



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

**Annual Report And Financial Statements
For The Year Ended 31 December 2020**

CHAIRMAN'S STATEMENT

Honorable members, invited guests, our esteemed guest of honour, ladies and gentlemen, on behalf of Kenpipe Sacco Board of Directors, I take this opportunity to welcome you all to Kenpipe Sacco's 41st ADM. I would like to thank you for your continued support to the society over the years. We are gathered here today in order to review the financial position of the Sacco for the year 2020 and appreciate our projections for the future.

Performance

As you are aware Kenpipe Sacco removed the common bond for membership. This has led to our members comprising of members from Kenya Pipeline Company, Inspectorate East Africa Limited, Intertek Kenya Limited, Trade House Africa, Multiple Limited, Raneem Products, MTTC, Lake Oil Limited, Sarova Hotels, P.C.E.A ST. Pauls, Liquid Telcom, Kurrent Technologies, AIPCA, Ololo Lodges & Safaris, Petrocity Group, Lukenya Gateway, KPC Retirees as well as ordinary citizens who do not belong to any specific organization. During the year in review Covid-19 pandemic caused economic distress to all the listed areas where we draw our members. This led to some members defaulting in their Sacco obligations. Arising from this we experienced increased provision for loan loss. The Sacco board however instituted a raft of measures that enabled the Sacco to still record improved performance. The measures that were put in place will henceforth continue as the board converted them into policies.

I am pleased to report that the Sacco experienced moderate growth in deposits, loans to members and interest earnings. The total Sacco assets grew to KShs 3,387,426,362 by the end of the year 2020 up from KShs 3,042,794,409 posted in the year 2019, an increase of 11.3%. The members' deposits grew by 8.7% to stand at KShs 2,407,868,964 in year 2020 compared to KShs 2,215,152,343 in the year 2019. The total loans to members grew to 2,947,554,739 from KShs 2,511,183,920 an increase of 17.4%. Our total revenue grew to KShs 485,999,253 up from KShs 408,837,545 representing an increase of 18.9%. Our growth in loans was realized as a result of the board changing policy for all long-term loans to be granted at four times the deposits. Allow me to report that when we introduced the long term loans at four times the deposits we experienced some teething problems which had to be dealt with for normalcy to return. I would like to urge Kenpipe Delegates to work as a team.

From the Sacco statistics, members' total loans against total deposits, I would like to urge our members to embrace the Co-operative principle of saving first before you borrow. It is the board's desire to see more savings than loans. We would therefore like to encourage you members to save more.

MIOG OFFICE

The Sacco opened the doors for operations of the new FOSA office at Morendant Institute of Oil & Gas (MIOG) Nairobi premises on 29th January 2021 after going through a rigorous SASRA approval process which imposed stringent compliance issues. Members can now access the services of both Credit and FOSA under one roof. The board is optimistic that this move will improve our customer service delivery which has all along been a challenge occasioned by the two services being offered in two different locations.

Human Resource

As reported earlier, the Sacco engaged the services of a Human Resource consultant who carried out and concluded the consultancy work in the last quarter of the year 2020. We have embarked on the implementation of the recommendations. The recommendations when fully implemented will lead to better service delivery by the Management and Sacco staff. The recommendations will cost very little in terms of implementation. Lastly to our management and staff, the board on behalf of the members would like to see improved performance on your part as a result of these incentives and good working conditions the new policies have brought.

CHAIRMAN'S STATEMENT (CONTINUED)

Payment of Interest Rebate and Dividends

I wish to remind you dear members that the Sacco sector is now under stringent regulations by the Sacco Societies Regulatory Authority (SASRA) which is charged with the licensing and supervision of all Saccos in the country. This is a welcome development for members as regulation is intended to protect your interests and investments. Of interest and which is worth noting is that SASRA must approve payment of interest and dividend. Arising from our good performance the board recommends payment of 12% interest on members' deposits and 16% dividend on share capital. In monetary terms the Sacco will pay interest on members' deposits amounting to KShs 254,760,679 and dividends on share capital of KShs 17,846,893.

Governance

During the past year, the board has developed board peer evaluation framework whereby each board member will be evaluated by the peers and supervisory committee. This will improve performance of the board as each member will be evaluated annually. We have developed Risk Register for the Sacco. The risk register will help in the management of the Sacco as it will direct where more emphasis needs to be put for controls and growth. Starting this year, we have put up procurement plan for the year in addition to the approved budget. This policy will continue going forward guiding our business. Kenpipe Sacco though when compared to other Saccos can take pride in low loan defaults rates, the board has instituted debt collection services to be done on our behalf on defaulted loans. The loan defaulter will be charged the debt collection cost. Going forward we believe this will tame some rouge borrowers.

In terms of how we do business, we will introduce a favorable Fixed Deposit account to enable our members to save and organize their investments. Normally we have cases of members instructing the Sacco to transfer funds to other banks through EFT or RTGS. Using ICT, we will eliminate this process and let the members give the instructions themselves. We will also be doing standing orders for our members. We believe once this is done our members who have been shying away from channeling their salaries through FOSA will have something to smile about.

By-Laws Review

The Kenpipe Sacco by-laws was last reviewed in the year 2013. The by-laws need to be reviewed to make them up to date as far as the way business practices have changed. As communicated to you the delegates earlier, I hope when the time for this comes, we will all come up with by-laws that serves for prosperity of the Sacco, improvement of service delivery as well making Kenpipe unique and grow.

Future Strategic Outlook

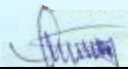
Kenpipe Sacco developed the Sacco Strategic plan 2017-2021 which has guided our business for the period. The Strategic Plan will lapse at the end of 2021. I would like to urge members to have a look at the same for more information. During the year the Sacco will develop a new strategic plan for 2022-2026 which will help shape our operations and business for the next five years.

During the year we will upgrade the existing **Microsoft Dynamics NAVISION 2015** software to **Microsoft Dynamics 365 Business Central Navision** Software. The new version will enable Kenpipe Sacco to drive the business further by delivery of services using ICT. When fully upgraded, you will be able to control your account from the comfort of your house or office e.g. institution of personal standing orders and mobile transfers of funds from your personal account in the Sacco to your bank among others.

Conclusion

I would like to express my sincere gratitude to our esteemed members for their continued support and patronage of the Sacco. There's no doubt that members are the pillar of the success of our Sacco. I wish to thank my fellow directors for their dedication and insights, and our staff for their hard work and commitment to the SACCO, while recognizing with appreciation the facilitation by KPC Management.

Finally, I would like to appreciate the State Department for Co-operatives and other stakeholders for their support.



Vitalis Opapo
Chairman

Kenpipe Savings and Credit Co-operative Society Limited - CS/NO. 3468
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STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Revenue	Notes	2020 Shs	2019 Shs
Interest income:			
- Interest on loans and advances	2 (a)	438,218,086	365,922,096
- Other interest income	2 (b)	20,124,344	14,519,290
Total interest income		458,342,430	380,441,386
Interest expense	2 (c)	(254,760,679)	(208,311,140)
Net interest income		203,581,751	172,130,246
Other operating income	2 (d)	27,656,823	28,396,160
Total operating income		231,238,574	200,526,406
Impairment charge on loans and advances	8	(1,765,280)	(3,993,675)
Governance expenses	3 (c)	(16,981,623)	(25,186,312)
Staff costs	4	(39,439,595)	(39,945,450)
Other administrative expenses	23	(13,210,176)	(15,027,797)
Other operating expenses	24	(13,247,802)	(10,531,802)
Profit before tax	3	146,594,098	105,841,370
Income tax expense	5	(2,510,376)	(2,091,429)
Net profit for the year		144,083,722	103,749,941
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
- Fair value (loss)/gain on available for sale financial assets	9	(23,774,683)	9,410,812
- Deferred tax credit/(charge) thereon	16	1,188,734	(470,541)
Net surplus for the year		121,497,773	112,690,212
20% transfer to statutory reserve		24,299,555	22,538,042
Surplus for the year available for distribution		97,198,218	90,152,170

The notes on pages 17 to 49 form an integral part of these financial statements.

Report of the independent auditor - pages 9 to 12.

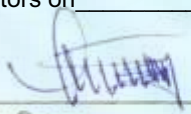
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STATEMENT OF FINANCIAL POSITION

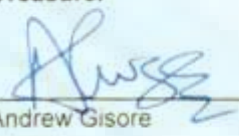
	Notes	As at 31 December	
		2020 Shs	2019 Shs
ASSETS			
Cash and bank balances	6	327,059,421	404,517,052
Receivables and prepayments	7	19,562,721	9,834,921
Loans and advances to members	8	2,947,554,739	2,511,183,920
Other financial assets	9	72,935,646	96,710,329
Tax recoverable	15	7,971,407	10,481,783
Property and equipment	10	8,176,575	5,579,298
Intangible assets	11	4,165,853	4,487,106
Total assets		3,387,426,362	3,042,794,409
LIABILITIES			
Payables	12	29,882,618	29,883,789
Interest due to members	13	254,760,679	208,311,140
Member deposits	14	2,407,868,964	2,215,152,343
Deferred tax	16	2,533,165	3,721,899
		2,695,045,426	2,457,069,171
FINANCED BY			
Share Capital	17	111,543,083	108,952,723
Statutory reserve	18 (i)	127,933,243	103,633,688
Credit Risk reserve	18 (ii)	32,163,461	27,804,912
Fair value reserve	18 (iii)	48,130,136	70,716,085
Retained Earnings	18 (iv)	354,764,120	257,185,396
Proposed dividend	18 (v)	17,846,893	17,432,435
		692,380,936	585,725,239
Total liabilities and capital		3,387,426,362	3,042,794,410



The financial statements on pages 13 to 49 were approved and authorised for issue by the board of directors on **19.02.** 2021 and were signed on its behalf by:


 Vitalis Opapo
 Chairman


 Daniel Nzuki
 Treasurer


 Andrew Gisore
 Director

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Report of the independent auditor - pages 9 to 12.