND POSTAL ADDRESS The registered office shall be located at 4th floor, HUGHES BUILDING, KENYATTA AVENUE. NAIROBI. The postal address shall be P. O BOX 6740-00100 Nairobi. Notice of any change of address shall forthwith be given to the Commissioner for Co-operative Development and marketing and to all members of the Society within 30 days of such change	The registered office shall be located at 3rd floor, CRAWFORD BUSINESS PARK, STATE HOUSE ROAD. NAIROBI. The postal address shall be P. O BOX 6740-00100 Nairobi. Notice of any change of address shall forthwith be given to the Commissioner for Co-operative Development and marketing and to all members of the Society within 30 days of such change	
2	15 (d) [currently 12] OBLIGATION OF MEMBERS a) Any payment to the society must be:- i) Direct cash payment to the bank account ii) Through a standing order Bank in pay slip or statement to be submitted to the secretariat on or before 8th of every month.	Delete	
3	23 [currently 24] TRANSFER OF SHARES: Shares may be transferred only between members of the society. No transfer shall be valid until registered by the Secretary. A fee of Kshs.500 shall be paid by the transferee to the reserve fund or the Society for every such transfer	Shares may be transferred only between members of the society. No transfer shall be valid until registered by the Secretary. A fee of Kshs.2000 shall be paid by the transferee to the reserve fund or the Society for every such transfer	
4	44. [currently 34] QUORUM The presence of at least half 1/2) of the registered members shall be necessary for the disposal of any business at such General Meeting and such number of members shall form a quorum.	The presence of at least 25 registered members shall be necessary for the disposal of any business at such General Meeting and such number of members shall form a quorum	
2017 AMMENDMENTS			
1	NONE	NONE	Insert a table of content after the cover page To make it easy to locate provisions

2	10	Not provided for	<p>Insert:</p> <p>REFUSAL TO MEMBERSHIP</p> <p>The Committee may refuse admission to a person after assigning reasons for their decision. Such a person, if otherwise eligible for membership, shall have the right to appeal to the next General Meeting through a member.</p>	To enhance good governance and transparency.
3	6 MEMBERSHIP	Not provided for	<p>Insert the following text:</p> <p>MEMBERSHIP COMPOSITION</p> <p>Members shall consist of: -</p> <p>Original members who signed the application for registration.</p> <p>New members subsequently admitted in accordance with these By-laws</p>	To provide for membership
7	MEMBERSHIP ELIGIBILITY	Not provided for	<p>MEMBERSHIP ELIGIBILITY</p> <p>a) A person of either sex may become a member provided that he/she:-</p> <p>b) Is a member of LSK SACCO,</p> <p>c) Is at least 18 years of age and makes application for membership in accordance with the Society's By-laws,</p> <p>d) Is of sound mind,</p> <p>e) Is of good character,</p> <p>f) Is an employee of the Society</p> <p>g) Is an heir to a deceased member provided that he shall not qualify for the rights and privileges of membership until he attains the age of eighteen years,</p> <p>h) Is ready to adhere to the By-laws and other resolutions of the General Meeting</p>	
4	14 (formerly 16)	WITHDRAWAL Not provided for.	<p>Insert new sub-sections</p> <p>(B) Shares of the member wishing to withdraw are non-refundable and shall only be transferred to an existing member (s) of the society.</p> <p>(C) Deposits of the member shall be refunded subject to payment of withdrawal processing fee of Kshs. 1,500/-</p>	<p>To clarify on transfer of shares and refund of deposits</p> <p>To provide for a withdrawal processing fee</p>

5	16 (formerly 21)	<p>S U S P E N S I O N F R O M M E M B E R S H I P</p> <p>a) A member may be suspended from membership by the committee pending a final decision on expulsion by the General Meeting , against whose decision an appeal may be made to the Tribunal established under section 77 of the Act for one or more of the following reasons :-</p> <ul style="list-style-type: none"> i) Any action adjudged to be prejudicial to the society and the spirit of cooperation; ii) Repeated failure to pay any sum due to the society iii) Imprisonment for more than three months for a criminal offence <p>b) An expelled member may be paid any sums legally due to him/her at the time, less any sums due to the society from him /her.</p>	<p>S U S P E N S I O N F R O M M E M B E R S H I P</p> <p>A member may be suspended from membership by the Management Committee for one or more of the following reasons:-</p> <ul style="list-style-type: none"> i) Any action adjudged to be prejudicial to the society and the spirit of cooperation; ii) Repeated failure to pay any sum due to the society iii) The Management Committee shall make an official communication regarding any member who is suspended. <p>a) The following procedure shall be followed to suspend a member from the Society ;</p> <ul style="list-style-type: none"> ii) Upon a written communication that a member has committed a violation punishable by expulsion, the Management Committee shall provide written notice to the member stating the reason(s) for the proposed expulsion, and grant the member 30 days to show cause why he should not be suspended. iii) Upon expiry of 30 days and taking into consideration the member’s defense the Management Committee shall initiate an administrative inquiry and take a decision on its findings within 30 days. iv) If the defense and the management findings on enquiry exonerate the member of any wrong doing, the member shall be informed that the matter has been settled. v) If the Management Committee finds that the member’s actions were not proper then the member shall be suspended pending presentation of the agenda for expulsion to the next Annual General Meeting. 	<p>To provide for grounds of suspension and appropriate procedure</p> <p>Deleted issues on expulsion and moved them to By-law 17</p>
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			<p>vi) A member so suspended by the Management Committee shall have the right to appeal at the next Annual General Meeting provided the notice and grounds of such appeal have been filed with the Honorary Secretary not less than 14 days before the date of the meeting. The decision of the General Meeting shall be final.</p> <p>vii) A member who is suspended from the society shall have the right to appeal against such suspension in the next General Meeting.</p>	
6.	17	Not provided for	<p>Insert new by-law</p> <p>EXPULSION FROM MEMBERSHIP</p> <p>A member may be expelled if he fails to remedy any of the above grounds for suspension.</p> <p>a) The decision on expulsion shall be made by the Annual General Meeting, against whose decision an appeal may be made to the Tribunal established under section 77 of the Act.</p> <p>b) An expelled member may be paid any sums legally due to him/her at the time, less any sums due to the society from him /her.</p>	To provide for the appropriate procedure as per the Model By-laws
7	22.	<p>SHARES</p> <p>Every share certificate shall specify the denoting number of the shares in respect of which it is issued and the amount paid thereon.</p>	<p>Insert new sub-section:</p> <p>a) The nominal value of each share shall be Kshs.1000 and every member shall hold at least fifty (50) shares in the society, of each Kshs. 1,000/- or such other minimum as shall be fixed by the Annual General Meeting from time to time.</p>	To provide for the nominal value of shares
8	39 (formerly 28)	<p>MANAGEMENT COMMITTEE</p> <p>a) The management Committee shall be elected by and from the membership and shall consist of a minimum of five and not more than nine members.</p>	<p>Delete and insert</p> <p>a) The management committee shall be elected annually by and from the membership and shall consist of a minimum of five and a maximum of nine.</p> <p>b) One third of the members or the number nearest thereto shall retire annually on a rotational basis.</p>	To provide for; Annual election Rotational retirement

9	38	Not provided for	<p>35. ELECTIONS</p> <p>a) In every notice of the General Meeting called in accordance with these by-laws, where elections will be held, the Committee shall notify the members of the vacancies arising in both the Management Committee and the Supervisory Committee.</p> <p>b) A member desiring to offer himself/herself for election (except one seeking re-election) shall pick and return a dully filled up Nomination Form to the secretariat offices at least seven (7) days before the date of the AGM</p> <p>c) At the elections, members shall decide, by a simple majority the method of voting.</p> <p>d) No member shall be entitled to vote by proxy.</p> <p>e) Irrespective of the number of shares held by him no member shall have more than one vote.</p> <p>f) Within fourteen (14) days after the elections, the Honorary Secretary shall forward the names and addresses of all person elected to the Commissioner.</p> <p>g) A new committee elected at the General Meeting shall not assume office unless they have satisfied the requirements of the Act, Rules and these by-laws</p>	To provide for election procedure
10	49 (formerly 37)	<p>HONORARY SECRETARY:</p> <p>The duties of the Secretary shall be:-</p> <p>a) To maintain correctly and up to date all books of accounts and records of the society.</p> <p>b) To prepare all receipts, vouchers and documents required by the rules of by-laws or required by the Committee</p>	Deleted subsections (a) (b)	These are duties of the treasurer

11	50 (formerly 38)	<p>TREASURER</p> <p>The Treasurer shall be fully responsible for the proper handling of and accounting for all money of the society and may be held personally responsible for any losses due to negligence, carelessness or failure to supervise the employees of the society. He shall be one of the two signatories of all cheques and shall be responsible for banking all the society's funds save such small sums as may from time to time be necessary for the current business of the society.</p>	<p>To insert the following text to the By-Law</p> <p>The Treasurer shall be fully responsible for the proper handling of and accounting for all money of the society and may be held personally responsible for any losses due to negligence, carelessness or failure to supervise the employees of the society.</p> <p>The Treasurer shall have financial management background. The powers and duties of the treasurer shall be: -</p> <ul style="list-style-type: none"> a) Generally to manage, or cause to be managed the financial affairs of the society in a competent and efficient manner. b) To maintain full and complete records of all assets, liabilities and books of account. c) To ensure the safekeeping of the society's money, securities and books of account. d) To ensure that all payments and expenditures are duly authorized. e) He shall be one of the two signatories of all cheques f) He shall be responsible for banking all the society's funds save such small sums as may from time to time be necessary for the current business of the society. g) To perform such other duties as may from time to time as may be assigned by the Management Committee. 	<p>To expound on the duties of the Treasurer previously captured as the Secretary's</p>
12	71 (formerly 60)	<p>NON-MEMBERS</p> <p>No non-members of the society may acquire any house or land belonging to the society, unless authorized by the Annual General Meeting.</p>	<p>Delete Annual General Meeting, insert Management Committee</p> <p>No non-members of the society may purchase any house or land or plot or any property belonging to the society, unless authorized by the Management Committee</p>	<p>To empower the Management Committee to offer for sale the properties purchased for that purpose to the members of the Law Society of Kenya and members of the public.</p> <p>To reduce bureaucracy</p>

13	82	Not provided for	<p>Insert:</p> <p>INSPECTION OF DOCUMENTS</p> <p>All books of accounts and other records shall at all times be available to the members and the committee of the society. A copy of the Act, Rules, Registration Certificate, these By-Laws and a list of the society's members (excluding details of nominees) shareholdings and loans shall be available for inspection by the Commissioner, and members at all times.</p>	To provide for inspection of documents by members of the society
2018 AGM AMENDMENTS				
1	38 (b)	<p>Elections</p> <p>During elections, the Returning Officer shall call for nominations from the floor. Each candidate must have a proposer and a seconder.</p>	A member desiring to offer himself/herself for election (except one seeking re-election) shall pick and return a dully filled up Nomination Form to the secretariat offices at least seven (7) days before the date of the Annual General Meeting	To allow Housing society to vet candidates to ensure they meet the minimum qualifications to be elected as Committee members.
2	39 (b)	<p>Management Committee</p> <p>The Management Committee of the Society shall be elected for a term of three years subject to one third or the number nearest to, retiring annually on a rotational basis, except for the Chairman and the Vice-Chairman who shall retire at the end of the third year. The retiring member shall however, be eligible for re-election.</p>	The Management Committee of the Society shall be elected for a term of three years subject to one third or the number nearest to, retiring annually on a rotational basis.	Reconstruction of the Management Committee is annual and affects every member of the Committee.
3	52	<p>Sub-Committees</p> <p>By resolution at a General Meeting a Committee may be appointed for the execution of such special as may be deemed desirable.</p>	<p>By resolution of the Management Committee a Committee may be appointed for the execution of such special as may be deemed desirable.</p> <p>The Sub-committees shall be reconstituted within seven (7) days after the Annual General Meeting</p>	To allow the Management Committee set up the necessary sub-committees

4	72	<p>Buildings</p> <p>No buildings may be erected on the Society's land or with funds supplied in whole or in part from the Society except to plans approved by the General Meeting.</p>	<p>No buildings may be erected on the Society's land or with funds supplied in whole or in part from the Society except to plans approved by the Management Committee and the relevant authorities</p>	<p>To allow the Management Committee</p>
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Vision

To be the premier real estate investment provider
of choice in Kenya

Mission

To offer innovative real estate products to
customers at the most competitive prices while
maximizing shareholder value

Core Values

Our Values are the shared core beliefs and desires
that will motivate and guide our attitudes and
actions. They explain the behaviour portrayed by
all the leaders, members and staff.

They Include:

Integrity | Accountability | Innovation | Team work |
Professionalism | Customer oriented

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