

# **KANISA SAVINGS AND CREDIT CO-OPERATIVE SOCIETY LTD**

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**FY2015 ANNUAL REPORT AND FINANCIAL  
STATEMENTS**

**12<sup>TH</sup> MARCH 2016**

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## **VISION STATEMENT**

To be the leading one-stop financial institution providing diverse products and services for members' economic empowerment.

## **MISSION STATEMENT**

To promote thrift, prudent Management, member participation, regular education, development of dynamic systems that will ensure growth, security of funds and encourage a positive organizational culture.

## **VALUES**

- Self-help
- Self-responsibility
- Democracy
- Equality
- Equity
- Solidarity



# CONTENTS

AGM Notice .....	4
Programme of the Day .....	6
Society Information .....	7
Minutes .....	8-21
Report of the Central Management Committee .....	22-28
Summary of the Central Management Committee Report .....	29
Supervisory Committee Report .....	30-33
<b>FINANCIAL REPORT</b>	
Statistical Information.....	34
Statement of Management Committee Responsibilities .....	35
Independent Auditors Report.....	36-37
Income Statement.....	38
Balance Sheet.....	39
Statement of Changes in Equity .....	40
Cash Flow Statement.....	41
Notes .....	42-48
List of Sundry Debtors and Loan Defaulters .....	49
FY2016 Revised Budget and FY2017 Proposed Budget .....	50-52
Proposed Resolutions .....	53-54



## AGM NOTICE

**TO: ALL HONOURABLE MEMBERS**

**20<sup>th</sup> February 2016**

### **RE: NOTICE OF THE 35TH KANISA SACCO SOCIETY LIMITED ANNUAL GENERAL MEETING**

By the powers given under section 6 (6.2) of the Kanisa SACCO Society Limited By-Laws, notice is hereby given that an Annual General Meeting of Kanisa SACCO Society Limited is convened and will be held on **Saturday, 12<sup>th</sup> March 2016 at Jubilee Hall, Desmond Tutu Conference Centre, AACC, Off Waiyaki Way, Westlands, Nairobi**, starting from **7:30 am**.

#### Agenda

1. Call to order, opening prayers and welcome remarks.
2. To read the notice convening the Annual General Meeting.
3. To adopt the agenda of the Annual General Meeting.
4. To confirm and adopt the minutes of the 34<sup>th</sup> AGM held on Saturday, 25<sup>th</sup> April 2015.
5. Presentation of the Central Management Committee (CMC) report for the year 2015.
6. Presentation of the Supervisory Committee report for the year 2015.
7. To receive, consider and adopt the financial report for the period ended 31<sup>st</sup> December 2015.
8. To consider and approve the revised budget for 2016 financial year and the proposed budget for the 2017 financial year.
9. To appoint an external auditor for the year 2016.
10. To receive, consider and adopt the proposed resolutions.
11. To elect, pursuant to Rule 28(1) of the Cooperative Societies Rules, the one (1) member of the Supervisory Committee retiring each year by rotation.
12. To elect, pursuant to Rule 23 of the Cooperative Societies Rules, the three (3) members of the Central Management Committee (CMC) retiring each year by rotation.
13. To transact any other business whose notice will have been received by the Secretary in accordance with the By-Laws.

All other matters not included in the agenda and which you, as a member, feel should be discussed should be sent to [Info@kanisa-sacco.org](mailto:Info@kanisa-sacco.org) by Friday, 4th March 2016.

A kind reminder that non-attendance of the AGM will attract a penalty of Kenya Shillings Five hundred (Kes 500), apologies will attract a penalty of Kenya Shillings two hundred (Kes 200), and late attendance will attract a penalty of Kenya Shillings one hundred (Kes 100). Please note that attendance of the AGM is strictly for **members only and non-members will not be allowed to attend**.

Three (3) officials in the Central Management Committee and one (1) in the Supervisory Committee are retiring by rotation and are eligible to offer themselves for re-election. There is also an additional one (1) vacant position in the Management Committee.

Those interested in serving in the CMC and Supervisory Committee should complete the attached Candidates Details Form and forward it to the finance manager through [Info@kanisa-sacco.org](mailto:Info@kanisa-sacco.org) before Friday, 4<sup>th</sup> March 2016. Please note that Section 7 (7.2) and Section 9.3 (9.3) of Kanisa SACCO Society By-Laws requires, among others, that in order to be elected into office, one must be over 21 years old, must have been an active member for two (2) consecutive years, and should have minimum deposits of Kenya Shillings one hundred thousand (Kes 100,000).

By Order of the Central Management Committee.



Ann Kioi,  
Hon. Secretary.

CC: County Cooperative Officer, Westlands Sub County, Nairobi.  
County Cooperative Auditor, Nairobi City County.  
County Commissioner, Nairobi City County.



## PROGRAMME OF THE DAY

1. Arrival, Morning Tea and Snacks and Registration	07:30 AM - 08:15 AM
2. Calling the Meeting to Order and Opening Prayers	08:15 AM - 08:35 AM
3. Welcome Remarks by the Chairperson	08:35 AM - 08:45 AM
4. Adoption of the Agenda	08:45 AM - 08:50 AM
5. Confirmation of the Minutes of the 34 <sup>th</sup> AGM	08:50 AM - 09:20 AM
6. Matters Arising from the Minutes of the 34 <sup>th</sup> AGM	09:20 AM - 10:00 AM
7. Central Management Committee Report	10:00 AM - 10:45 AM
8. Tea Break	10:45 AM - 11:15 AM
9. Supervisory Committee Report	11:15 AM - 11:45 AM
10. Auditor's Report	11:45 AM - 12:45 PM
11. Presentation and Adoption of FY 2016 Revised Budget and FY 2017 Budget	12:45 PM - 13:30 PM
12. Department of Cooperatives Officer's Remarks	01:30 PM - 01:55 PM
13. Appointment of Auditors	01:55 PM - 02:15 PM
14. Elections of Office Bearers	02:15 PM - 02:45 PM
15. Presentation of Resolutions	02:45 PM - 03:00 PM
16. Any Other Business	03:00 PM - 03:10 PM
17. Closing Prayers	03:10 PM - 03:15 PM
18. Lunch	03:15 PM

## SOCIETY INFORMATION

### Central Management Committee

Mr. Bernard Okok	Chairperson
Mr. Philip Tuei	Vice Chairperson
Mr. Boniface Maina	Treasurer
Ms. Ann Kioi	Hon. Secretary
Mr. Quinn Kariuki	Member
Mr. Francis Asena	Member
Ms. Janet Masese	Member
Mr. Lawrence Lokulan	Member
Mr. Mutua Mulonzya	Member

### Supervisory Committee

Ms. Joyce Kangogo	Chairperson
Mr. Richard Kola	Secretary
Ms. Salome Kihara	Member

### Auditors

DEPARTMENT OF CO-OPERATIVE DEVELOPMENT & MARKETING  
MINISTRY OF INDUSTRIALISATION & ENTERPRISE DEVELOPMENT  
P.O. BOX 40811  
NAIROBI

### Bankers

CO-OPERATIVE BANK OF KENYA LTD  
WESTLANDS BRANCH

COMMERCIAL BANK OF AFRICA  
WESTLANDS BRANCH

### Registered Office

AACC BUILDING, WAIYAKI WAY  
P.O. BOX 1210 - 00606  
SARIT CENTRE  
NAIROBI



## MINUTES OF THE 34<sup>TH</sup> ANNUAL GENERAL MEETING HELD ON 25<sup>TH</sup> APRIL 2015 AT THE DESMOND TUTU CONFERENCE CENTRE, NAIROBI

The 34<sup>th</sup> Annual General Meeting of Kanisa SACCO Limited was held at the Desmond Tutu Conference Centre, Nairobi on 25<sup>th</sup> April, 2015.

### Present

There were 327 members present (See attached list).

### In Attendance

There were 5 invited guests in attendance (See attached list).

### Absent with Apology

Written apologies were received from 153 members (See attached list).

### Agenda

1. Call to order, opening prayers and welcome remarks
2. To read the notice convening the Annual General Meeting
3. To adopt the agenda of the Annual General Meeting
4. To confirm and adopt the minutes of the 33<sup>rd</sup> AGM held on Saturday, 22<sup>nd</sup> March 2014
5. Presentation of the Central Management Committee (CMC) report for the year 2014
6. To receive, consider and adopt the Strategic Plan for 2015 to 2019
7. Presentation of the Supervisory Committee report for the year 2014
8. To receive, consider and adopt the financial report for the period ended 31<sup>st</sup> December 2014
9. To consider and approve the proposed budget for the 2016 financial year and the revised budget for the 2015 financial year
10. To appoint an external auditor for the year 2015
11. To receive, consider and adopt the proposed resolutions
12. To elect pursuant to Rule 28(1) of the Cooperative Societies Rules the one (1) member of the Supervisory Committee retiring each year by rotation
13. To elect pursuant to Rule 23 of the Cooperative Societies Rules the three (3) members of the Central Management Committee (CMC) retiring each year by rotation
14. To transact any other business whose notice will

have been received by the Secretary in accordance with the By-Laws.

### Min. 01/34/AGM/25/04/2015: Call to Order, Confirmation of the Quorum and Opening Prayer

The Annual General Meeting was called to order by the Chairperson at 8.40am having ascertained the quorum as per the Society's By-Laws Subsection 6.3 (a) which provides that:

'the presence of at least 25% of the total members of the Society or 75 members of the Society, whichever is lower, shall constitute a quorum for the conduct of the business at a General Meeting'.

The meeting opened with a word of prayer by Paravina Miloya.

### Min. 02/34/AGM/25/04/2015: Welcome Remarks by the Chairperson and Reading of the Notice Convening the General Meeting

The Chairperson welcomed members to the meeting. He then read the notice convening the General Meeting. He informed the meeting that a proposed resolution had been received from a member and it will be considered as part of the A.O.B.

He thanked members for attending the meeting and called for active participation in the deliberations. He assured members that they will be accorded ample time to share their views. He then invited the Society's leadership and Management to introduce themselves.

### Min. 03/34/AGM/25/04/2015: Adoption of Agenda

The agenda of the General Meeting presented by the Management was proposed for adoption by Wilfred Gitau and seconded by Roslynn Gatheru.

### Min. 04/34/AGM/25/04/2015: Confirmation of the Minutes of the 33rd AGM

The minutes of the 33<sup>rd</sup> AGM held on Saturday, 22<sup>nd</sup> March 2014 were read by Mutua Mulonzya. The minutes of the 33<sup>rd</sup> AGM were proposed for adoption by Salome Kihara and seconded by Ann Gitahi. They were then tabled for discussion.

### Min. 05/34/AGM/25/05/2015: Matters Arising

1. Titus sought clarification on the financial implication to the Society of dormant members following the question by Peter Kimani in Min. 08/33/AGM/22/03/2014.

*The Management explained that the accounts of dormant members are inactive. However, such accounts attract interest on deposits even when they have not contributed to the Society's earnings in the financial year. Doing business in*





*the Society may become difficult if many members become dormant.*

*For example to undertake Front Office Service Activity (FOSA), numbers are required but then if most of the members making up the numbers are dormant this will not add to the growth of the Society.*

2. Roslynn Gatheru sought to know what the Management was doing concerning dormant members.

*It was explained that no SACCO wishes to have dormant members. The Society first investigates the reason behind dormancy. In some cases, members become dormant after change of employment. The Society seeks out such members in order to urge them to continue in active membership. Each case of dormancy is addressed based on the status and conditions at hand.*

3. Lawrence Lokulan explained that Boniface Maina's organization is Resettlement Support Centre (RSC) and not Refugee Settlement Centre as indicated in Min. 12/33/AGM/22/03/2014.
4. Boniface Mwanzia indicated that Daniel Moyi who was indicated as having seconded the third resolution was not in the list of those present in the 33rd AGM and had also not sent an apology.

*Daniel Moyi clarified that he was present in the General Meeting and had seconded the resolution. The Management explained that this could be a case of a member attending the General Meeting and failing to sign the attendance list.*

5. Gladys Kabui sought to get an update on the Society's investment company and its board of directors. It was indicated that this would be handled during the sharing of the Central Management Committee (CMC) report.

**Min. 06/34/AGM/25/04/2015: The Central Management Committee (CMC) Report**

The Management Committee report was presented by the Chairperson, Bernard Okok Obuoga. He recognized the presence of Catherine Ouma, the former Chairperson of Kanisa SACCO and Elizabeth Otieno, the Chairperson of Kanisa Housing Cooperative Society (KHCS). Key highlights of the Central Management Committee (CMC) report included:

- a. The Society realized a 29% growth in membership moving from 914 members in 2013 to 1,222 in 2014;
- b. Annual income grew by 18% from Kenya Shillings (KES) 17.3 Million in 2013 to KES 20.5 Million in 2014 while members' deposits also increased by 22.02% from KES 135.6 Million in 2013 to 165.4 Million in 2014. The

share capital steadily grew to KES 6.6 Million up from KES 5.1 Million in 2013;

- c. The loan portfolio grew by 19.6% from KES 152.8 Million in 2013 to KES 182.7 Million in 2014;
- d. The surplus realized during the year was 8.1% as interest on deposits and KES 1.43 dividend per share;
- e. The Management formed, registered and operationalized an investment company, Kanisa Holdings Limited. Beneficiaries of the first project of the company were set to receive title deeds for their land after the General Meeting; and
- f. The Management realized a significant reduction in the amount of defaulted loans from KES 1,320,859 in 2013 to KES 432,598 in 2014.

**The report identified the following challenges in the year under review:**

- a. Low saving culture - the Management encouraged members to consider increasing their monthly deposits and take advantage of the existing savings opportunities to secure their future;
- b. Unidentified receipts - there was an increase in the number of unidentified receipts for money banked into the Society's account from KES 300,321 in 2013 to 2014 KES 460,987;
- c. Guarantorship - the Management noted that some members were guaranteeing beyond their ability;
- d. Low member attendance during the Society's events such as AGM, education and charity days; and
- e. Delay in funds remittances.

**The following were proposed as the way forward:**

- a. Members to support and make use of the investment opportunities in Kanisa Holdings Limited;
- b. Use of alternative payment systems that are easy and comfortable to avoid delay in funds remittance; and
- c. Members to take advantage of current and proposed new loan-related services such as trustee loan, deposit boosting facility, Mali Mali loan and strategic partnerships that have been developed by the Society.

The report was received and adopted after being proposed for adoption by Pamela Konya and seconded by Daniel Moyi.



## MINUTES OF THE 34<sup>TH</sup> ANNUAL GENERAL MEETING HELD ON 25<sup>TH</sup> APRIL 2015 AT THE DESMOND TUTU CONFERENCE CENTRE, NAIROBI (Cont.)

### Discussions and Questions on the Central Management Committee's Report

1. Wilfred Gitau thanked the Management for a well-structured and detailed report. He appreciated the reduction of the rate of loan default from the previous year. He sought to know whether there was an effort to address the concern on affidavits. He also sought to know whether with the proposal for seeking the services of debt collectors and Credit Reference Bureaus (CRBs) affidavits could be done away with. It was his considered opinion that CRBs and debt collectors could assist better than the use of affidavits.

*The Management explained that the use of affidavits has a history in the Society and is deliberating and researching on how to improve it. The engagement with CRBs and debt collectors does not mean that affidavits will be done away with. However, the Management will review the progress made and then will make a proposal to the next General Meeting.*

2. Angeline Okola congratulated the Management and staff for a job well done. She appreciated the internship opportunity offered by the Society. She sought to know whether the issue of banker's cheques on the scholars had been addressed and a proposal had been made for the General Meeting. Concerning raising savings, she called on members to take advantage and to be reminded of the savings schemes especially those who were absent in the last AGM. Concerning low member attendance to the Society's events, she indicated that sometimes work commitments make members not to attend the events. She called for a brief report after such events to be shared as updates to members so as to benefit members who may not have attended.

*The Management appreciated the proposal on increasing the savings culture. It indicated that there is a clear strategy on information sharing in the strategic plan for 2015 to 2019. The Society's website always has updates on such events. The Treasurer also reported that there were new proposals on products and this is in the resolutions.*

3. Pamela Konya expressed concern on the increase in unidentified receipts. She sought to know what the Management has been doing about it. She proposed that bank deposit slips should be shared through electronic mail and a solution be sought.

*The Management urged members to always present their bank deposit slips to the office for receipting immediately after banking. When members send other individuals to deposit funds on their behalf they should ask them to put the*

*member's name and not their name. The Management is also exploring with banks to seek their development of SACCO-tailored deposit slips that will provide for member's name and membership number. Members were urged to collect their membership cards.*

4. Afiwa Allahare sought to know how members could recruit new honest members and whether there are means of assessing honesty.

*The Management explained that concerning the measurement of honesty, the absence of a 'honestometer' makes it difficult in assessing honesty. Members were urged to recommend for membership people they know and can vouch for.*

5. Elizabeth Otieno appreciated the concise Management report. She sought to know the research conducted on the recommendation on the Credit Reference Bureaus. She noted that the proposal will institutionalize the process of loan repayment. She sought to know how the debt collection services will be used. She urged the Management to use registered and humane debt collectors. She congratulated the Management for a well done report and great work done.

*The Management indicated that some guarantors had already engaged debt collectors. The Management reported that it had sought to vet and present a list of debt collectors that are licensed to members so that they can use their services.*

6. Winnie Mugane requested that the penalties for non-attendance of the AGM and Education Day should be indicated in the statements shared with members. Concerning Kanisa Holdings Limited (KHL), she sought to know the other investment avenues the company is exploring. She also sought an indication on how the income from the investment company will contribute to the interest on deposits.

7. Gladys Kabui sought to know whether Kanisa Holdings Limited has a strategic plan. Concerning the non-attendance of meetings, she sought to know whether those who did not attend or send an apology were dormant members. For recruitment of new members, she proposed the development of an updated brochure that can be shared with human resource departments of member organizations to enable them to share with new employees. She also sought to know whether bank statements are able to identify those who deposited funds in order to mitigate the increase in unidentified receipts.

*The Management reported that the investment company had developed a business plan for 2015 that outlines other*



*ventures that the company will engage in. It is not feasible to move directly to a strategic plan when the company has not evaluated its operating environment and strategic niche.*

*The Management noted that bank statements may not be helpful especially where the member's name or membership number is not indicated.*

8. Peter Kimani Mwangi sought to know the nature of the growth highlighted in the report. He noted that while there is evidence of growth in savings, the Society did not give more loans compared to the increase in the savings. He sought to know the reason for the low loan uptake and whether it is the challenge with guarantorship that is making many loan applications to be rejected. He also sought to know the reason behind the reduction in defaulted loans and whether there are other avenues to be explored before joining the CRBs.

*The Management reported that upon receipt of loan applications, the staff and Management give advice to members on credit taking.*

9. Moses Muthoka congratulated the Management for good work. He called for an explanation on the benefits of affidavits. He opined that the Society could be benefiting lawyers.

*The Management requested for time to address the affidavit matter.*

10. Salome Kihara commended the Management for having come up with a strategic plan. She wondered whether there are ways of evaluating the implementation of the strategic plan. Concerning leadership, she sought to know how the different categories and constituencies represented in the Management came about and whether the category of other organizations includes individual contributors. She also sought to know the percentage of individual contributors to the total membership of the Society. It was her contention that effective leadership calls for effective representation. Concerning the growth in membership, she sought to know whether this growth is from the traditional constituencies or from individual contributors and other organizations.

*The Management reported that it is preparing elections and electoral procedures for the Society. Section 8.1 (b) of the Society's By-Laws stipulates that not more than 3 members from the same organization can be in the Management and not more than 1 individual contributor can be in the Management committee.*

Salome Kihara indicated that concerning the reduction

of bank charges, Equity bank has a service that is free of charge for transfers to other Equity bank accounts. She encouraged the Society to open a bank account with Equity bank. Concerning the proposed Kanisa Holdings Limited (KHL) loan product, she sought to know whether the loan would be given to the company or to members.

*The Management reported that it may not be feasible to open bank accounts with all banks. The Commercial Bank of Africa (CBA) was considered because its charges were favorable. The bank charges KES 1,000 per month irrespective of the transactions handled.*

*The Management reported that the Kanisa Holdings Limited property loan will be given to members in order to purchase property on offer by the company.*

11. Roslynn Gatheru sought to know whether the Society could advertise the new and existing products to new and existing members.
12. Elizabeth Otieno requested the Management to share with members on what it takes to affiliate with CRBs and the implications of being part of the CRBs. She further called for the postponement of resolution 6 on CRBs because members had not been given adequate information on them.

*The Management reported that it has not yet registered with CRBs. However, it will seek to deal with CRBs with prudence. An ad hoc committee was established to explore the issues around engaging with CRBs. This is therefore work in progress. The Management also reported that the education day will be important for members to get more information and education on the CRBs.*

13. Davis Omanyop opined that CRBs will help guarantors who suffer from defaulted loans. He explained that he was paying KES 100,000 for someone he had guaranteed and who had defaulted in paying their loan. CRBs are therefore a wise thing that needs to be vouched for.
14. Origa Otieno appreciated the information on the formation and incorporation of Kanisa Holdings Limited (KHL). He sought to know whether the company's memorandum and articles of association, business plan and board of directors will be availed to members.

*The Management reported that the company is fully owned by the Society. The requested information on the company is available to members in the Society's office. The business plan will also be shared with members.*



## MINUTES OF THE 34<sup>TH</sup> ANNUAL GENERAL MEETING HELD ON 25<sup>TH</sup> APRIL 2015 AT THE DESMOND TUTU CONFERENCE CENTRE, NAIROBI (Cont.)

15. Salome Kihara requested for information on the percentage of the membership as per the identified constituencies/organizations.

*The Management reported that the current structure is historical. The CMC has 3 members from the All Africa Conference of Churches (AACC); 3 members from Resettlement Support Centre (RSC); 2 members from other organizations; and 1 individual contributor.*

*It was reported that the information is available in the office and members are free to come and peruse.*

16. Davis Omany indicated that the Society shares membership with Kanisa Housing Cooperative Society (KHCS). He sought to know whether in incorporating a new company, the Society was putting pressure on members. He opined that members view KHCS as an investment arm of the Society and called for harmonization of the operations of the two institutions or provision of clear information to members.

*The Management reported that a clarification had been given in the last AGM. The Management had made determination that good returns may not be forthcoming if it relies on its traditional mandate. KHCS was then proposed as an investment arm of the Society. In its founding documents, it was very clear that one could only be a member of KHCS if they were a member of the Society. A legal impediment emerged when KHCS was registered as an independent cooperative Society. KHCS is therefore an independent cooperative Society managed by a distinct Management structure from that of the Society.*

*The Management reported that it took advantage of CAP 490 of the Laws of Kenya to incorporate an investment company, Kanisa Holdings Limited. In doing this, the Society is not in any competition with KHCS even when the business of the two entities could be the same. However, the membership of the Society is not necessarily the same as that of KHCS.*

17. Davis Omany indicated that most members of KHCS are members of the Society. He called for a memorandum of understanding to be entered into between the two entities. He indicated that members of the two cooperative societies feel there is tension and competition. He called for the exploration of legal avenues that could entail the two entities entering into a memorandum of understanding. He also called for the Society to seek membership in KHCS.

*The Management appreciated the proposal. It reported that there was an agenda for cooperation between KHCS and the Society. A cooperation framework was established and a joint education day was held. However, the pursuit of different*

*goals led to difficulties in the collaboration. The Management emphasized that the two cooperative societies are different legal entities. The Society will also develop election and electoral procedures and guidelines that will dictate the nature of its leadership and Management and whether they can hold office in other cooperative societies. The matter of collaboration with other cooperative societies calls for cost-benefit analysis.*

18. Catherine Ouma opined that there should be no burden to members on membership to KHL. She noted that by virtue of membership in the Society, members are owners of the investment company. In registering Kanisa Holdings Limited, the Management ensured that the company is fully owned by the Society. 9999 shares in the company belong to the Society and 1 share is held by the Chairperson in trust on behalf of the members of the Society. This arrangement was meant to meet the mandatory minimum shareholding in a company. She clarified that Kanisa Holdings Limited is 100% a company of the Society.

*The Management urged members to take advantage of education days where clarification can be made on such issues.*

*The Management reported that recruitment of members is undertaken in a multi-pronged approach: through the existing member organizations; through members in the member organizations; members approaching individuals doing credible business to join the Society; and Management visits to prospective membership organizations and talks to the leadership and Management of such organizations. In doing this caution is made to ensure quality membership.*

19. Davis Omany proposed that a decision be made that no official of KHCS is elected as an official of the Society. This will ensure members are able to differentiate the two cooperative societies.

*The Management drew the member's attention to Section 6.1 a) and noted that the suggestion has to be proposed and seconded so that it is formally passed in the General Meeting.*

*Catherine Ouma seconded the proposal with the amendment that it should apply also to officials of Kanisa Sacco not seeking election in KHCS. The Chairperson indicated that this does not imply enmity between the two cooperative societies.*

### **Min. 07/34/AGM/25/04/2015: Strategic Plan for 2015 to 2019**

Ann Kioi presented highlights of the Society's Strategic Plan for 2015 to 2019. The Strategic Plan for 2015 to 2019 was received for consideration by the General Meeting after being



proposed by Catherine Ouma and seconded by Dr. Bright Mawudor.

**Discussions and Questions on the Strategic Plan for 2015 to 2019**

1. Catherine Ouma appreciated the Strategic Plan for 2015 to 2019. She called for the institutional structure to reflect Kanisa Holdings Limited. Under the objective meant to strengthen the capital base, the role of the AGM should be reflected as it is a key decision making meeting on recapitalization and other key actions of the Society. She appreciated the roadmap for the Society contained in the strategic plan. She noted that the history in the strategic plan does not accurately capture the real history of the Society. The Society begun around 1979 and then was registered in 1981. The number of initial members that is given is also not accurate and the indicated initial deposits are not accurate. She called for an accurate presentation of the history of the Society. She indicated that not many organizations were involved in the inception of the Society. It is only one organization, the All Africa Conference of Churches (AACC) that was responsible for forming the Society to fulfill the element of the common bond that was a requirement then. She indicated that if the strategic plan is implemented fully it will take the Society to the league of other well performing SACCOs.
2. Dr. Bright Mawudor expressed appreciation for the presentation of the strategic plan. He commended the internal business processes section that is new and has not been in previous plans of the Society.
3. Davis Omanyoo called for a comparison of the strategic direction and the institutional structure. He noted that investments are a strategic issue but in the institutional structure there was no provision for an investment committee.
4. Dr. Bright Mawudor opined that the business environment is very fluid and called for a rolling strategic plan that allows for regular review of the strategic plan as per the prevailing environment. He proposed that this be adopted to allow the Management to review/revise the plan as it is difficult to predict the operating environment in the next 5 years.
5. Elizabeth Otieno appreciated the strategic plan. She called on members to share ideas on areas to be revised especially in the area of investments.

6. Salome Kihara commended the Management for the strategic plan. She sought to know whether after the AGM there will be a window to receive comments from members with a set deadline.

*The Management appreciated the comments and suggestions given. It explained that the strategic plan will be adopted with the comments. Suggestions for revision will be appreciated as the strategic plan is a living document.*

The Strategic Plan for 2015 to 2019 was proposed for adoption by Prof. Edison Kalengyo and seconded by Angeline Okola.

**REMARKS FROM KUSCCO**

Elizabeth Okinyo, the Kenya Union of Savings and Credit Co-operative Societies (KUSCCO) representative appreciated the invitation to the General Meeting and appreciated the continued partnership with the Society. She assured members that the national union of SACCOs is with the Society.

**Min. 08/34/AGM/25/04/2015: Supervisory Committee Report**

The Supervisory Committee report was presented by George Gitau, the Supervisory Committee Chairperson. Key issues and observations in the report were:

- a. The supervisory committee carried out its work without hindrances during the year;
- b. There was a 20% increase in the loans to members from KES 152,786,536 in 2013 to KES 182,712,582 in 2014;
- c. The projected income was surpassed by 7.7% which is really commendable;
- d. Challenges experienced included: high bank charges; loan defaults; and low member attendance of the Society's events;
- e. The committee commended the CMC in, among other things, implementing the M-Pesa Pay Bill service and the SACCO software which have revolutionized services in the Society; and
- f. Recommended among others: adherence to the credit policy and ensuring that members are loaned amounts they have the capacity to pay; diligence by members when agreeing to guarantee a loan; attendance of member days; diligence by the Management as they pursue investment opportunities on behalf of members through Kanisa Holdings Limited; addressing of the



## MINUTES OF THE 34<sup>TH</sup> ANNUAL GENERAL MEETING HELD ON 25<sup>TH</sup> APRIL 2015 AT THE DESMOND TUTU CONFERENCE CENTRE, NAIROBI (Cont.)

increase in unidentified receipts; and the Management to develop annual implementation plans for the strategic plan in order to make it amenable to monitoring and evaluation.

The Supervisory Committee report was received for consideration after being proposed by Wilfred Gitau and seconded by Janet Njalaleh.

### **Discussions and Questions on the Supervisory Committee Report**

Lawrence Lokulan proposed that to check the noted increase in unidentified receipts, the Management should reach out to individual contributors as members in member organizations contribute through the check-off system. Sharing of quarterly statements to members could also reveal such unidentified receipts.

The Supervisory Committee report was adopted after being proposed by Roselyn Gatheru and seconded by Mary Wambui.

George Gitau, the Chairperson of the Supervisory Committee, thanked members for the opportunity to serve the Society for 6 years. He indicated that being a Treasurer of Kanisa Housing Cooperative Society (KHCS) he will not be in a position to continue to serve in the Society and therefore he will be resigning from his position.

### **Min. 09/34/AGM/25/04/2015: Auditor's Report**

The audited accounts of Kanisa SACCO Society Limited were presented by Monica Maina, an Auditor from the Department of Cooperatives, Ministry of Industrialization and Enterprise Development.

The audited accounts were received after being proposed by Grace Gachoki and seconded by Elizabeth Otieno.

Discussions and Questions on the Audited Accounts

Wilfred Gitau sought clarification on the noted marginal increase in rent of Kenya Shillings 200 per month.

The Management explained that the increase covers the amount paid for safe custody of documents in the bank.

The audited accounts were proposed for adoption by Alice Agunda and seconded by Dr. Francis Kuria.

### **Min. 10/34/AGM/25/04/2015: Presentation and Adoption of the Budget**

The budget proposals for the year 2016 and the revised 2015 budget were presented by Boniface Maina, the Treasurer.

Key budget items that realized changes worth noting included:

- a. Interest income was revised from the approved Kenya Shillings (KES) 300,000 to KES 400,000 (2015) and KES 400,000 (proposed 2016);
- b. Investment income was revised from the approved KES 15,000 to KES 3,000,000 (2015) and KES 4,000,000 (proposed 2016);
- c. Strategic Plan and Policy Development - the Management revised the approved budget of KES 100,000 to KES 350,000 (2015) and KES 100,000 (proposed 2016) to cater for the printing of the strategic plan for 2015 to 2019 and its implementation; and
- d. Under capital expenditure: computer and equipment was revised from the approved KES 120,000 to KES 200,000 (2015) and KES 200,000 (proposed 2016).

The budget was received for consideration by the General Meeting after being proposed by Catherine Ouma and seconded by Moses Muthoka.

### **Discussions and Questions on the Budget**

1. Wilfred Gitau sought clarification on personnel development and transport. For personnel development, he wondered what informs the exponential increase in the cost. He also noted that the cost of transport had increased.

*The Management explained that the increase caters for the anticipated new staff in the Society and more training for the staff. The increase in the transport cost caters for office staff and also the reimbursements to the Management when they leave meetings sometimes after 10pm.*

2. Prof. Edison Kalengyo sought to know what is meant by committee other expenses and whether they include travel expenses that could be catered for under the increased allocation for transport. He also sought to know whether when meeting with collaborating partners they are offered anything other than transport.

*The Management reported that collaborating partners that the Management meets with are not offered anything. However, participating members of the Management are offered reimbursements.*

3. Catherine Ouma noted that in the 2016 budget there is a plan to spend KES 2,500,000 on salaries. She sought to know whether the salary covers that of the proposed staff.

*The Management reported that the increase caters for the additional staff to be hired and interns. Concerning the*



*increase in bank charges, the Management has introduced and continues marketing the new bank account to reduce the bank charges. Membership growth also means an increase in bank charges. He gave the example of Cooperative Bank that charges KES 35 for every transaction.*

- Alice Mwamba indicated that there is a notable increase in the cost of AGM expenses yet the Management has promised the use of innovative approaches. Also there is an increase in the cost of Corporate Social Responsibility (CSR).

*The Management explained that this was informed by the experience the previous year in a visit to Pumwani Maternity Hospital.*

- On fines and penalties provision for 2016 Dr. Francis Kuria asked why there was an assumption that members will attend meetings. He also noted that there is a fixed expense on honorarium in the audited accounts that is not available in the budget. He also sought to know whether the cost of joining CRBs had been captured in the budget.

*The Management explained that the exploration of the registration with CRBs is being done with prudence and this will consider possible expenses. If an expenditure emerges on registering with CRBs then it will be presented in the General Meeting for adoption. Concerning the honorarium, he explained that this is normally a proposal from the Management that is put for the consideration and approval by the General Meeting.*

- Dynesius Nyang'au opined that for CSR, there is income that the Society earns. He proposed that CSR should be based on a percentage of the income earned by the Society. He noted that it is not possible to capture all items on the budget and called for a miscellaneous budget item to cater for such expenses that come up and have to be attended to.

*The Management explained that other committee expenses also partly cater for such miscellaneous budget items.*

- Lawrence Lokulan sought to know who undertakes performance appraisal for the manager. He sought to know how the transport expenses and public relations allocations are used

*The Management explained that these cater for expenses incurred in visits to member organizations.*

Lawrence Lokulan noted that officials of the Society are drawn from member organizations and the staff often visit looking for signatures. He wondered whether such visits could

be considered as public relations. He also sought to know whether cleaning of the Society's office is included in the rent.

*The Management reported that the Treasurer supervises the Manager. The performance appraisals are conducted by the Treasurer in consultation with the Secretary. They explained that recruitment and public relations is undertaken by members of the Management and this contributes to membership retention. For office cleaning, a casual is retained.*

- Lucy Karingithi called on the Management to reconsider the cost expended on printing the annual report and reduce it. The savings made should be channeled towards interest on member's deposits. She indicated that loan forms are available on the Society's website and members could be encouraged to use the online forms and save the expense of printing other loan forms.

*The Management appreciated that most members are digital but not all members are. The Management appreciates members who print the loan form from the Society's website.*

- Francis Ndung'u sought to know the place of Kanisa Holdings Limited in the budget and the opportunity that members will have to approve the budget of the investment company.

*The Management reported that concerning Kanisa Holdings Limited, the accounts of the company will be audited after 18 months and this will be presented to members.*

- Dr. Francis Kuria indicated that honorarium is a recurrent cost that has been paid in previous years and therefore it needs to appear in the budget.

*The Management explained that the honorarium is in the resolutions. The Treasurer indicated that it is a provision from the income. The budget caters for operations and administrative costs.*

- Francis Ndung'u sought to know whether Kanisa Holdings Limited will be operating without a budget and the platform in which its budget will be approved.

*The Management explained that Kanisa Holdings Limited has a board of directors elected among the members of the CMC. The CMC of the Society forms the General Meeting of the company. The company had its AGM prior to the AGM of the Society. The financial report and budget of the company were presented and approved in that General Meeting. These budgets and other financial documents are available for scrutiny by members. The CMC is working to develop Standard Operating Procedures (SOPs) to ensure the company operations are fool-proof. The Supervisory Committee is also an internal auditor of the investment company.*



## MINUTES OF THE 34<sup>TH</sup> ANNUAL GENERAL MEETING HELD ON 25<sup>TH</sup> APRIL 2015 AT THE DESMOND TUTU CONFERENCE CENTRE, NAIROBI (Cont.)

12. Francis Ndung'u noted that a budget is a numberized plan. He sought to know at what forum the budget and plan of the investment company will be approved.

*The Management explained that the budget and business plan of Kanisa Holdings Limited was approved in a General Meeting held before the Society's AGM.*

*It further explained that the CMC represent members of the Society as shareholders of the company. The General Meeting has already taken place. The board of directors presented the budget in that meeting and it was approved. The CMC represent and oversee the operations of the company on behalf of members.*

13. Mark Kiambo sought to know at what point Kanisa Holdings Limited affects the budget of the Society. He sought to know at what point the expenditure or income from the company will be reflected in the accounts of the Society. He also sought to know what happens when budget lines are approved for the investment company and the Society's AGM overturns them.

*The Management explained that the Treasurer's report indicates that there is an anticipated investment income of KES 3,000,000 in 2015. It is also in the report that Kanisa Holdings Limited had borrowed KES 3,500,000 from the Society to finance its operations. The investment company will design a system of regularly sharing information with the members on its operations. The Management urged members to attend education days to seek clarification on such operations of the Society's investment company.*

14. Grace Gachoki noted that the budget for education day was quite huge. She proposed that the Management could explore more innovative ways to spend less for the meetings. It was her contention that KES 1,000,000 spend in a day is quite high.

15. Prof. Edison Kalengyo challenged the Management to be aggressive in investments and also to seek to reduce costs so that they do not undermine the growth of the Society. He noted that the interest on deposits is 8.1% while the inflation rate is 6%. The difference is too low. He called on the Management to look at this seriously as members put their money in the Society in order to grow it.

16. Gladys Kabui sought to know the board of directors of Kanisa Holdings Limited.

*The Management appreciated the proposals given. It was reported that the Executive Committee of the Society is the interim board of directors of Kanisa Holdings Limited to spearhead the registration and operations of the company. The*

*Management is exploring possibility where the membership of the board of directors will not necessarily be members of the Executive Committee or the CMC.*

17. Gladys Kabui noted that there is conflict of interest as the same parties are overseeing the operations of the investment company and also exercising oversight over its operations.

*The Management explained that the CMC got mandate from the General Meeting on the incorporation and commencement of the operations of the investment company. It noted that there is need to focus on the relations of the investment company and the Society and other operations of the Society during the next education day.*

The budget was proposed for adoption by Alice Mwamba and seconded by Pamela Konya.

### **Min. 11/34/AGM/25/04/2015: Appointment of Auditors**

Davis Kathurima, the Department of Cooperatives Development and Marketing Officer, noted that the Ministry of Industrialization and Enterprise Development had audited the Society in the 2014 financial year. He presented the shortlisted audit firms as: D. K. Wambua and Associates; Ocean Wanga Consulting; and the Department of Cooperative Development and Marketing, Ministry of Industrialization and Enterprise Development. He invited proposal from members on the appointment of the auditors.

### **Discussions on Shortlisted Audit Firm**

1. Elizabeth Otieno proposed the retention of the Department of Cooperatives Development and Marketing as the Society's auditor. She explained that the firm that meets all the evaluation criteria has a big quote of KES 209,160. She opined that the 2014 audited accounts were well done by the Department of Cooperatives Development and Marketing and they are clear and succinct and the department has continued to do a good job. She indicated that retaining the department will present a saving to the Society. The proposal was seconded by Roslynn Gatheru.
2. Alexander Mwendwa indicated that the Society has had the Department of Cooperatives Development and Marketing as auditors since 2008. He proposed the appointment of D.K. Wambua and Associate in order to get a new experience for the Society. The proposal was seconded by Lawrence Lokulan.

Davis Kathurima, the Department of Cooperatives





Development and Marketing Officer, subjected the two proposal to a vote. The following were the results:

AUDIT FIRM	VOTES
D.K. Wambua and Associates	3
Department of Cooperatives Development and Marketing, Ministry of Industrialization and Enterprise Development	324

Davis Kathurima declared the Department of Cooperatives Development and Marketing, Ministry of Industrialization and Enterprise Development appointed as the Society's auditors for the 2015 financial year.

**Min. 12/34/AGM/25/04/2015: Department of Cooperatives Development and Marketing Officer's Remarks**

Davis Kathurima, the Department of Cooperatives Development and Marketing Officer, indicated that it is the last weekend of April and there is a deadline for SACCOs to have had their AGM before 30th April. He appreciated the active participation of members and noted that his interest is whether the Society is meeting its mandate. He indicated that looking at the key areas of growth, there is growth in membership, interest on member's deposits and in the loans.

He reported that SACCOs are faced with a lot of competition from not only the traditional players such as banks and Microfinance institutions (MFIs) but also other SACCOs. Now SACCOs are recruiting from other SACCOs. Members are now looking for SACCOs with good services and prompt loan processing and disbursement. He therefore challenged the Society to invest in Information Communication and Technology (ICT) in order to improve on efficiency. There is need for the Society's website to enable members to access statements with ease and ensure members access many services online.

He cautioned members from being oriented on the dividends and called on them and the Management to consider not to pay out everything (surplus) generated in a year. This is a short-term minded view of investment. He called on members to plough back their interest on deposits. He indicated that well performing organizations plough back their earnings. The Management should demonstrate the advantages of such ploughing back of the interest on deposits. The advantages include the investments that can be considered. He challenged SACCOs to invest in: healthcare (in hospitals), the transport industry and other sectors. Using funds generated from the

surplus or reserves, the Society has a leeway to invest in other areas. He challenged the Society to consider the opportunities available.

He noted that many SACCOs are doing business with banks. He supported the proposals in the CMC report and especially the savings products. Discretionary savings are important as they are beyond the mandatory savings to the Society. He commended the Management for taking the decision to deal with the rate of loan default. He commended the Management's decision to list with CRBs. He also urged for a list of shame to be availed in the next financial report to be shared with the General Meeting. He urged the sharing of the list of shame and amounts owed to the Society to be published in the financial statements.

**Min. 13/34/AGM/25/04/2015: Election of Office Bearers**

The elections of office bearers were supervised by Davis Kathurima, the Department of Cooperatives Development and Marketing Officer.

**1. Central Management Committee (CMC)**

Three members were retiring. These were:

- i. Bernard Okok Obuoga, Other Organizations - Has expressed willingness to continue;
- ii. Ann Kioi, All Africa Conference of Churches (AACC) - Has expressed willingness to continue;
- iii. Grace Gachoki, Other Organizations - Had resigned mid-stream and does not wish to continue; and
- iv. Quinn Kariuki, Other Organizations - seeking re-election having left the Resettlement Support Centre (RSC) to join a new organization.

*The elections were then carried out as follows:*

**i. Resettlement Support Centre (RSC)**

No.	Name of Candidate	Proposed by	Seconded by	Votes
	Roslynn Gatheru	Christine Njoka	Njeri Njoroge	8
	Carolyne Mukabi Anduvate	Elizabeth Otieno	Francis Ochieng	2
	Pamela Konya	Nancy Kamau	Alice Mwamba	5



# MINUTES OF THE 34<sup>TH</sup> ANNUAL GENERAL MEETING HELD ON 25<sup>TH</sup> APRIL 2015 AT THE DESMOND TUTU CONFERENCE CENTRE, NAIROBI (Cont.)

	Lawrence Lokulan	Alfred Kirui	Daniel Kimani	130
	Wilfred Gitau	Wilfred Gitau withdrew his candidature noting that he serves in KHCS and sought to respect the resolution of the General Meeting.		

Lawrence Lokulan was therefore declared elected from RSC.

## AACC

No.	Name of Candidate	Proposed by	Seconded by	Votes
	Ann Kioi	Martha Gitau	Zipporah Mwaura	

Since there were no other proposals, Ann Kioi was elected unopposed.

## Other Organizations

No.	Name of Candidate	Proposed by	Seconded by	Votes
	Bernard Okok Obuoga	Grace Gachoki	Jacinta Okumu	
	Quinn Kariuki	Moses Muthoka	John Lumuru	

Since there were no other proposals, Bernard Okok Obuoga and Quinn Kariuki were elected unopposed.

## 2. Supervisory Committee

One member was retiring:

- i) Richard Kola, AACC - Had expressed willingness to continue.

Davis Kathurima indicated that following the resignation of the Chairperson of the Supervisory Committee, there is a slot for other organizations. However, Davis Kathurima explained that a General Meeting cannot pass a resolution and it takes effect immediately. He explained that there cannot be 2 representatives from the same organization serving in the Supervisory Committee.

The elections were then carried out as follows:

## AACC

No.	Name of Candidate	Proposed by	Seconded by	Votes
1.	Richard Kola	Wilfred Gitau	Martha Gitau	

Since there were no other proposals, Richard Kola was therefore declared elected unopposed.

## Other Organizations/Individual Contributors

Davis Kathurima invited members to propose candidates based on the qualifications set out in the By-Laws to fill the vacancy created by the resignation of the Chairperson of

the Supervisory Committee. The following candidates were proposed:

No.	Name of Candidate	Proposed by	Seconded by	Votes
1.	Harrison Kasavuli	Carolyne Anduvate	Yasmin Karani	
2.	Salome Kihara	Moses Muthoka	Martin Nyongesa	

Harrison Kasavuli did not meet the minimum requirements for election to the Supervisory Committee.

Salome Kihara was therefore declared elected unopposed.

## Min. 14/34/AGM/25/04/2015: Resolutions

Davis Kathurima, the Department of Cooperatives Development and Marketing Officer mandated the Management to take lead in the presentation and approval of the resolutions.

The Chairperson reported that a proposed resolution had also been received from a member and it would be considered at the end separate from the resolutions from the Management.

The Chairperson explained the options in voting on the resolutions. Members agreed that each resolution shall be proposed, seconded and then adopted independently of the others.

### 1. Disposal of Surplus

- a. Declaration of disposal of interest on deposits at a rate of 8.1% calculated on a weighted average (pro-rata basis) with a pay-out of 7.5% in cash and retaining of 0.6% to deposits.
- b. Declaration of dividends of Kenya Shillings (KES) 1.43 per share and that this be capitalized to shares.

The resolution was proposed for adoption by Jacinta Okumu and seconded by Alice Mwamba.

### 2. Products

#### A. Loan Products Realignment

The Management proposes to realign the following loan products to include the following features:

##### i. Mjengo Loan

1. Members will from now henceforth be able to refinance, factor and consolidate this loan; and



2. All other credit terms and conditions apply.

**ii. Scholars' loan**

1. This product will, from now henceforth, be known as 'Elimu Loan';
2. All approved loans will be disbursed through banker's cheques payable to the preferred institutions;
3. The cost of the banker's cheque will be paid by the loanee;
4. An administrative fee of KES 200 will be charged per loan;
5. Members will be able to refinance, factor and consolidate this loan; and
6. All other credit terms and conditions apply.

**B. Trustee Loan**

1. The Management proposes to introduce a 'Trustee Loan' with the following features, terms and conditions:
2. This loan is applicable only to the guarantors of a defaulted loan in lieu of the defaulted amount being recovered from their deposits;
3. The repayment period of this loan will not exceed the remaining repayment period of the defaulted loan;
4. Interest on this loan will be charged at a rate of 1% calculated on a reducing balance formula;
5. If a loan defaulter repays his/her defaulted amount after his/her guarantors have taken up this product, the amount received will be used to clear the guarantor's trustee loan;
6. A default of this loan for a cumulative period of sixty (60) days will result in the outstanding loan amount being recovered from the loanee's deposits without further notice to the loanee;
7. This loan will not require any guarantors; and
8. All other credit terms and conditions apply.

**C. Deposit Boosting Facility**

This product will enable a member to boost his/her deposits and qualify for a loan immediately. The following features, terms and conditions will apply to this product:

1. The boosting amount for the purpose of immediate loan

taking shall not exceed, at any particular time, KES 200,000;

2. A fee of 10% of the boosted amount will be charged and this fee will be deducted upfront; and
3. All other credit terms and conditions apply.

**D. Mali Mali Loan**

This product will enable members to purchase assorted products from Kanisa SACCO strategic partners such as: Safaricom Limited, Unilever ('Pure it' Device), Water Tank Suppliers etc. with the following features, terms and conditions:

1. The maximum loan amount for this product is KES 100,000;
2. The maximum repayment period is 12 months;
3. Interest on this loan will be charged at a rate of 1% calculated on a reducing balance formula;
4. All approved loans will be disbursed through cheques payable to the vendor or supplier; and
5. All other credit terms and conditions apply.

**E. KHL Property Loan**

This is a loan product that will enable Kanisa SACCO members to acquire property being sold by Kanisa Holdings Limited (KHL). The following features, terms and conditions will apply to this product:

1. This loan product will only apply to Kanisa Holdings Limited properties on offer;
2. A minimum commitment deposit of 10% of the value of the property will be payable to KHL and a copy of the receipt attached to the loan application;
3. The amount applied for should be equal to or less than (whichever is applicable) the cost of the property that the member is acquiring from KHL less the commitment fee and any other amounts paid towards purchase of the property;
4. All approved loans will be paid directly to Kanisa Holdings Limited;
5. The security of the loan will be the property to be purchased, and the transfer of ownership (of the property) will only be done after the completion of the



loan repayment. No guarantors will be required;

6. The maximum loan repayment period will be 24 months;
7. Interest charged will be at a rate of 10% per annum calculated on amortization basis;
8. A default of this loan for a period of sixty (60) days will result in the property under consideration being re-offered for sale to other interested parties and a refund of the monies paid by the loanee so far under this product less 10% of the value of the property; and
9. All other credit terms and conditions apply.

Concerning the KHL Property Loan, Lawrence Lokulan noted that 24 months is limited considering the purchasing power of members and the prevailing market rate of properties. He proposed a revision to 36 months.

Wilfred Gitau proposed amendments to the Scholar's and the Trustee Loans. He proposed an amendment to allow for 10% of the Scholar's Loan to be availed to enable members pay for books. For the Trustee Loan, he proposed an addendum, 'in the event that the loan defaulter pays, the amount is paid to the guarantors'.

Concerning the Trustee Loan, Angeline Okola expressed concern on the interest on the defaulted loan and sought to know whether the Trustee Loan would take care of the interest.

*The Management explained that the KHL Property Loan needs to be repaid in 24 months in order to assure cash flow of the Society. It was also pointed out that the repayment period of 2 years will not adversely affect the liquidity of the Society. The condition can be reviewed in future General Meetings. Concerning Scholars Loan, the Management explained that the proposal is informed by the discovery that the money received from this loan was being diverted from the indicated purpose. The interest proposed for the Trustee Loan is 1% per month and this is in order with the Society's credit terms and conditions.*

Wilfred Gitau clarified that his proposal was for 10% of the applied Scholars Loan to be availed to enable members to purchase books.

*The Management explained that the suggestions were helpful and could inform the design of new loan products. The Scholars Loan was developed with the loanee's education in mind.*

Samuel Tallam noted that for KHL Property Loan there is the 10% deposit to be paid before the approval of the loan application. They sought to know how this will work.

*The Management explained that the 10% deposit is essential*

*after having paid the registration fee for the property*

Samuel Tallam sought to know what would happen if the loan application is rejected.

*The Management explained that the loan is intended to assist members own property. 10% deposit is a commitment and there is assurance that the loan will be approved. However, a member needs to be decided and aware of the conditions in case of default. This resolution was proposed for adoption by Dynesius Nyang'au and seconded by Vivian Achieng.*

*All the resolutions on products were adopted unanimously.*

### 3. Engagement of Debt Collectors Firms

Resolve to grant the Management the authority to, with prudence, engage and draw up service level agreements with various debt collection firms. These firms will then be available for use by the members of the Society to aid in the recovery of defaulted loans. The cost of the service will be paid by the member engaging the debt collection firm(s).

*The resolution was proposed for adoption by Pamela Konya and seconded by Alfred Kirui.*

*The resolution was subjected to a vote as follows:*

1.	Those for the engagement of debt collectors	74
2.	Those against	4

### 4. CMC and Supervisory Committee Indemnity Amount

Resolve that the indemnity amount for all CMC and Supervisory Committee members be raised to KES 600,000 per member.

*The resolution was proposed for adoption by Francis Kuria and seconded by Alice Mwamba.*

KES 600,000 was not proposed or seconded.

Francis Kuria proposed for a higher amount. He proposed that the indemnity amount be raised to KES 1,000,000. The proposal was seconded by Alice Mwamba.

*The resolution that the indemnity amount for all CMC and Supervisory Committee members be raised to KES 1,000,000 per member was adopted unanimously.*

### 5. Society Borrowing Power

Resolve that the Society borrowing power be set at a limit of

Ten Million Kenya Shillings (KES 10,000,000).

*The resolution was proposed for adoption by Pamela Konya and seconded by Apollo Obiero.*

## 6. Credit Reference Bureaus (CRBs)

Resolve to grant the Management the authority to undertake, with prudence, the registration of the Society with the registered CRBs.

*The resolution was proposed for adoption by Gladys Kabui and seconded by Roselyn Gatheru.*

Francis Kuria sought to know whether the Management had ascertained the cost of registering with CRBs.

Alice Mwamba sought to know the rationale behind resolution 3 and 6. The Chairperson explained that this was out of the decisions of the last AGM. Priscilla Muchinyi reported that other SACCOs have joined CRBs and it is about time that members prepare for this in case they wish to default in paying their loans.

*The resolution was adopted unanimously.*

## 7. Honoraria

Declare to pay KES 250,000 as honoraria to the Management and Supervisory Committee members and as bonus to staff.

*The resolution was proposed for adoption by Moses Muthoka and seconded by Alice Mwamba.*

*The resolution was adopted unanimously.*

## 8. Resolution from a Member

The Chairperson reported that the CMC had received a proposed resolution from a member as follows:

*Resolve to increase the maximum total loan amount that the SACCO can loan to a member without collateral being required from the current total amount of KES 1,500,000 to KES 2,000,000 and consequently update the specific clause(s) in the credit policy to read as follows: 'total loan amounts exceeding KES 2,000,000 shall require collateral unless such loans are fully covered by the loanee's deposits'.*

*The resolution was proposed for adoption by Jacinta Okumu and seconded by Chris Kenyariri.*

Wilfred Gitau called for caution in raising unsecured loans to high levels noting the introduction of new products. He

indicated that he does not support the proposed resolution especially given the interest rate. The Chairperson explained that the loan will be fully guaranteed.

Nicholas Kuria indicated that the General Meeting had passed a resolution on dealing with loan default. He, however, cautioned that the proposed resolution increases the risk of default.

*The resolution was then subjected to a vote:*

Those against the resolution	19
Those for the resolution	49

*The resolution was therefore declared adopted.*

## Min. 15/34/AGM/25/04/2015: A.O.B. and Closing

There was no any other business that had been presented as per the Society's By-Laws.

## Closing Remarks

The Chairperson thanked members for their active participation and urged them to keep up the spirit of openness and transparency.

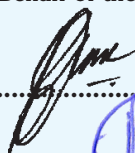
## Vote of Thanks

A vote of thanks was given by Angeline Okola. She appreciated the work of the Management and called for a round of applause. She appreciated the excellent work that ensures members benefit from the Society. She called for a round of applause to the staff of the Society and the officials of the Department of Cooperatives Development and Marketing. She appreciated the All Africa Conference of Churches (AACC) for the support accorded to the Society for 34 years.

She thanked members for the sacrifice to sit throughout the long meeting and for their active participation. She challenged members to encourage other members to attend education and charity days and the AGM. She looked forward to the growth of the Society in leaps and bounds.

There being no any other business the General Meeting adjourned at 4.29 pm with a word of prayer by Prof. Edison Kalengyo.

## Signed For on Behalf of the Annual General Meeting:

Chairperson:  Date: 12/3/2016

Secretary:  Date: 12/3/2016



# REPORT OF THE CENTRAL MANAGEMENT COMMITTEE TO THE KANISA SACCO 35<sup>TH</sup> AGM HELD ON 12<sup>TH</sup> MARCH 2016 AT THE DESMOND TUTU CONFERENCE CENTRE

## 1.0 Introduction and Operating Environment

### 1.1 Introduction

Honourable Members, Distinguished Guests, Ladies and Gentlemen, welcome to the 35th Annual General Meeting (AGM) of the Kanisa SACCO. We invite you to interact and engage with us as we look back, deliberate on the present and plan for the future. To facilitate this, we have developed and are happy to present to you this Management report.

This report contains, among other things, the Society's performance and indicators of growth, description of the operating environment, and challenges that we continuously encounter as we strive to serve you members. We also wish to outline some proposals especially through resolutions for the purpose of enhancing both service deliveries and strategic products for growth.

As we engage with you through this report, we thank God for the journey throughout the year 2015 and highly appreciate you, members, for the continued patronage of our services. We also thank our partners and associated institutions especially those whose employees are our members.

During the period in question, members of the Central Management Committee (CMC) were; Bernard Okok, Philip Tui, Ann Kioi, Boniface Maina, Janet Masese, Francis Asena, Quinn Kariuki, Lawrence Lokulan and Mutua Mulonzya, and the Supervisory Committee (SC) were; Joyce Kangogo, Richard Kola and Salome Kihara.

It is our hope that we will all engage with the report and honestly ask questions where there is a need for clarity.

### 1.2 Kanisa SACCO Operating Environment

The Cooperative movement, in general, and Kanisa SACCO, in particular, continue operating in an environment full of challenges and opportunities. It is important to know that challenges exist to make us resilient and innovative while opportunities bring us spaces for growth.

Kanisa SACCO operating environment, Kenya, in specific, realized, during the year under review, numerous social-economic and political factors. Irrespective of challenges during the year under review, such as increase in inflation rate – reaching 6.72 in October as compared to 5.97 in the previous month, revision of economic growth to 6.8% from the original focus of 7.2% by the International Monetary Fund (IMF) and the exchange rate shock of the Kenya Shilling against foreign currencies – hitting a high of KES 107 against the US dollar in July, Kenya is still poised for greater growth opportunities. This is based on the expected impact of the massive infrastructure investments and increasing interest by international community as demonstrated with the number of economic events that took place in the country during the year.

At the political front, Kenya suffered a major security setback in the year with the heaviest one being the Garissa University attacks in which more than 147 people lost their lives.

In cognizance of the events above, among others, Kanisa SACCO Management continued to steer the Society by coming up with innovative strategies to ensure that you members reap maximum benefits. The results of these efforts are contained in this report.

## 2.0 The Year 2015 Performance Review

### 2.1 Resolution Implementation

During the 2015 AGM, a number of resolutions were presented by the Management and, which you members, approved. It is our pleasure to let you know how they were implemented.

- i) **Trustee loan-** this product was introduced to help guarantors of a defaulted loan not to lose their deposits but instead apply to pay the defaulted amount on a monthly basis. In the year under review, no application was recorded but we have since received a few applications in these few months of 2016. The Management recognises that loan default remains a painful experience for the guarantors and calls upon members to continue engaging the office and develop suitable scenarios whenever they are affected. Additionally, we urge you members to honour your obligations especially towards loan repayment;
- ii) **Deposit boosting** – this product was introduced to enable members to boost their deposits and qualify for a loan immediately. During the year 2015, a total of 30 members boosted their deposits for the purpose of borrowing helping the SACCO earn a fee of KES 171,225;
- iii) **Mali Mali-** this loan was introduced to help members purchase assorted products from Kanisa SACCO strategic partners. A total of 27 members enjoyed this product during the period under review borrowing to the tune of KES 709,005;
- iv) **KHL Property Loan-** this product has been very helpful to our members. During the year under review, the Society issued loans of amount worth KES 4,880,000 to 19 members who took advantage of the product. These members are now happy plot owners at our first project located in Isinya. However, one of the conditions attached to this product was a requirement of a minimum commitment deposit of 10% of the value of the property payable to Kanisa Holdings Limited (KHL). The Management noted that this has been a hindrance to many of our members and will thus be proposing, under resolutions, a removal of this commitment deposit. This will assist many of our members in accessing this product and the plots that we will be offering in future; and
- v) **Registration with Credit Reference Bureaus (CRBs)** – the Management was given mandate to carefully examine and undertake, with prudence, the registration of the SACCO with the CRBs. It is for this reason that one of our topics at the 2015 education day was on CRB. The process is at an advanced stage and will be communicated to you through our regular updates.

### 2.2 Performance, Growth and Achievements

During the year under review, the Society, in the implementation of the mandate from the last AGM through the financial budget approved realized growth in all segments. There were various opportunities such as members' continued uptake of loans and increased interest in the Society's affairs by the associated institutions, international and local economic slowdown and increased interest rates. In this realm, there were also key strategic challenges including increased competition from financial and non-financial institutions.

Amidst the above, the Society realized growth and achievements as illustrated by the following indicators of performance.

- i. **Membership** – active members within the SACCO grew by 222 members representing 21.26% growth in 2015. However, dormant members increased from 178 members in 2014 to 237 in 2015 reflecting an increase of 59 members. The Management is exploring various ways to ensure that while the Society realizes membership growth, on one hand, the dormant membership does not increase, on the other hand;



## REPORT OF THE CENTRAL MANAGEMENT COMMITTEE (Continued)

- ii. **Members Retention**– during the year 2015, a total of 41 members withdrew from the SACCO compared to 37 in 2014. This was mainly due to work-related issues where most of them either lost or changed their jobs. The Management would like to encourage members to maintain their membership even after they leave their places of employment;
- iii. **Financial** – the Society turnover rose from KES 20.5M in 2014 to KES 26.9M in 2015 recording a 31.3% growth. Member deposits increased by 22% from KES 165.4M in 2014 to KES 201.8M in 2015. The Society share capital also increased from KES 6.6M in 2014 to KES 8.1 in 2015 representing a 23.2% growth;
- iv. **Loans and Savings** – during the year under review, the loan portfolio grew from KES 182.7M in 2014 to KES 217.5M in 2015 registering a 19.03% growth. Growth was also recorded in the savings scheme which went up from KES 2.2M to KES 2.8M recording a 29% increase. The savings scheme will earn an interest rate of 5% paid on pro rata basis; and
- v. **Interest on deposits and dividends** – during the year under review, the SACCO is recommending 9.2% interest on deposit and first and final dividend of 6.8% per share (KES 1.36 per share). Based on this, a resolution will be proposed to pay interest on deposit of 8% and 1.2% be ploughed back to the deposits while dividends will be capitalised.

### 2.3 Strategic Plan Implementation

The implementation of the 2015 – 2019 Society's Strategic Plan, launched during the last AGM, started in earnest. Key strategic objectives have been realized including regular review of policies, strategic membership development and retention, and pursuit of various and strategic investment opportunities. In addition, the plan projects continuous development of products and products-related services in response to your needs as members. To this end, we will be proposing, as part of resolutions, for your consideration, products at two levels namely (a) reviewed products; and (b) new products. We call upon all of you to continuously engage with the plan so as to contribute to its realization as well as offer ideas and suggestions on the progress.

### 2.4 Institutional Changes and Leadership and Staff Capacity Development

Honourable members, the Management would wish to bring to your attention the following:-

#### 2.4.1 Institutional Changes

- a) **Institutional changes** – The Management team received the resignation of Mr. Mutua Mulonzya who left at the beginning of 2016 due to personal engagements. We, in the Management, wish to thank Mr. Mutua for his service and wish him all the best. The Management will be calling upon you to identify his replacement at the time of elections;
- b) **Vacancies within Management and Supervisory Committee** - there are four vacancies within the Management Committee and one in the Supervisory Committee. Three members in the CMC and one in the SC are retiring on rotational basis as required by the law though eligible for re-election while one vacancy in the CMC has been caused by the resignation noted above. It is at this point, on behalf of the Management, I want to take this golden opportunity to sincerely appreciate the services of Mr. Francis Asena, who has served in the Management for many years. Mr. Asena is now retiring having left his place of employment and will not be seeking re-election. Honourable members, we would like to let you know that Asena is one of the founding members of the Society. Join me in applauding Mr. Asena.

On elections, the Management calls upon you, members, to responsibly exercise your democratic rights to elect those who can serve you with commitment and dedication. We would also advise those seeking elections into the leadership in the Society to do so if and only if ready to serve and work as a team; and



# REPORT OF THE CENTRAL MANAGEMENT COMMITTEE (Continued)



- c) **Recruitment of additional staff**—during the period under review, the Society managed to recruit an additional staff, Casper Simiyu, as Accounts Assistant. Please join us as we welcome Simiyu to the Society;
- d) **Leadership and Staff Capacity Development**—the Leadership and staff, in the year 2015, went through various but carefully selected and appropriate capacity enhancement sessions that aimed at improving service delivery.

## 2.5 Members Events

2.5.1 **Education to members** - this event was held at Sports View hotel, Kasarani on 3rd October 2015. Members were educated on the operations of CRBs, wills and succession, Kanisa Holdings operations and the SACCO products and services. The event was very successful and Management received positive feedback from you members especially on the quick fire questions which members won prizes. We will, in future, continue to look for interesting topics which will be beneficial to all members;

2.5.2 **Ushirika day** - The 93rd International Day of Co-operatives (Ushirika Day) was held at Uhuru Park on 5th, July 2015 under the theme “Choose Cooperative, Choose Equality”. This day was observed to reflect on the importance of the cooperative movement in Kenya and the world. Kanisa SACCO was represented in the event by Ann Kioi, Janet Masese and Lawrence Lokulan. The guest speaker was the Industrialisation and Enterprise Development Cabinet Secretary Adan Mohamed. In future we would like to involve you members in the Ushirika Day celebrations as we also try to market the Society; and

2.5.3 **Charity day**—The Society visited Joy Valley Children Home in Kayole on 14th November 2015 as part of giving back to the community following a recommendation from you members. The children were in dire need of blankets, mattresses, food and clothing. The Society managed to donate goods worth KES 80,465 which was well appreciated. However, the Management has noted with concern that the rate of members’ participation in this event has been on the decline. We urge members to actively participate in these noble events both in donation and participation.

## 2.6 Diaspora Membership

In pursuit of widening membership development, the Management has developed mechanism for identification and recruitment of diaspora membership. The Management has finalized key strategies towards this realization including the opening of foreign currency bank account at Commercial Bank of Africa (CBA) Westlands Branch. This will be for the purpose of foreign currency collection since our trading currency still remains Kenya Shillings.

To ensure that these members are continuously engaged in and benefit from the operations of the Society, the Management will, in due course, explore strategic products and services for this group.

## 2.7 Policies Development and Review

As we continuously strive at ensuring that all members are served with equity and also that the Society’s assets are protected in a structured and systematic framework, the Management reviewed a number of policies based on, among others, the resolutions that were adopted during the last AGM. These include the Credit, Membership and Interest on Deposit and Dividends policies. In addition, new policies were developed some of which are now in operation. These include Elections and Electoral Policies, Risk Management Policy and the Investment Policy.

We call on you members to read and interact with these leadership and Management tools for understanding and effective contribution to the growth of the Society.



# REPORT OF THE CENTRAL MANAGEMENT COMMITTEE (Continued)

## 2.8 Product Development

In line with creating more spaces for you, members, to achieve your development goals, the Management, after careful consideration, will be proposing an introduction of two new products namely:-

**2.8.1 Vision Loan** - This loan is meant to help members with low savings to qualify for a big loan which would help them initiate a development project like construction. The proposal will be for members to pay back this loan within a period of 72 months (6 years). But to mitigate the risk, the interest rate of the loan will be pegged at 15% p.a. Calculated on amortisation basis. We urge you members to carefully examine the features of this product, and pass it as we endeavour to provide you with mechanisms for development irrespective of the challenges that may exist; and.

**2.8.2 Zidisha Deposit Boosting** – in the last AGM, the Management proposed, and you members passed, the introduction of deposit boosting facility. This facility has been very helpful to members as alluded to earlier. However, we noted that some of the members who did not have ready cash and wanted to boost their deposits for the purposes of borrowing missed out on the opportunity. Others borrowed for the purpose of boosting their deposits. It is for this reason that the Management will be proposing the introduction of Zidisha Deposit Boosting facility. In this facility, the SACCO will assist the members by adding onto their deposits funds at a fee of 15% subject to a maximum of KES 100,000. It is our hope that, if passed, this will be beneficial to you members and will help you access more facilities within the Society.

## 3.0 Kanisa Holdings Limited (KHL)

As you may remember, we reported that we had operationalized an investment company to undertake investment activities on behalf of the Society and to benefit you members. In conjunction with the Society, we had assured you that the company will offer a triad of benefits to you members – savings through the SACCO; owning property through the company; and high return earnings from the two. During the year under review, we developed a business plan, finalised the Isinya, and initiated Kantafu project along Kangundo Road. It is our wish to let you know that the Company has so far facilitated respective members to benefit in its investments which are offered on low-cost basis. Many more members have also benefited through the Society product of KHL Property Loan which is a product introduced in our last AGM offering members the opportunity to pay for the plots at an extended period of 24 months with interest rate of 10% p.a. The product's features have been reviewed as alluded to earlier and will be presented to you for considerations.

Honorable Members, the Company has made huge returns to the Society as reflected in the Finances and as was projected in the 2015 budget.

Dear Members, we urge you to continue taking advantage of the investment opportunities offered by the Company but also ask questions and seek clarity should there be issues that do not understand. We will be exploring other investment ventures and these will be communicated to you in due course.

## 4.0 Challenges and Prospects

### 4.1 Challenges

The Society faces various challenges – internal and external – in its business namely:

- (i). **Unidentified receipts** – The Management is deeply concerned with the rising rate of the unidentified receipts. In comparison, this has risen from KES 460,987 in 2014 to KES. 759,320 in 2015. Through examination, the Management identifies internal and external factors that contribute to this situation. Internally, this arises from cases such as members depositing monies into the Society's bank accounts without submitting such slips for receipting; not giving full details

# REPORT OF THE CENTRAL MANAGEMENT COMMITTEE (Continued)



such as full names and membership numbers while banking; or failing to make follow up to ensure that monies banked are credited to respective accounts. Externally, banks fail to record full members' details when receiving monies. In order to mitigate these challenges, we urge members to consider using alternative and efficient services such as M-pesa and Commercial Bank of Africa (CBA) which capture all the required details. In addition, we call upon members to regularly be making follow up whenever they do deposits. The Management plans to be sending regular statements and calls upon members to be bringing concerns in the statements for any discrepancies to be corrected;

- (ii). **Guarantorship** –the Management have noted that members continue facing great challenges in obtaining guarantorship whenever they want to apply for loans. While it is considered that guarantorship is core in the cooperative movement, the Management is exploring alternative mechanisms that members can use either in isolation or in complimentary with guarantorship when applying for loans. This will be done with prudence and in full consultations with you members;
- (iii). **Members' adherence to Credit policy** – this continues to be a challenge and hence making loan appraisal and approval difficult and time consuming. Many a times, members face delays in loan approvals as a result of incomplete and / or improperly filled loan applications. We urge all of you to try and understand the policy and its contents not only for the purpose of adherence but also in offering suggestions for its improvement;
- (iv). **Affidavits** – the Management has come to realize that the way the affidavit is being administered exposes the SACCO and members to risks. To this end, the Management is currently undertaking its review and soon we will be coming to you with some proposed changes; and
- (v). **Loan defaults** – in relationship to some factors enumerated above, among others, the problem of loan defaults is of a great challenge which needs urgent action. The Management continues to make efforts in defaulted loan recoveries in which we would like to report that Mr. Joshua Olang cleared his amount in February 2016. While this, and others such as the continued reduction of the amount owed by Mr. Bernard Mwinzi, shows the commitment by the Management to address these problems, we would like to bring to your attention the two cases of Margraret Itto and Abel Mboo. Members, you are aware that these cases have existed in our books for so many years and currently these loans seem doubtful. Having deliberated on them and in consideration of the previous efforts in their recovery, the Management wishes:-
  - a) To undertake extra measures towards locating the members and subsequent loan recovery and produce evidence as such; and
  - b) If (a) above fails, develop a legally-sensitive and policy-supported way forward and present such in the 2017 AGM In order to ensure that similar cases do not occur again, the Management will strengthen internal control systems including implementing robust Know Your Customer (KYC) procedures and requiring extra information at the time of membership registration.

## 4.2 Prospects

The Society has great future prospects. These are demonstrated with the following features:-

- i) **Growth of membership** – we continue experiencing membership growth. This is a great sign that the Society continues to make strides and generates confidence. This contributes to the growth of share capital and overall turnover. We call upon you members to recruit those whom you trust for us to meet our goal; and
- ii) **KHL** – the investment company has great potential in diverse ways and it is our intention to make it your investment vehicle of choice. Given what has been observed in the last 18 months it has been in operation, the Management is of



## REPORT OF THE CENTRAL MANAGEMENT COMMITTEE (Continued)

the view that through this instrument, members of the Society stand to reap great benefits including growth of interest on deposits. The Management has already initiated discussions of identifying other investment opportunities in addition to what we are currently doing. These will be communicated to you through our regular updates.

### 5.0 Conclusion

In conclusion, the Management wishes to:-

- i) Once again, thank you all members for finding time to attend this AGM and for continued patronage of the Society and its services. We will continue banking on you for the sustained growth. In addition, we urge you to look at the areas of growth and seek ways of sustaining them; identify the challenges and work with us in addressing them; and continuously bring to our attention suggestions and comments that can enable us to meet your expectations;
- ii) Express our appreciation to:-
  - a) The Ministry representative through the Nairobi County Westlands Sub-County Cooperative Office, Mr. Kathurima Davis for always walking with us and advising us all the way;
  - b) Our associated organizations whose employees are our members and those members who do direct banking famously known as individual contributing members;
  - c) The leadership and Management of the All Africa Conference of Churches (AACC) for their hospitality and cordial relationship;
  - d) The Society's past leaders who built the foundation upon which we have been operating;
  - e) The Supervisory Committee for their continued supervisory role to ensure that the Management operates within the realm of acceptable tenets; and
  - f) The Kanisa SACCO staff for their support and dedication in ensuring that the office facilitates the services to members.

It is the hope of the Management that the year 2016 will offer another opportunity for mutual growth – that of the Society and you members.

*Ahsanteni Sana na Mungu Awabariki*

Bernard Okok-Obuoga  
Chairperson

Date:..... **12/03/2016** .....

# SUMMARY OF THE CENTRAL MANAGEMENT COMMITTEE REPORT

The members of the Management committee submit their annual report together with the audited financial statement for the year ended 31/12/2015

## Incorporation.

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

## Principal Activity

The principal activity of the Society continued to be receiving savings from and provision of loans to its members.

## Results

	<b>2015</b> <b>KSHS.</b>	<b>2014</b> <b>KSHS.</b>
Surplus before Tax	1,063,196.07	903,617.00
Income Tax Expense	(571.00)	(793.00)
Net Surplus after Tax	1,062,625.07	902,824.00
Retained Surplus for the year	100.05	2,259.20
Interest on Members deposit	18,500,000.00	13,400,000.00

## Dividends/Interest on members deposits

The Management committee recommends payment of first and final dividends of Kshs. 1.36 per share.

They also recommend interest on members deposit of 9.2%

The members of the Management committee who served during the year and to date of this report is as listed on page 4.

## Auditors

The auditors of the year, Ministry of Industrialization and Enterprise Development express

their willingness to continue in office.

By order of Management Committee

Signature..........Date. **22/02/2016**.....  
Secretary.



# SUPERVISORY COMMITTEE REPORT TO THE KANISA SACCO 35<sup>TH</sup> AGM HELD ON 12<sup>TH</sup> MARCH 2016

## 1. INTRODUCTION

The Chairman and Management of Kanisa SACCO, Co-operative Officers, Distinguished guests, Esteemed Members, Ladies and Gentlemen. On behalf of the Supervisory Committee (SC), I wish to sincerely welcome you to the 35<sup>th</sup> Annual General Meeting of the Society. Thank you very much for finding time out of your busy schedule to be with us on this great day as we reflect on the performance of the Society in 2015. Let me say, feel welcome.

I would also like to thank you, esteemed members particularly for your commitment and concern towards performance of the Society in realization of its main objectives and goals. Every member has a place and a role to play which no doubt adds value to the Society.

Honorable members, let me now lead the meeting through this report.

The Supervisory Committee derives its mandate from the Kanisa Savings and Credit Co-operative Society Ltd by-laws Section 9 and the Co-operative Societies Act No. 12 of 1997 (amended 2004) and Rule No 28(3) of the laws of Kenya which states that the Supervisory Committee shall: -

- a) Verify all transactions of the Society;
- b) Write periodic reports of its findings to be tabled at the Management committee meetings;
- c) Submit of its reports to the commissioner; and
- d) Present report to the General Meeting

In accordance with the above referenced laws, the Kanisa SACCO Supervisory Committee conducted routine verification of the Society's books of accounts and operations for the year 2015, to ensure that they are being conducted according to the provisions of the law.

## 2. OBJECTIVES OF THE VERIFICATIONS.

The main objective of conducting the routine review of the Society's books and activities were to ensure;

- a) Adherence to the SACCO policies and procedures;
- b) That the SACCO's assets are safeguarded from theft, destruction and that they are used in the best interest of the SACCO;
- c) Internal controls systems exist and are strong enough to deter and detect errors and frauds;
- d) All SACCO payments have adequate supporting documents, required approvals and that such payments are in line with the approved budget;
- e) That the loan applications are timely processed and on a first come first served basis;
- f) The bank and petty cash reconciliations are done on a monthly basis;
- g) Monitor the implementation of the strategic plan;
- h) The Management Committee operates within the approved budget;
- i) All surplus funds of the Society are invested prudently to maximize returns of the Society;
- j) The previous AGM resolutions passed by members are implemented; and
- k) Ensure that the SACCO complies with all applicable laws and regulations.

## 3. THE SCOPE OF WORK DONE

The main business of the Society is to provide a platform where members can save and borrow at affordable rate. The SACCO also provides investment opportunities. To ensure that the objective is realized, the Supervisory Committee reviewed the following:-

- a) Petty cash and bank reconciliation
- b) Budget Variance Analysis
- c) Recovery of defaulted loans
- d) Staff affairs and statutory deductions

- e) Implementation of 2015 AGM resolutions and strategic plan
- f) Minutes of Management and subcommittee meetings
- g) Kanisa Holdings Operations and the books of Accounts
- h) Asset Register
- i) Nominee files
- j) Loan application forms

#### 4. OBSERVATIONS

During the year under review, Supervisory Committee exercised its mandate by carrying out a comprehensive audit of the SACCOS operations with the aim of identifying areas that required improvements in order to enhance service delivery to members, protect our investment, expand product line and enhance efficiency in SACCO's operations.

To this end the committee provided timely reports every three months and we are happy to report that on all areas where issues were raised, adequate feedback and prompt action was taken by the CMC in order to address those issues. During the reviews, the following observations were made.

##### 4.1. Performance

It is encouraging to note that the Society has grown considerably, in the year under review. Membership grew from 1,222 in 2014 to 1,503 in 2015 while loans to members increased from KES 182,217,582.00 to 217,486,057.00. The overall turnover grew from KES 20,506,693.00 in 2014 to KES 26,916,347.00. This among others has come about due to the investment opportunities by Kanisa Holdings-a subsidiary fully owned by the SACCO.

We noted that the investment by KHL, a subsidiary of Kanisa SACCO contributed towards the profitability hence the increase in interest on members' deposits this year to 9.2%. Supervisory Committee would like to recognize the visionary direction taken by the Management in the creation of the investment opportunities.

##### Recommendation.

We challenge the Central Management Committee (CMC) to set the bar higher and achieve double digit returns to members in the coming year.

##### 4.2. Dividend and Interest on Deposits Payment

The Management's objective is to distribute the dividends and interest on deposits soon after adoption of resolution during the AGM. This was however not the case with the distribution of the same in 2015. Members were frustrated by the long wait which resulted due to the challenges encountered with the Cooperative Bank. The CMC was able to resolve the issue by engaging the Commercial Bank of Africa.

##### Recommendation

Supervisory Committee advises the CMC to put up measures in place to ensure that there will be no a repeat of the same in the future.

##### 4.3. Loan Default

According to the credit policy, a loan is considered defaulted if it remains un-serviced for two (2) months. Defaulted loans are recovered from guarantors. Supervisory Committee notes with a lot of concern that huge amounts of defaulted loans had to be recovered from members who had guaranteed others. This is detrimental, both to the SACCO and the members affected.

During the review, SC noted that the CMC is in the process of putting measures in place to ensure that affected members have avenues through which they can recover their hard earned cash from loan defaulters. Such measures include engaging debt



## SUPERVISORY COMMITTEE REPORT (Continued)

collectors and registering the SACCO with Credit Reference Bureau (CRB) as resolved during the 2015 AGM. SC also observed that during the year under review, no member applied for the trustee loan. This particular loan is intended for members whose deposits are at a risk of being reduced due to a defaulted loan. A member can apply for this loan in order to pay off a defaulted loan without interfering with the Member's deposits.

It is however the responsibility of each member to safeguard his/her deposits by carefully vetting the member they guarantee. By guaranteeing a member, it is like giving your deposit for the member to trade with.

### Recommendation

- a) CMC should create awareness on the existence of the trustee loan and also examine its appropriateness
- b) The SC advises members to take responsibility for the loans and honor their obligations as they fall due
- c) SC urges Management to hasten the process of registering the SACCO with CRB and engagement with debt collectors
- d) Members are advised to establish the credit worthiness of the member you intend to guarantee by exercising caution while guaranteeing other members.
- e) Supervisory Committee urges CMC to ensure that all defaulters are barred from accessing SACCO products. For any member applying for a loan, their credit history must be assessed.

### 4.4. Nominee / Next of Kin forms

SC observed that most of the members are not updating their nominee's forms. Most forms still have the information that was filled by the members when they were joining the SACCO several years ago. Failing to update or give this important information may pose a challenge when a member passes on and the forms left behind do not reflect the wishes of the departed member.

### Recommendation

- a) We urge you members to continuously update the nominee forms at least once every year or as often as changes occur in your lives so as to reflect your wishes in the event of death
- b) We urge the Central Management Committee (CMC) to educate members on the importance of updating the nominee forms regularly

### 4.5. Unidentified Receipts

It is worth noting that the unidentified receipt has risen up from KES. 460,987.00 in 2014 to KES. 759,320.00 in 2015. The practice is that members are expected to make their payments to the Society through their employer or individually through banking and submitting the slip to the office or scan and email a copy to the office. SC noted that among the situations that contributed to the increase in unidentified deposits were but not limited to-

- a) Member not indicating names or member number
- b) Member indicating a single name e.g. Ann instead of Ann Njeri Kioi
- c) Member not insisting that the details be put in the bank slip
- d) Member sending someone to deposit on their behalf without indicating their correct details
- e) Member not following up on their personal accounts in the Society
- f) Members issuing standing orders to the bank and not informing the office

Since the money cannot be traced to the member, such funds are credited to a suspense account.

### Recommendation

- a) We urge you members to be remitting the bank deposit slips to the office so that the office is able to credit the amounts in your personal accounts;
- b) We also request the CMC to come up with ways of dealing with unidentified receipts such as regularly sending statements to members.



## SUPERVISORY COMMITTEE REPORT (Continued)

### 4.6. Products

The SC noted that CMC continued to introduce new loan and loan-related services which can be of benefit to you members. These products include deposit boosting facilities and trustee loans introduced during the 2015 AGM. However, we have noted the low uptake of these products during the year.

### Recommendation

- a) As the SC we urge you to familiarize yourself with the loan products by visiting office, visiting website and attending education days
- b) We also urge members whose deposits are earmarked to pay defaulted loans to take advantage of the trustee loan.
- c) Members are advised to take a look at loan products suiting your needs and apply.
- d) Management to create awareness by periodically notifying members of the existing products

### 4.7. Loan Application

During review of the loan application process, SC observed the efficiency in which CMC disbursed loans, thorough appraisal process and the advice offered to loan applicants. However, the SC observed that in some instances, some details were not properly filled in the loan application forms.

### Recommendation

- Members are urged to ensure that the loan forms are complete and correctly filled thus avoid unnecessary delays


## 5. CONCLUSION

We conclude by indicating that 2015 was a year of growth in terms of share capital, membership, revenue and loan portfolio. In our opinion, the SACCO continues to operate within the established by-laws and regulatory framework.


SC would like to thank the Central Management Committee and the Staff for the support accorded while performing our role during the year under review. We would also like to thank Ministry of Industrialization & Enterprise Development Officials for their advisory role. Last but not least, a big thank you to you members for giving us an opportunity to serve you.

As the Supervisory Committee we look forward to a successful year 2016.

Signed by:

Chairperson: Joyce Kangogo  \_\_\_\_\_ Date: 12/03/2016

Secretary: Richard Kola  \_\_\_\_\_ Date: 12/03/2016

Member: Salome Kihara  \_\_\_\_\_ Date: 12/03/2016



# AUDITED REPORT

## STATISTICAL INFORMATION

### Number of members - Active - Dormant

**31.12.2015**

**1266**

**237**

**31.12.2014**

**1044**

**178**

**KES**

**KSHS**

Members Deposits

201,762,703.00

165,438,319.00

Share Capital

8,088,467.00

6,567,511.00

Loans to Members

217,486,057.00

182,712,582.00

Statutory Reserves

6,931,033.87

6,718,508.86

Savings Scheme

2,782,637.00

2,156,805.00

Retained Earnings

764,390.68

764,290.62

Current Assets

28,040,285.00

18,870,709.00

Current Liabilities

29,939,788.00

22,811,774.00

Turnover

26,916,347.00

20,506,693.00

### KEY RATIOS

Liquidity Ratio

0.9:1

0.8:1

Membership Increase

21.30%

29%

Percentage of Expense to Revenue

26.80%

30%

Interest on Member Deposits

9.20%

8.1%

Dividends on Shares

1.36

1.43


## STATEMENT OF THE MANAGEMENT COMMITTEE RESPONSIBILITIES

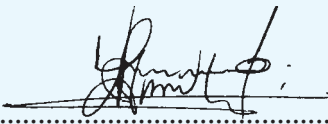
The Kenya Co-operative Society Act, Cap 490 requires the Management committee to prepare financial statements for each year which give a true and fair view of the state of affairs of the Society as at the end of the financial year of its operating results for that year in accordance with IFRS. It also 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. 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 Management committee accepts responsibility for the annual financial statement which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with IFRS and in the manner required by the co-operative Society Act, cap 490. 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 the next twelve months from the date of this statement.

Approved by the Management committee on **22/02/2016** and signed on its behalf by:

Chairman ..... 

Treasurer ..... 

Committee Member..... 



## INDEPENDENT AUDITORS REPORT

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Kanisa SACCO set out on page 6-15 which comprise the balance sheet, as at 31st December 2015, income statement, statement of changes in equity and cash flow for the year then ended, and summary of significant accounting policies and other explanatory notes.

### RESPECTIVE RESPONSIBILITIES OF COMMITTEE MEMBERS AND AUDITORS

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 Kenyan Cooperative societies Act. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements and that they are free from material misstatement whether due to fraud or error selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances. The Kenya Cooperative Societies Act also requires the Management to ensure that the Society maintains proper books of accounts which are in agreement with the balance sheet and the profit and loss account.

### AUDITORS RESPONSIBILITY

Our responsibility is to express an independent opinion on the financial statements based on our Audit. We conducted our Audit in accordance with the International Auditing standards. These standards require that we comply with ethical requirements and plan and perform the Audit to obtain reasonable assurance whether the financial statements are free of 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 assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments; the auditor considers 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 the 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 an evaluation of the overall presentation of the financial statements.

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

### OPINION

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 2015 and results of its operations and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Kenya Cooperative Societies Act.

## INDEPENDENT AUDITORS REPORT (continued)

### REPORT ON OTHER LEGAL REQUIREMENTS

As required by the Kenya cooperative societies Act we report to you that the financial statements are in agreement with the books kept by the Society and that, based on our audit, nothing has come to our attention that causes us to believe that the Society's business has not been conducted:

- (a) In accordance with the provisions of the cooperative societies Act and;
- (b) In accordance with the Cooperatives objectives, by-laws and any other resolutions made by the Society at a general meeting.

For and on behalf of:

MINISTRY OF INDUSTRIALIZATION AND ENTERPRISE DEVELOPMENT



CPA DANIEL NGUTI  
AG. COUNTY DIRECTOR CO-OP AUDIT.  
NAIROBI CITY COUNTY

DATE **23/02/2016** .....

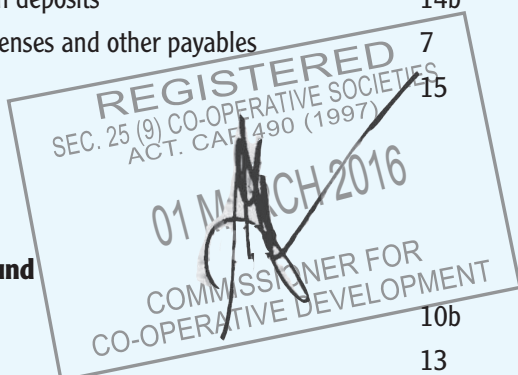


## INCOME STATEMENT FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2014


	Notes	2015	2014
REVENUE		KES	KES
Interest on loans		21,851,550.00	19,471,856.00
Other interest income	8	497,944.00	324,391.00
		<b>22,349,494.00</b>	<b>19,796,247.00</b>
Interest expenses	14a	(18,640,000.00)	(13,507,340.00)
<b>Net interest income</b>		<b>3,709,494.00</b>	<b>6,288,907.00</b>
Other operating income	9	4,566,853.00	710,446.00
<b>Net Income</b>		<b>8,276,347.00</b>	<b>6,999,353.00</b>
Administration expenses	11	(6,940,240.93)	(5,831,353.00)
Other operating expenses	12	(272,910.00)	(264,383.00)
<b>Net operating surplus before income tax</b>		<b>1,063,196.07</b>	<b>903,617.00</b>
Income tax expense	9b	(571.00)	(793.00)
<b>Operating surplus after tax</b>		<b>1,062,625.07</b>	<b>902,824.00</b>
20% Transfer to statutory reserve		(212,525.01)	(180,564.80)
<b>Surplus available for distribution</b>		<b>850,100.05</b>	<b>722,259.20</b>
Provision for honoraria		(300,000.00)	(250,000.00)
Provision for dividends		(550,000.00)	(470,000.00)
<b>Surplus to retained earnings</b>		<b>100.05</b>	<b>2,259.20</b>

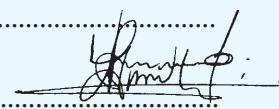
## BALANCE SHEET AS AT 31<sup>ST</sup> DECEMBER 2015

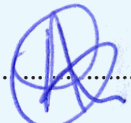
	NOTES	2015 KES	2014 KES
<b>ASSETS</b>			
Cash and cash equivalent	6	19,698,836.00	10,101,127.00
Trade and other receivables	5	8,341,449.00	8,627,582.00
Loans to members	4	217,486,057.00	182,712,582.00
Financial assets	3	1,142,000.00	142,000.00
Property plant & equipment	2	818,040.55	717,112.48
<b>Total Assets</b>		<b>247,486,382.55</b>	<b>202,300,403.48</b>
<b>LIABILITIES</b>			
<b>Members deposits</b>	10a	201,762,703.00	165,438,319.00
Members savings scheme	16	2,782,637.00	2,156,805.00
Dividends payable	18	550,000.00	470,000.00
Interest payable on deposits	14b	18,500,000.00	13,400,000.00
Trade accrued expenses and other payables	7	2,338,208.00	1,261,148.00
Insurance fund	15	5,768,943.00	5,523,821.00
<b>Total Liabilities</b>		<b>231,702,491.00</b>	<b>188,250,093.00</b>
<b>Shareholders Fund</b>			
Share capital	10b	8,088,467.00	6,567,511.00
Reserves	13	7,695,424.55	7,482,799.48
<b>Total Shareholders Fund</b>		<b>15,783,891.55</b>	<b>14,050,310.48</b>
<b>Total Liabilities and Shareholders Fund</b>		<b>247,486,382.55</b>	<b>202,300,403.48</b>



The financial statement on pages 34-49 were authorised for issue by the Management committee on 20/02/2016 and signed on behalf by

Chairman.....

Committee Member.....

Committee Member.....





## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2015

	Share Capital	Statutory Reserve	Retained Earning	Total
	KES	KES	KES	KES
Year ended 31st Dec 2014				
At start of the year	5,123,050.00	6,537,944.06	762,031.42	12,423,025.48
<b>Restated balance as at start of the year</b>	<b>5,123,050.00</b>	<b>6,537,944.06</b>	<b>762,031.42</b>	<b>12,423,025.48</b>
Changes in Equity in 2014				
Contributions	1,444,461.00			1,444,461.00
Adjustment in Accounting Policy				-
Surplus for the year			903,617.00	903,617.00
20% Statutory Reserve		180,564.80	(180,564.80)	-
Tax Provision			(793.00)	(793.00)
Payments				-
Dividends			(470,000.00)	(470,000.00)
Honoraria			(250,000.00)	(250,000.00)
<b>As at 31st December 2014</b>	<b>6,567,511.00</b>	<b>6,718,508.86</b>	<b>764,290.62</b>	<b>14,050,310.48</b>
Start of the year				
Changes in Equity in 2015				
Contributions	1,520,956.00			1,520,956.00
Transfer to Profit & Loss				-
Surplus for the year			1,062,625.07	1,062,625.07
20% Statutory Reserve		212,525.01	(212,525.01)	-
Tax Provision			(571.00)	(571.00)
Payments				-
Dividends			(550,000.00)	(550,000.00)
Honoraria			(300,000.00)	(300,000.00)
				-
<b>As at 31st December 2015</b>	<b>8,088,467.00</b>	<b>6,931,033.87</b>	<b>764,390.68</b>	<b>15,783,891.55</b>



## CASH FLOW STATEMENT

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>KES</b>	<b>KES</b>
<b>Cash flow from operating activities</b>		
Interest received on loans	21,851,550.00	19,471,856.00
Other operating income	2,057,386.00	702,532.00
Interest payments	(13,221,449.00)	(10,359,858.00)
Payment to employees and suppliers	(6,888,142.00)	(5,828,611.00)
	<b>3,799,345.00</b>	<b>3,985,919.00</b>
<b>Increase/Decrease in operating assets</b>		
Loans to Members	(34,773,475.00)	(29,926,046.00)
Trade and other Receivables	286,133.00	(2,191,583.00)
<b>Increase/Decrease in operating Liabilities</b>		
Deposits from members	36,324,384.00	29,850,005.00
Members savings	625,832.00	1,992,499.00
Creditors	-	(487,314.00)
Trade and other payables	698,231.00	(32,837.00)
Honoraria paid	(250,000.00)	(250,000.00)
Insurance fund	245,122.00	663,192.00
Audit fee paid	(33,200.00)	(32,100.00)
Income tax paid	(793.00)	(13,991.00)
<b>Net cash from operating activities after tax</b>	<b>6,921,579.00</b>	<b>3,557,744.00</b>
<b>Cash flow from investing activities</b>		
Purchase of property and equipment	(382,237.00)	(131,400.00)
Investment in Kanisa holdings Ltd	(1,000,000.00)	
Interest received	497,944.00	324,391.00
Dividends received	2,509,467.00	7,914.00
<b>Net cash from investing activities</b>	<b>1,625,174.00</b>	<b>200,905.00</b>
<b>Cash Flow from Financing activities</b>		
Share Capital Contributions	1,520,956.00	1,444,461.00
Dividends Paid	(470,000.00)	(336,000.00)
<b>Net cash from financing activities</b>	<b>1,050,956.00</b>	<b>1,108,461.00</b>
<b>Net(Decrease)/Increase in cash and equivalent</b>	<b>9,597,709.00</b>	<b>4,867,110.00</b>
<b>Cash and cash equivalent at the beginning of the year</b>	<b>10,101,127.00</b>	<b>5,234,017.00</b>
<b>Cash and cash equivalent at the end of the year</b>	<b>19,698,836.00</b>	<b>10,101,127.00</b>



## NOTES TO THE ACCOUNTS

### 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 and basis of preparation

The Financial Statements are prepared in accordance and comply with International Financial Reporting Standards.

These financial Statements are presented in the functional currency, Kenya shillings (KES) and prepared under the historical cost convention, as modified by revaluation of assets as prescribed by IFRS.

#### b) Revenue Recognition.

Interest on loans to members is calculated on a reducing balance method at a monthly rate of 1%. Interest income is recognized on a time proportion basis by reference to the principal outstanding and the effective interest rate applicable

#### 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 amount, based on periodic valuation by the independent valuers. All property, plant and equipment are stated at historical cost less depreciation.

Depreciation is calculated using the reducing balance method to write down the cost of each asset to its residual value over estimated useful life. The annual depreciation rate in use are:

<b>Assets</b>	<b>Rates</b>
Furniture & fittings	12.5%
Computers	33%
Office equipment	12.5%

#### d) Statutory Reserves

Transfers are made to the statutory reserve fund at the rate of 20% of the net operating surplus after tax provision of section 47(1&2) of the cooperative Society act Cap 490

#### e) Trade and Other Payables

Trade and other payables are recognised initially at fair value and subsequently measured at a mortised cost using the effective interest rate method

#### f) Cash and Cash Equivalents

Cash and Cash equivalents comprise cash on hand and demand deposit and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to insignificant risk of change in value.

## NOTES TO THE ACCOUNTS (continued)

### NOTE 2 PROPERTY PLANT & EQUIPMENT MOVEMENT SCHEDULE:

	Furniture and fittings KES	Computer and Equipment KES	Office Equipment KES	TOTAL KES
<b>COST</b>				
1.1.2015	118,105.75	1,382,124.00	304,099.00	1,804,328.75
Additions	50,743.00	231,599.00	99,895.00	382,237.00
<b>31.12.2015</b>	<b>168,848.75</b>	<b>1,613,723.00</b>	<b>403,994.00</b>	<b>2,186,565.75</b>
<b>DEPRECIATION</b>				
1.01.2015	64,456.64	921,942.73	100,816.90	1,087,216.27
For the period	13,049.01	230,362.78	37,897.14	281,308.93
31.12.2015	77,505.65	1,152,305.51	138,714.04	1,368,525.20
<b>NET BOOK VALUE.</b>				
31.12.2014	53,649.11	460,181.27	203,282.10	717,112.48
31.12.2015	91,343.10	461,417.49	265,279.96	818,040.55



## NOTES TO THE ACCOUNTS (continued)

	<b>31.12.2015</b> <b>KES</b>	<b>31.12.2014</b> <b>KES</b>
<b>NOTE 3 FINANCIAL ASSETS</b>		
10,000 Ordinary shares @ Kes 100 each in Kanisa holdings Ltd	1,000,000.00	-
132,000 Ordinary shares @ Kes 1 each in Co-op Bank (K) Ltd	132,000.00	132,000.00
10,000 Shares in CIC (K) Ltd @ Kes 1 each	10,000.00	10,000.00
	<b>1,142,000.00</b>	<b>142,000.00</b>
<b>NOTE 4 LOANS TO MEMBERS</b>		
At the start of the year	182,712,582.00	152,786,536.00
Granted during the year	284,191,430.00	220,665,001.00
Repayments during the year	(249,417,955.00)	(190,738,955.00)
	<b>217,486,057.00</b>	<b>182,712,582.00</b>
Balance as per listing	217,486,003.00	182,712,503.00
Difference	54.00	79.00
<b>NOTE 5 TRADE AND OTHER RECEIVABLES</b>		
a Debtor Employer (List attached) P15	8,010,307.00	8,194,984.00
b Loan defaulters (List attached) P15	331,142.00	432,598.00
<b>TOTAL</b>	<b>8,341,449.00</b>	<b>8,627,582.00</b>
<b>NOTE 6 CASH AND CASH EQUIVALENT</b>		
CIC money market - call deposit	9,359,263.00	5,504,111.00
UAP money market - call deposit	1,038,987.00	
CBA current account (reconciled)	2,628,413.00	610,256.00
Co-op bank savings account	612,476.00	508,946.00
Co-op bank current account(reconciled)	5,168,414.00	3,008,121.00
M-pesa accounts	888,383.00	465,643.00
Cash at hand (verified)	2,900.00	4,050.00
	<b>19,698,836.00</b>	<b>10,101,127.00</b>

## NOTES TO THE ACCOUNTS (continued)

		<b>31.12.2015</b>	<b>31.12.2013</b>
		<b>KES</b>	<b>KES</b>
<b>NOTE 7a</b>	<b>TRADE AND OTHER PAYABLES</b>		
	Interest on savings scheme accounts	140,000.00	107,340.00
	Unpaid Interests on members deposits	614,617.00	328,726.00
	Honoraria provided	300,000.00	250,000.00
	Audit and supervision	43,700.00	33,200.00
	Kanisa housing	220,000.00	80,102.00
	Income tax	571.00	793.00
	Kanisa holdings Ltd	260,000.00	
	Unidentified receipts	759,320.00	460,987.00
		<b>2,338,208.00</b>	<b>1,261,148.00</b>
	Unidentified receipts refers to deposits made in the bank by members who fail to present the banking slips to the SACCO for recording.		
<b>NOTE 8</b>	<b>OTHER INTEREST INCOME</b>		
	Bank savings account	3,805.00	5,286.00
	Money market		
	CIC	455,152.00	319,105.00
	UAP	38,987.00	-
		<b>497,944.00</b>	<b>324,391.00</b>
<b>NOTE 9a</b>	<b>OTHER OPERATING INCOMES</b>		
	Dividends receivable		
	CIC	1,364.00	1,022.00
	COOP BANK	8,103.00	6,892.00
	KANISA HOLDINGS	2,500,000.00	
	Fines and penalties	388,000.00	338,200.00
	CIC insurance commission and rebates	236,161.00	140,332.00
	Rebates from Kanisa holdings	1,000,000.00	
	Deposit boosting charges	171,225.00	
	Entrance fee	262,000.00	224,000.00
		<b>4,566,853.00</b>	<b>710,446.00</b>
<b>NOTE 9b</b>	<b>PROVISION FOR CORPORATE TAX KES 571.00</b>		
	Interest from bank savings account	3,805.00	5,286.00
	50% of the taxable interest	1,902.50	2,643.00
	30% thereof	<b>571.00</b>	<b>793.00</b>



## NOTES TO THE ACCOUNTS (continued)

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>KES</b>	<b>KES</b>
<b>NOTE 10a MEMBER DEPOSITS</b>		
At the start of the year	165,438,319.00	135,588,314.00
Contributions during the year	56,208,146.00	44,125,661.00
Refunds during the year	(19,883,762.00)	(14,275,656.00)
<b>Total</b>	<b>201,762,703.00</b>	165,438,319.00
Balance as per the listings	201,762,703.00	165,438,406.00
<b>Difference</b>	-	(87.00)
<b>NOTE 10b SHARE CAPITAL</b>		
At the start of the year	6,567,511.00	5,123,050.00
Contributions during the year	1,520,956.00	1,444,461.00
<b>Total</b>	<b>8,088,467.00</b>	<b>6,567,511.00</b>
Balance as per the listings		
Difference		
<b>NOTE 11 ADMINISTRATION EXPENSES</b>		
Printing	105,983.00	54,160.00
Travelling expenses	368,800.00	207,000.00
Communication expenses	82,650.00	80,250.00
Depreciation	281,308.93	233,925.00
Committee meeting reimbursements	872,543.00	734,100.00
Responsibility and supervision expenses	280,000.00	252,000.00
Education to committee	294,400.00	229,976.00
Personnel development	59,000.00	30,750.00
Other committee expenses	195,330.00	118,650.00
Office supplies	91,356.00	76,206.00
Salaries and wages	2,194,025.00	1,905,568.00
AGM expenses	902,400.00	792,660.00
Education to members	782,500.00	595,468.00
Audit fees	39,500.00	30,000.00
Supervision fees	3,950.00	3,000.00
Recoverable expenses	250.00	200.00
Strategic plan implementation	229,690.00	349,440.00
Office rent	40,000.00	44,800.00
Public relations	41,500.00	38,300.00

## NOTES TO THE ACCOUNTS (continued)

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>KES</b>	<b>KES</b>
Legal fees	3,600.00	4,400.00
Repairs and maintenance	25,455.00	17,000.00
Office cleaning	36,000.00	33,500.00
Ushirika day celebrations	10,000.00	
	<b>6,940,240.93</b>	<b>5,831,353.00</b>
<b>NOTE 12 OTHER OPERATING EXPENSES</b>		
Donations	80,465.00	50,000.00
Bank charges	192,445.00	214,383.00
	<b>272,910.00</b>	<b>264,383.00</b>
<b>NOTE 13 RESERVES</b>		
Statutory reserve	6,931,033.87	6,718,508.86
Retained earnings	764,390.68	764,290.62
	<b>7,695,424.55</b>	<b>7,482,799.48</b>
<b>NOTE 14a INTEREST EXPENSE</b>		
Interest on member deposits	18,500,000.00	13,400,000.00
Interest on savings scheme accounts	140,000.00	107,340.00
	<b>18,640,000.00</b>	<b>13,507,340.00</b>
<b>NOTE 14b INTEREST PAYABLE ON DEPOSITS</b>	<b>18,500,000.00</b>	<b>13,400,000.00</b>
The amount is payable on approval by the AGM	9.20%	8.10%
<b>NOTE 15 INSURANCE FUND</b>		
Balance b/f	5,523,821.00	4,860,629.00
Contributions by members	1,503,391.00	1,818,761.00
Payment to insurance	(1,258,269.00)	(1,155,569.00)
Balance c/d	<b>5,768,943.00</b>	<b>5,523,821.00</b>
<b>NOTE 15 MEMBERS SAVINGS SCHEME</b>		
At the start of the year	2,156,805.00	164,306.00
Contribution for the year	5,545,527.00	2,974,723.00
Refunds for the year	(4,919,695.00)	(982,224.00)
Balance at the end of the year	<b>2,782,637.00</b>	<b>2,156,805.00</b>
This amount earned interest of 5% p.a paid on a pro rata basis		



## NOTES TO THE ACCOUNTS (continued)

**NOTE 17**

**BUDGET PERFORMANCE**

The Society operated under the approved budget

**NOTE 18**

**DIVIDENDS PAYABLE 550,000.00**

The Management committee proposes to pay dividends to members @ Kes 1.36 per share subject to approval by the AGM



## LIST OF SUNDRY DEBTORS AND LOAN DEFAULTERS

	<b>31.12.2015</b>	<b>31.12.2014</b>
	<b>KES</b>	<b>KES</b>
<b>A. DEBTOR EMPLOYERS</b>		
All Africa Conference of Churches	1,589,507.00	3,497,697.00
Film Aid	295,589.00	182,996.00
Lutheran World Relief	109,259.00	-
FECCLAHA	278,084.00	215,135.00
PROCMURA	463,239.00	-
Telcom Deposit	2,300.00	2,300.00
African Council of Religious Leaders	71,750.00	65,000.00
Lutheran World Federation	3,000.00	-
Sankara Hotel	597,154.00	566,328.00
Inter Religious Council	130,273.00	140,358.00
Christian Partners Development Agency	-	25,170.00
Church World Service	226,793.00	
World Scout Bureau	356,509.00	
Crown the Child Africa	118,000.00	
Jamii Auto Care	28,000.00	
Green Growth Coordination Secretariat	81,850.00	
Kanisa Holdings Ltd	3,659,000.00	3,500,000.00
	<b>8,010,307.00</b>	<b>8,194,984.00</b>
These are deductions for the month of December not remitted by the end of the year.		
<b>B. LOAN DEFAULTERS.</b>		
Bernard Mwinzi - OAIC Int	221,637.00	288,313.00
Abel Mboo	89,506.00	89,506.00
Joshua Olang	15,000.00	49,780.00
Margaret Itto	4,999.00	4,999.00
	<b>331,142.00</b>	<b>432,598.00</b>
<b>GRAND TOTAL</b>	<b>8,341,449.00</b>	<b>8,627,582.00</b>
Doubtful debts - Abel Mboo	89,506.00	
- Margaret Itto	4,999.00	
	<b>94,505.00</b>	

N/B. Debts owed by Abel Mboo and Margaret Itto are doubtful debts which the Management Committee is working on the way forward.



# FY2016 REVISED BUDGET AND FY2017 PROPOSED BUDGET

RECURRENT EXPENDITURE	Actual 2015	Approved Budget 2015	% Increase/ Decrease Compared to 2015 Actual	Approved Budget 2016	Revised Budget 2016	% Increase/ Decrease Compared to 2016 Approved	Proposed Budget 2017	% Increase/ Decrease Compared to 2016 revised Budget	Notes
<b>INCOME</b>									
Interest on Loans to Members	21,851,549.60	21,569,590.96	-1%	24,157,941.88	25,389,996.92	5%	27,928,996.61	10%	Interest earned from loans to members.
Insurance Rebates & Commissions	236,161.00	150,000.00	-36%	200,000.00	250,000.00	25%	280,000.00	12%	Commissions earned from CIC MotorVehicle Insurance strategic alliance and rebates from members loans insurance.
Interest Income	497,944.00	400,000.00	-20%	400,000.00	500,000.00	25%	600,000.00	20%	Interest earned from money market accounts and bank deposits.
Entrance fee	262,000.00	250,000.00	-5%	300,000.00	300,000.00	0%	350,000.00	17%	Entrance fees from new members.
Charges on non AGM/Education Day attendants	388,000.00	350,000.00	-10%	350,000.00	450,000.00	29%	450,000.00	0%	Fines for non-attendance of the AGM and Education days.
Investment Income	2,509,467.00	3,000,000.00	20%	4,000,000.00	2,500,000.00	-38%	2,500,000.00	0%	Dividends received from Kanisa Holdings, CIC and Co-op bank shares investments.
Deposit Boosting Charges	171,225.00				250,000.00		300,000.00	20%	Amount charged on members who boost their deposits for the purposes of borrowing.
KHL Expenses Contributions	1,000,000.00				1,500,000.00		1,500,000.00	0%	Kanisa Holdings contribution to the office running expenses.
<b>Total Income</b>	<b>26,916,346.60</b>	<b>25,719,590.96</b>	<b>-4%</b>	<b>29,407,941.88</b>	<b>31,139,996.92</b>	<b>6%</b>	<b>33,908,996.61</b>	<b>9%</b>	
<b>EXPENDITURE</b>									
Salaries	2,194,025.00	2,163,180.00	-1%	2,500,000.00	2,677,735.00	7%	2,860,000.00	7%	Payment of salaries.
Personnel Development	59,000.00	60,000.00	2%	100,000.00	120,000.00	20%	120,000.00	0%	Staff skills development as identified through performance reviews.
Monthly Responsibility/ Administration Expenses	280,000.00	294,000.00	5%	294,000.00	294,000.00	0%	320,000.00	9%	Administration and responsibility reimbursements.
Committee Meeting Reimbursements	872,543.00	904,500.00	4%	904,500.00	904,500.00	0%	994,500.00	10%	CMC and Supervisory Committee meetings reimbursements.
AGM Expenses	902,400.00	900,000.00	0%	1,000,000.00	1,000,000.00	0%	1,000,000.00	0%	AGM expenses based on current market rates for food and conference facilities as per the increase in membership.
Bank Charges	192,445.00	250,000.00	30%	300,000.00	300,000.00	0%	300,000.00	0%	Bank charges include ledger fees and costs of sending dividends to members. All costs charged on standing orders or Mpesa payments are passed onto the member.
Depreciation	281,308.93	250,000.00	-11%	250,000.00	250,000.00	0%	300,000.00	20%	Assets depreciation costs.
Education to Members	782,500.00	900,000.00	15%	1,000,000.00	1,000,000.00	0%	1,000,000.00	0%	Education day expenses based on current market rates for food and conference facilities as per the increase in membership. The CMC continuously evaluates ways and means of organising this day at minimal costs.
Education to Committee Members	294,400.00	250,000.00	-15%	300,000.00	300,000.00	0%	300,000.00	0%	CMC and Supervisory Committee members training.

## FY2016 REVISED BUDGET AND FY2017 PROPOSED BUDGET (Cont.)



RECURRENT EXPENDITURE	Actual 2015	Approved Budget 2015	% Increase/ Decrease Compared to 2015 Actual	Approved Budget 2016	Revised Budget 2016	% Increase/ Decrease Compared to 2016 Approved	Proposed Budget 2017	% Increase/ Decrease Compared to 2016 revised Budget	Notes
Committee Other Expenses	195,330.00	200,000.00	2%	200,000.00	250,000.00	25%	250,000.00	0%	Covers incidental expenses such as meetings with the banks, ministry, lawyers, auditors, corporate members, potential members and ad hoc committees.
Printing Costs	105,983.00	150,000.00	42%	200,000.00	200,000.00	0%	200,000.00	0%	Printing of loan forms, membership cards and brochures.
Audit fees	43,700.00	100,000.00	129%	100,000.00	100,000.00	0%	100,000.00	0%	Based on quotations received from auditors.
Transport Expenses	368,800.00	412,000.00	12%	412,000.00	412,000.00	0%	412,000.00	0%	This caters for transport expenses.
Repairs and Maintenance	25,455.00	30,000.00	18%	30,000.00	40,000.00	33%	40,000.00	0%	Equipment and computer maintenance plus back-up costs.
Office Rent	40,000.00	48,000.00	20%	48,000.00	48,000.00	0%	48,000.00	0%	Rent is paid quarterly @ KES 12,000 per quarter.
Office Cleaning	36,000.00	40,000.00	11%	40,000.00	40,000.00	0%	40,000.00	0%	Covers cleaning of the two Kanisa SACCO offices.
Communication	82,650.00	85,000.00	3%	85,000.00	100,000.00	18%	100,000.00	0%	Kanisa-sacco.org domain renewal and hosting expenses plus telephone expenses.
Ushirika Day Celebrations	10,000.00	10,000.00	0%	10,000.00	30,000.00	200%	30,000.00	0%	Ushirika day expenses.
Donations/ Charity Day/ CSR	80,465.00	90,000.00	12%	90,000.00	90,000.00	0%	90,000.00	0%	Covers donations/Charity Day/Corporate Social Responsibility expenses.
Legal Expenses	3,600.00	50,000.00	1289%	50,000.00	50,000.00	0%	50,000.00	0%	Covers legal consultation expenses if required.
Public Relations and Membership Retention	41,500.00	50,000.00	20%	50,000.00	50,000.00	0%	50,000.00	0%	Conduct visits to existing and new corporate organisations
Strategic plan Implementation & Policy Development	229,690.00	350,000.00	52%	100,000.00	150,000.00	50%	150,000.00	0%	Costs associated with the Kanisa SACCO strategic plan Implementation.
Members T-shirt Printing					600,000.00				Printing of members T-shirts.
Office Supplies	91,356.00	100,000.00	9%	120,000.00	120,000.00	0%	120,000.00	0%	Purchase of office supplies e.g. water and stationeries.
<b>Total Expenditure</b>	<b>7,213,150.93</b>	<b>7,686,680.00</b>	<b>7%</b>	<b>8,183,500.00</b>	<b>9,126,235.00</b>	<b>12%</b>	<b>8,874,500.00</b>	<b>-3%</b>	
Surplus for the period	19,703,195.67	18,032,910.96		21,224,441.88	22,013,761.92		25,034,496.61		
<b>CAPITAL EXPENDITURE</b>									
Computer hardware and software	231,599.00	200,000.00	-14%	200,000.00	300,000.00	50%	350,000.00	17%	Purchase of computer hardware, printer and software.
Website & Website Portal Development					200,000.00				Development of website and members website portal.
Investment in Kanisa Holdings Limited	1,000,000.00								Purchase of all issued shares in Kanisa Holdings by Kanisa SACCO.
Office Equipment	99,895.00	150,000.00	50%	-			-		
Office Furniture and Fittings	50,743.00	50,000.00	-1%	-			-		
<b>TOTALS</b>	<b>1,382,237.00</b>	<b>400,000.00</b>		<b>200,000.00</b>	<b>500,000.00</b>		<b>350,000.00</b>		



## FY2016 REVISED BUDGET AND FY2017 PROPOSED BUDGET (Cont.)

### Notes: Summary of Committee Meeting Reimbursements

Executive Committee	144,000.00	Meets at least once Every Month
Central Management Committee	342,400.00	Meets At least once every Month
Credit Committee	189,600.00	Meets at least once every Month
Supervisory Committee	78,000.00	Meets once every quarter for three days
Full Management Plus Supervisory (Quarterly)	150,500.00	Meets at least once every Quarter
<b>Total</b>	<b>904,500.00</b>	



The Kanisa SACCO Management proposes the following resolutions for consideration at the Society's 35th Annual General Meeting held on Saturday 12th March 2016:-

## 1. Disposal of Surplus

That the members resolve to dispose the FY 2015 surplus realized as follows:-

- a) Declaration of disposal of interest on deposits at a rate of 9.2% calculated on a weighted average (pro-rata basis), with a pay-out of 8% and retaining of 1.2% to deposits;
- b) Declaration of dividends at a rate of 6.8% per share (KES 1.36 per share) and that this be capitalized to shares.

## 2. Products

### a) Loan Products Realignment

The Management proposes to realign the following loan products to include the following features: -

#### i. Elimu Loan

- a. At least seventy percent (70%) of the amount applied must go towards payment of school fees and the balance amount may be paid to the member for the purchase of stationeries, uniforms and other school related items where applicable;
- b. No administrative fee will be charged per loan;
- c. All other credit terms and conditions apply.

#### ii. KHL Property Loan

- a. Remove the minimum commitment fee of ten percent (10%);
- b. The property will be charged at the expense of the loanee in favour of Kanisa SACCO. Discharge of the property will be done only upon clearing the loan and also at the expense of the loanee;
- c. No valuation will be required prior to charging of property sold by Kanisa Holdings Ltd to Kanisa SACCO members. The property will be charged at the value of the sales price;
- d. All other credit terms and conditions apply.

#### iii. Mwanangu Savings Scheme

- a. No minimum contribution amount;
- b. Reduce the withdrawal waiting period from three (3) years to one (1) year.

### b) New Loan Products and Services

#### i. Vision Loan

- a. The loan will be granted to a maximum of four (4) times of the member's deposits;
- b. The maximum loan amount will be Five (5) Million Kenya Shillings;
- c. The maximum repayment period will be Seventy Two (72) months;
- d. Interest charge per month will be 1.25% calculated on an amortization basis;
- e. The loanee will be required to pay 0.2% of the loan amount applied or the normal deposit as outlined in the credit policy, whichever is higher, as his/her monthly deposits for the entire duration of the loan;
- f. Loan amounts in excess of Two (2) Million Kenya Shillings will require additional collateral as per the credit policy.
- g. The loan can be refinanced, factored and consolidated;
- h. In using the Vision Loan to offset another single loan, the terms and conditions of factoring shall apply;



## KANISA SACCO MANAGEMENT PROPOSED RESOLUTIONS TO THE 35<sup>TH</sup> AGM TO BE HELD ON 12<sup>TH</sup> MARCH 2016 AT THE DESMOND TUTU CONFERENCE CENTRE

- i. In using the Vision Loan to offset several loans, the terms and conditions of consolidation shall apply;
  - j. A member taking this loan and utilising more than three (3) times of his/her deposits, will automatically lockout himself/herself from taking any other loans until such a time as when his/her deposits utilised towards the Vision Loan shall fall to below three (3) times of his/her deposits;
  - k. All other credit terms and conditions apply.
- ii. Zidisha Deposit Boosting Facility
- a. This is a facility whereby the member applies for his/her deposits to be boosted for the purposes of qualifying for a bigger loan and the boosting amount is paid by the Society ;
  - b. A fee of fifteen percent (15%) will be charged on the boosted amount and this shall be deducted up-front from the loan applied;
  - c. The Society will deduct the boosting amount and boosting fee from the loan applied, post the boosting amount to the loanee's deposits, and pay-out the balance of the loan to the loanee;
  - d. The maximum Zidisha deposit boosting facility amount will be One Hundred Thousand Kenya Shillings (KES 100,000);
  - e. This facility shall not apply to the "Sukuma Mwezi", "Malimali" and "Instant Loan" loan products;
  - f. All other credit terms and conditions apply

### 3. Society Borrowing Power

Resolve that the Society borrowing power beset at a limit of Ten Million Kenya Shillings (KES 10,000,000).

### 4. Honoraria

Declare to pay Three Hundred Thousand Kenya Shillings as honoraria to the Management and Supervisory Committee members and as bonus to staff.