

**KENPIPE SAVINGS AND CREDIT  
CO-OPERATIVE SOCIETY LIMITED  
CS/NO: 3468**

**Annual Report And Financial Statements  
For The Year Ended 31 December 2019**

# KENPIPE SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED

## ANNUAL REPORT AND FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2019

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#### CHAIRMAN'S STATEMENT

On behalf of the Board of Kenpipe Sacco, it is a great honour to the board of directors to present to you the annual report and financial statements for the year ended 31st December 2019. Allow me to briefly report to you matters on a few areas of interest

#### Performance

Distinguished ladies and gentlemen, I would like to report that Kenpipe Sacco performed very well in the year 2019. The total Sacco assets grew by 17% to stand at KShs. 3,040,936,439 from KShs. 2,605,340,359 registered the previous year. In the year 2019 the total member deposits grew by 15% to KShs. 2,215,123,364 from KShs. 1,930,666,698 in the year 2018. The Sacco loan book grew by 17% to KShs 2,520,948,379 from KShs 2,150,842,863 in the year 2018. It is worth noting that our loan book is fully funded by Kenpipe Sacco without any external borrowing. The Sacco reported a gross turnover of KShs. 408,837,546 up from KShs. 351,606,688 in 2018.

The earlier adoption of IFRS9 in 2018 had an impact on our loans performance in 2019. Kenpipe like other players in the industry suffered the impact of loan loss provisioning to the tune of KShs. 13,500,489. The increase in provision for loan loss was attributed to under repayment of loans more so in the month of December 2019 when Kenya Pipeline Company members were to pay a backdated 1.5% of their basic pay for pension.

Loans and advances remained the key component of our total assets accounting for 83% of the total assets. The loan uptake showed a good improvement resulting from the board's implementation of various strategic initiatives to turn around the Society's overall performance. During the year we introduced an 84 instalments (months) loan as well as set new maximum loan limit at 10 million. We also continued with buying members' bank loans.

Interest Rate Capping continued to negatively affect the performance of our financial investments in terms of fixed deposits. The Society recorded a decline in fixed deposits income of 36% from KShs 22,649,247 in the year 2018 to KShs. 14,389,295 in 2019.

Interest income from loans and advances remained the highest contributor of the Society's total income which increased by 19% to KShs. 365,922,096 from KShs. 306,898,474 in 2018.

#### Human Capital.

In order to address some long-standing human resources issues at the Sacco, the board has enlisted the services of a Human Resource Consultant who will; Carry out job evaluation and undertake a job matching exercise with a view to achieve equitable distribution of work; Review the organizational structure; Review the last salary harmonization, structure, implementation and gaps; Salary structure review including all benefits and allowances; Survey comparative Saccos on remuneration packages; Review the succession planning policy and review reward/sanctions and appraisal system. This will be done in the first quarter of the year.

#### Awards and Recognition.

The Society scooped the prestigious award of Highest Savings Sacco in Kenya in Second Tier Category in the ICA Ushirika Day.

#### Regulatory Environment

During the year 2019, SASRA conducted a routine onsite inspection of Kenpipe Sacco. The outcome of the inspection was that Kenpipe Sacco is managed prudently and above board and that overall financial position and level of compliance with the Act, Regulations and relevant laws are ok. The regulator however observed that;

- The working space for FOSA including the banking hall and office space for employees is inadequate. Further they noted that the Sacco needs a strong room
- Violation of the Sacco by-laws that provides that the minimum share capital is Kshs. 20,000 per member. Several members with less than KShs 20,000 were found to be doing business with the Sacco.

# **KENPIPE SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2019**

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To solve the FOSA non-conformity, the Sacco approached KPC management with a request for more space and KPC has offered the Sacco some space at MIOG – Nairobi where we will soon be relocating FOSA offices. About trading with non-members, we will be presenting a by-law review to you for approval today to address this.

The Sacco will from January 2020 require all loan applications to include the purpose of the loan. This will be done as per SASRA guidelines. This has been informed by the need for government policy makers to have information on which sectors of the economy are being funded by Sacco loans.

#### **Future Strategic Outlook**

We intend to continue with the business that we are registered to do i.e. mobilize savings from members and offer members financial services like any other financial institution. Specifically going forward we intend to be your first-choice financial solution partner in provision of competitive financial services and investment opportunities. We will enhance the use of ICT platforms in provision of services to our members to improve our efficiency and transparency. We intend to roll out more short-term loans to be applied online.

Traditionally, the share capital of the individual members have remained in the Sacco for members who withdraws from the Sacco. The board proposes that going forward, the Sacco will create an internal fund and mechanism for purchase of the shares from such members for onward sale to those who are interested. This will be presented in the by-law review for your approval.

Kenpipe Sacco board reviewed the Sacco Strategic Plan 2017 – 2021 in the year 2019 to bring it in line with our performance and changing business environment.

#### **Payment of Interest Rebate and Dividends**

The Board of Directors recommends payment of **16%** dividend on share capital and **11%** interest on members' deposits. The board desires to continue giving the interest and dividend at these rates or better for the foreseeable future.

#### **Acknowledgement**

I would like to pay tribute to our departed board member Agnes Gituro who passed on to glory on 22/1/2020. The board appreciates her contributions to the Sacco during her tenure as a board member and delegate.

I sincerely appreciate and thank my fellow board members for their overwhelming support during the past year. I thank the entire staff of Kenpipe Sacco for their outstanding service and dedication.

I wish to thank you members for entrusting us with the responsibility of overseeing your investments and patronizing the Sacco products and services during the year 2019.

Special appreciation goes to the Kenya Pipeline Company Limited which has stood with and continues to support the Sacco in achieving the success we are celebrating today.

Finally, I would like to appreciate our key stakeholders particularly Sacco Societies Regulatory Authority, State Department of Co-operatives, Co-operative Bank, Co-operative Alliance of Kenya (CAK) and KUSCCO for their support throughout the year.

And to everybody we say thank you.



**Vitalis Opapo**  
**Sacco Chairman**

**KENPIPE SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**


Revenue	Notes	2019 KShs	2018 KShs
Interest on loans and advances calculated using effective interest rate method	3 (a)	365,922,096	306,898,474
Other Interest revenue calculated using effective interest rate method	3 (b)	<u>14,519,290</u>	<u>22,656,035</u>
Total interest income		380,441,386	329,554,509
Interest expense	4	<u>(208,311,140)</u>	<u>(186,578,760)</u>
Net interest income		172,130,246	142,975,749
Other operating income	3 (c)	<u>28,396,159</u>	<u>22,055,580</u>
Total operating income		200,526,405	165,031,329
Net increase in allowance for expected credit losses.	5	(3,993,675)	(6,115,519)
Governance expenses	6	(25,186,312)	(23,475,211)
Staff costs	7	(39,945,450)	(37,953,237)
Other administrative expenses	8	(15,027,797)	(17,827,018)
Other operating expenses	9	<u>(10,531,802)</u>	<u>(12,206,700)</u>
Profit before tax	10	105,841,369	67,453,644
Income tax expense	11	<u>(2,091,429)</u>	<u>(8,027,600)</u>
Net profit for the year		103,749,940	59,426,044
Other comprehensive income:			
Items that may not be reclassified subsequently to profit or loss:			
<i>Other comprehensive income that will not be reclassified to profit or loss in subsequent years</i>			
Fair value gains/(losses) on equity instruments at fair value through other comprehensive income	15	9,410,812	(12,053,597)
Deferred tax (charge)/credit thereon	22	<u>(470,541)</u>	<u>602,680</u>
Total other comprehensive income		<u>8,940,271</u>	<u>(11,450,917)</u>
Total comprehensive income		<u>112,690,211</u>	<u>47,975,127</u>



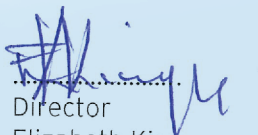
**KENPIPE SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**

	Notes	2019 KShs	2018 KShs
<b>ASSETS</b>			
Cash and bank balances	12	404,517,052	323,947,141
Other receivables	13	9,834,921	8,062,672
Tax recoverable	16	10,481,783	3,742,851
Loans and advances to members	14	2,511,183,920	2,140,977,127
Financial assets	15	96,710,329	117,299,517
Property and equipment	17	5,579,298	6,325,378
Intangible assets	18	<u>4,487,106</u>	<u>4,985,673</u>
<b>TOTAL ASSETS</b>		<b><u>3,042,794,409</u></b>	<b><u>2,605,340,359</u></b>
<b>LIABILITIES</b>			
Other Payables	19	29,883,789	27,357,296
Interest due to members	20	208,311,140	177,891,469
Members' deposits	21	2,215,152,343	1,930,666,698
Deferred tax liability	22	<u>3,721,899</u>	<u>3,251,358</u>
		<b><u>2,457,069,171</u></b>	<b><u>2,139,166,821</u></b>
<b>FINANCED BY</b>			
Share capital	23	108,952,723	88,009,685
Statutory reserve	24 (i)	101,845,634	81,095,646
Credit risk reserve	24(ii)	27,804,912	24,068,882
Fair value reserve	24(iii)	70,716,085	61,775,814
Retained earnings	24(iv)	258,973,449	197,141,962
Proposed dividend	24 (v)	<u>17,432,435</u>	<u>14,081,549</u>
		<b><u>585,725,238</u></b>	<b><u>466,173,538</u></b>
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b><u>3,042,794,409</u></b>	<b><u>2,605,340,359</u></b>

The financial statements were approved by the Board of Directors on **25 Feb** 2020 and signed on its behalf:

  
 Chairman  
 Vitalis Opapo

  
 Treasurer  
 Francis Cherutich

  
 Director  
 Elizabeth Kinyua