

United Nations Savings and Credit Cooperative Society Limited

UN Complex, UN Avenue, Gigiri
PO Box 2210 – 00621
Nairobi



Office Tel: +254 20 762 2700
Email: scommittee@unsacco.org
Website: <http://www.unsacco.org>

Your Financial Anchor

The Supervisory Board

2022 SUPERVISORY BOARD (COMMITTEE) REPORT

PREAMBLE:

The SB/SC remains grateful to God for giving us the opportunity and strength to serve you. Thank you too members for continued support and confidence in the Team in Office. The SC served meticulously and whole heartedly to make the institution better and secure members funds through various recommendations to the board, regulators, management, and all stakeholders.

The Supervisory Board (Committee) is elected by the general membership at such an Annual General Meeting and consists of three members who must not be employees of the Society or serving on the Board of Directors or any other Committee of the Society.

The Supervisory Board (Committee) is responsible for the Society's compliance and internal control and oversight. They are also responsible for the truth and accuracy of the Society's financial condition, and for making sure that the Society's administrative practices and procedures are adequate to safeguard the members' and the Society's rights and interest.

Section 2 of the Cooperative Act (Cap 490) notes that “**supervisory committee**” means an *oversight committee elected at a general meeting*. The name “*Supervisory Committee*” is now changed to and is interchangeably being referred to as the “**Supervisory Board**” in the industry.

The SC scope of work as per specified in Rule 28(3) of the Co-operative Societies Rules, 2004 includes counterchecking, the effectiveness of society's internal control through: -

- i) Verification of all transactions of the Society.
- ii) Writing periodic report to be tabled at Board meetings.
- iii) Submission of our reports to the Commissioner/Authority.
- iv) Presenting our reports to Annual general meeting.

The Supervisory Board (Committee) members who served in 2022 were CPA Dominic Shikunyi Mwitakho (Retired on 12th Mar 2022), CPA Charles Wambua Musyoka, Lt. Peter Ndungu Wangai and Ms. Gladys Rahadia Ogombo (Joined on 12th March 2022).

The SC members wishes to report that in 2022, we did not perform the duties or exercise any of the powers of the Board of Directors of the UN Sacco as guided by Rule 28(4) of the Co-operative Societies Rules, 2004.

The SC also gave timely value adding recommendations to the BOD on areas and processes that needed improvement to manage financial and operating risks. We were also able to discuss our reports with Board of Directors and CEO who represents Management during our Joint Board and SC meetings and made various recommendations which were either adopted or deferred.

1) SUMMARY OF ASSIGNMENTS CARRIED OUT IN 2022

The SC carried out its assignments and faithfully reported the same packaged in 4 SC Reports shared and discussed with the Board. Over NEW 32 issues (25 new issues in 2021) were brought to the attention of the Board for information, consideration, and action. Some items were discussed several occasions where delays on actioning were noted.

The list below shows *an inventory* of the items reviewed/reported to/discussed with the Board: -

- 1) **Matters on the Overall Overview of Member Status – Q1**
- 2) Matters on Irregular Loans (FOSA Overdrawing) – Q1
- 3) Matters on Accounts not Meeting FOSA Minimum Thresholds – Q1
- 4) Issues on Updated Loans Concentration Status (as of Feb 2022) – Q1
- 5) Issues on Long Outstanding Loans Issued in 2014 and Earlier (as of Feb 2022) – Q1
- 6) The Gender issue – Insights from Jan 2022 data – Q1
- 7) The Share Capital Matter – Q1
- 8) Matters on Member Similar Names – an Example
- 9) Matter on an Old Item – 2018 Forex Matter Re-discussed – Q1
- 10) Matters on Poor Wording of Board Minutes and other Errors – Q2
- 11) Matters of Renewal of Bank Signatories and Bond Investments Guidelines – Q2
- 12) **Matter on Investments of Sacco Resources in other Entities – Q2**
- 13) Issue around Authority to Guarantee Wanamataifa – Q2
- 14) Matter around Secured Asset Loans and Open Market Value – Q2
- 15) Issue on Borrowings by Members (former Directors with Fintax Case) – Q2
- 16) Update on Cash Count and FOSA Office – Q2
- 17) Matter on Electronic Register for Securities – Q3
- 18) **Issue on Developed Asset secured by Securities which were “NOT INSURED” – Q3**
- 19) Matter on Interest NOT Recoverable from Delinquent Loan – Q3
- 20) Matter on Securities Procedure Manual and Revaluations – Q3
- 21) Issues around Custody Services – Q3
- 22) Matter on Progress and Status of WICL – Q3
- 23) Matter on Revenue Recognition of WICL Plots – Q3
- 24) Matter on Open Market Value (OMV) vs Non-Performing Loans (NPL) – Q3
- 25) **Matter on Asset Loans with No Security – Q3**
- 26) Issues on Asset Loans with Outstanding Balance more than the Approved Amount – Q3
- 27) Matters on Loans with Balances Exceeding Legal Thresholds – Q4
- 28) Matters around some Underpayments to Related Parties – Q4

- 29) Matters around payment of DSA when Accommodation and Food is provided – Q4
- 30) Issues on Staff Files update, Payroll Review and Leave Allowances – Q4
- 31) **Matter on Insurance Contracts of 2022 – Q4**
- 32) **Matter around Staff and Working Environment & Whistleblower Policy – Q4**

The SC wishes to report that the Board agreed with all its findings and some recommendations but **rejected** others. Some of the items were closed satisfactorily and several of them are *still being implemented*. The SC will continue to review their implementation status in course of the year 2023.

From the long list of items inventory, the SC wishes to highlight a few **high-risk areas** as a way of **emphasis, information** and **with recommendations** for member considerations.

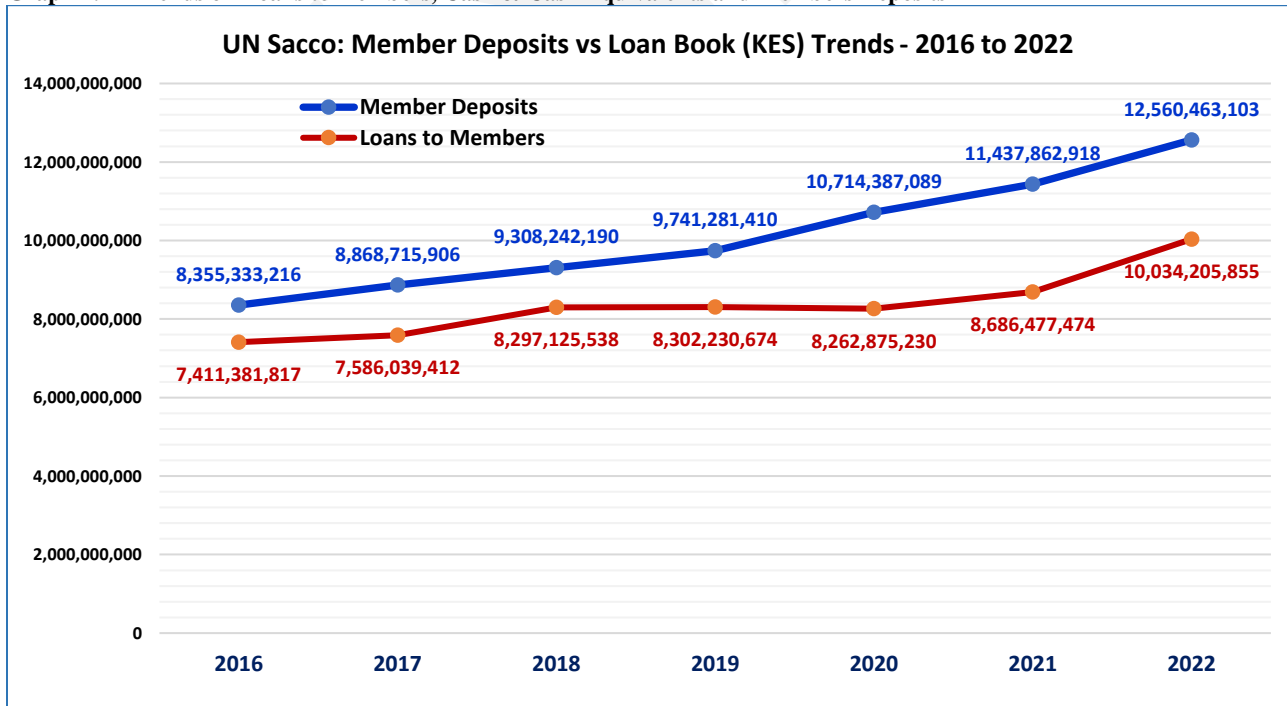
2) FINANCIAL PERFORMANCE AND INVESTMENT TRENDS

The SC reviewed the financial performance for the year 2022 and the investments in the same period and wish to highlight to the members the following: -

Table 2.1 – Trends on Loans to members, Cash & Cash Equivalents and Members Deposits

Key Metric	2016	2017	2018	2019	2020	2021	2022	Absolute 7-Year Growth
Loans to Members	7,411,381,817	7,586,039,412	8,297,125,538	8,302,230,674	8,262,875,230	8,686,477,474	10,034,205,855	2,622,824,038
Cash and Cash Equivalents	2,589,216,133	3,025,010,978	3,798,126,025	4,454,957,479	5,740,130,033	6,327,065,988	4,863,781,246	2,274,565,113
Member Deposits	8,355,333,216	8,868,715,906	9,308,242,190	9,741,281,410	10,714,387,089	11,437,862,918	12,560,463,103	4,205,129,887

Graph 2.1 - Trends on Loans to members, Cash & Cash Equivalents and Members Deposits



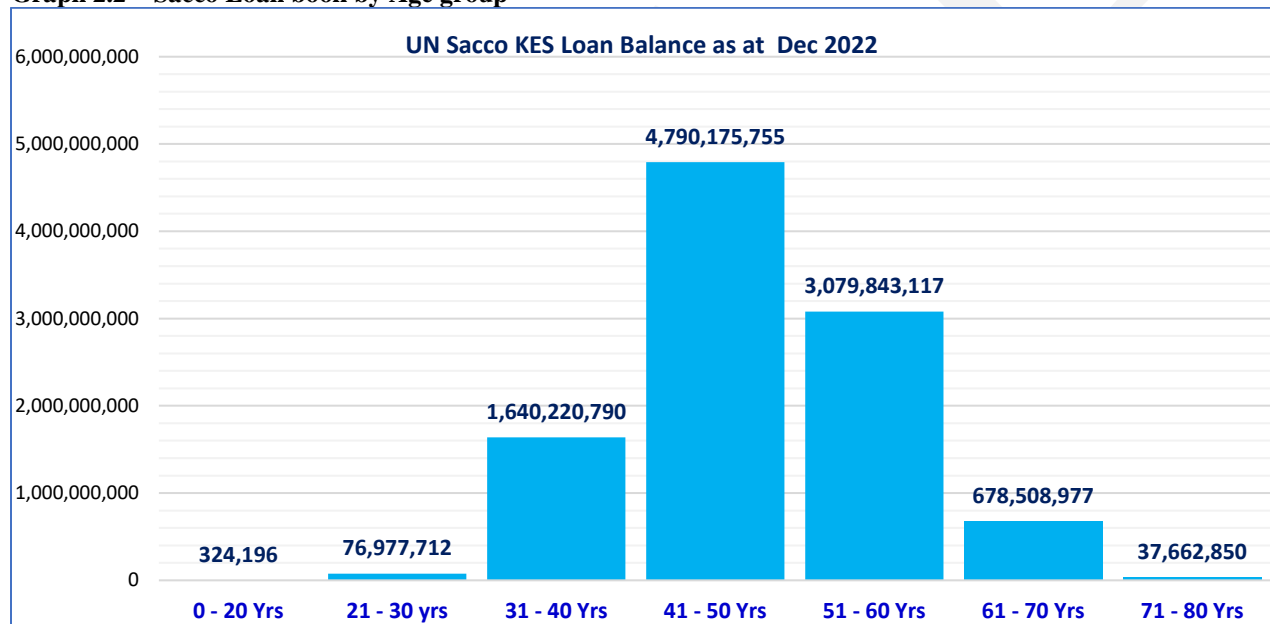
- a) Loans to members increased by KES 2.6 billion in the 7 years from 2016 to 2022. The value increased from KES 7.4 billion in 2016 to KES 10.03 billion in 2022. At the same time, member

Deposits grew by KES 4.2 billion over the same period – from KES 8.4 billion in 2016 to KES 12.6 billion in 2022. This has contributed to the position where Cash and Cash Equivalents have grown by KES 3.7 billion in 7 years from KES 2.6 billion in 2016 to KES 4.7 billion in 2022.

- b) Clearly our main Revenue Driver, Member Loans (used to generate *Interest from Member from Loans*) is not growing as fast as the member deposits against which *Interest on Deposits* is paid. This leaves cash and cash equivalents for alternative for alternative revenue generation through Long-Term bonds, Fixed Deposit Receipts (FDR) and Short-Term Deposits – *Other interest income*.

A further review showed that most of the loans are held by members in the 41-50 age bracket at KES 4.8 billion followed by 51-60 age bracket at KES 3.1 billion. Members aged 40 years and below held about KES 1.7 billion and those of 61 years and above held KES 716 million.

Graph 2.2 – Sacco Loan book by Age group



In terms of number of borrowers, close to 5,300 members had a loan with the Sacco as of 31 Dec 2022. Most of them are in the age bracket of 41 to 50.

Age Bracket	No of Members
0 - 20 Years	1
21 - 30 Years	102
31 - 40 Years	1,122
41 - 50 Years	2,232
51 - 60 Years	1,426
61 - 70 Years	382
71 - 80 Years	27
Grand Total	5,292

The SC recommends to the Board to carry out analysis and assess the following proposals with the aim of implementing them: -

1. Increase Loan Repayment periods (Term) to make loans more *affordable*. Longer repayment periods would mean lower monthly instalment payments which means a healthier payslip. The SC has previously made cases for: -
 - a) Normal Loan repayment period from 5 years to 10 years.
 - b) Development loan from 7 years to 14 or 15 years.

Increase of Loan Repayment period also can make loans to be more affordable and therefore decrease loans provisioning and that can *improve the Sacco bottom line (profitability)*.

2. The Sacco to consider offering *moratoriums* (interest only) as this helps maintain higher loans book levels while increasing interest income as the member makes lower payments amount (loan repayment becomes more affordable).
3. Where possible, the Board to consider introducing and another Secured Asset Loan Product of **20 years** (Asset-20). This will help in managing product concentration risk.
4. The Sacco to explore buying off member loans with other commercial banks. A **20-year Asset Loan** can be game changer in this as well as attracting members of 40 years and below to take up more loans.

The Board of Directors is reminded to continuously review and update the Sacco Investment Policy as required by SASRA Regulation 47.

3) OVERALL OVERVIEW OF MEMBER ACCOUNTS STATUS

During the year under review, the SC applied some *substantive analytical procedures* on member data. At the time of the review, it was revealed among others that the register had **2101** dormant members, **1633** blocked members, **124** deceased members, and **1510** were noted to have Withdrawn from the Sacco. The data table below summarized.

Table 3.1 – Summary of Member status as reviewed

Member Status	Numbers	FOSA Bal (KES)	Share Capital (KES)	Deposits (KES)	Loan Balances (KES)
Active	4,451	556,077,708	761,291,588	9,435,065,691	8,620,255,065
Dormant	2,101	131,284,553	187,519,524	941,332,536	338,877,798
Blocked	1,633	3,065,372	485,417	1,618	7,440,198
Deceased	124	22,982,282	4,971,425	66,548,498	259,271
Withdrawal	1,510	78,066,687	71,344,399	50,361,484	9,796,288
Total	9,819	791,476,602	1,025,612,352	10,493,309,826	8,976,628,620

Table 3.2 – Status of Blocked/Deceased/Withdrawal

Member Status	Numbers	FOSA Bal (KES)	Share Capital (KES)	Deposits (KES)	Loan Balances (KES)
Blocked/Deceased/Withdrawal	3,267	104,114,341	76,801,240	116,911,599	17,495,757

Some of the notable **Findings** were: -

- Dormant Accounts, 2101 were almost half of the Active Accounts, 4451
- More than KES 104 million of FOSA deposits belonged to members categorized as Blocked/Deceased/Withdrawal
- 124 Deceased members held KES 23M in FOSA Deposits, KES 5M in Share Capital, KES 67M in BOSA Dep and KES 259,271 of 'regular' loans
- Among Blocked/Deceased/Withdrawal members, there was KES 77M of Share capital and there was KES 117M of BOSA Deposits
- Blocked Accounts held KES 7.4 million loan balance
- Withdrawal members held KES 9.8 million of Loan balance
- A total of KES 104M of FOSA and 117M of BOSA Deposits (Total: KES 221M) was noted be capital at risk!
- 2101 Dormant Accounts held over KES 940M in Deposits and KES 339 million of loan balances as well as KES 187M of Share Capital

Some **Associated Risks** in view of the above were highlighted and noted: -

- The potential high risk of fraud among the Blocked / Deceased / Withdrawal accounts – on Dividend on Share Capital and Interest on Deposits
- Maintaining a Member Register that was not clean!
- The risk of losing funds to Unclaimed Financial Assets Authority (UFAA)
- The risk of losing from Dormant members – on loans held which would lead to high provisioning and low recoverability

Board Response:

The Board's response on this matter was positive and tasked the Management to address the matters raised and do member clean up. In the process many members were called and were able to re-active dormant accounts, families of deceased members were reached out to, and long overdue clearances done. Some members who were not aware that they had some funds in FOSA received their funds back and used the cash to book/purchase a plot through Wanamataifa. The loan book was improved, it was a win-win for the Sacco and the members.

The 2022 Annual Report has the figure of dormant accounts at **997**. The cleanup exercise continues.

Next steps and Recommendations:

While we are aware that a lot of work and efforts have gone into addressing many of the issues raised, the task cannot be said to be complete. There is an added Risk - there was data migration from old ERP to new ERP as from 1st January 2023.

It is recommended that the SC carries another exercise in April 2023 and share with the Board for their consideration and direction. The 2022 data can be used as baseline to evaluate and assess the extent of the data clean up and migration. At the end of the year, a status update is to be provided to members in the Annual Report

Recommendation – Supervisory Committee to carry out another Member Data Review in April 2023 and update the Board and Members

The SC to carry out another member accounts review exercise in April 2023 and share with the Board for their consideration and direction.

At the end of the year, the status update is to be provided to members in the Annual Report.

4) SUBOPTIMAL INVESTMENT OF SACCO FUNDS AND RESOURCES

During the year, the SC noted that an Analysis was done by the Board noting how much in return the Sacco was getting by Investing in some Apex bodies. An extract of the 2021 Financial Statements Note 16 is as per below.

16. INVESTMENTS	Group		Sacco	
	2021 KShs	2020 KShs	2021 KShs	2020 KShs
Class B quoted shares:				
1,066,656 CIC shares @Kshs2.21	2,444,025	2,271,977	2,444,025	2,271,977
Class A unquoted shares:				
10,136 shares in KUSCCO@ par value of KShs 100 per share	20,015,018	20,015,018	20,015,018	20,015,018
22,680 Shares in Co-op Holdings @KShs 9.5 per share	<u>258,454</u>	<u>258,454</u>	<u>258,454</u>	<u>258,454</u>
Total	<u>22,717,497</u>	<u>22,545,449</u>	<u>22,717,497</u>	<u>22,545,449</u>

The unquoted shares are equity investments in the apex body for co-operatives in Kenya and can only be sold to other co-operative societies. They are carried at cost. A valuation has been done using the dividend growth model and the growth is between 4%-5%. In the opinion of the directors, the above investments would, if sold, realize not less than the amounts at which they are stated and so no adjustment has been made on the cost value.

Despite knowing that the expected returns from some Apex bodies was between **4% - 5% pa**, the Board invested KES 56 million. The rate at which the funds were invested was less than a **13.49% pa** offered in Government bond (e.g., FXD1/2022/010 at the time). The Sacco stands to lose between **7% – 8.49% pa** as Revenue opportunity. The Sacco issues a Normal Loans at 12% pa which again can be used a benchmark for Alternate Investing. The opportunity cost was noted to be high.

The *risk of sub-optimal investing* leading loss of revenue optimization opportunities was highlighted. Our members are seeking for improved Return-on-Investments. It was not prudent to invest in lower return destination ignoring the natural rules of economic rational investing.

Other than the rate of return, the Board explained that they consider other factors in making investment decisions. One of those other factors cited was the possibility of the Board members being considered for Delegate/Directorship in an Apex body. The SC disagreed with the Board of Directors on this approach and advised the Board to act as ‘ordinary men of business’ and ensure that Sacco investments are *optimized*.

Recommendation 4.1 – Board to Invest Sacco resources optimally as SASRA Regulation 48

The Board should optimize investments of Sacco funds as guided by the Sec 45 of the Cap 490 and SASRA Regulation 48 as customized in Investment Policy Statement prepared pursuant of SASRA Regulation 47

5) DEVELOPED SECURE-ASSET LOANS' SECURITY WITHOUT INSURANCE

During the year, the SC carried out an analysis of the Securities offered for Secure-Asset Loans and the extent to which were intact. It was noted that some **11 loans** worth **KES 47 million** secured with 'Developed' Assets e.g., Apartments/buildings had not been insured posing a risk of loss to the Sacco if any of the securities was destroyed by fire or other insurable perils.

Additionally, it was noted that Securities for Secured Assets are not normally *re-valued* despite being charged by the Sacco for up to 15 years (180 months). There is risk that if the value of an Asset which has been offered as security is impaired or destroyed, the Security would be **worthless** in case of default – the Sacco would lose.

On the matter for updating of Insurance of Securities used to obtain Secure-Asset Loans, the Board had it taken up. However, there was no commitment given on *revaluation of securities*.

The SC recommends close monitoring to ensure that Securities that are 'Developed Assets' in nature are insured at all times and securities revaluations should be done at least once every 5 years.

Recommendation 5.1 – All Insurable Securities are to be insured

It is recommended that all insurable securities be fully insured to mitigate against loss.

Recommendation 5.2 – Carry out Periodic Revaluations and update Securities File

It is recommended that securities revaluations be done periodically at least once every 5 years

6) STATUS OF LOANS REPAYMENTS BY SC, BOARD & STAFF

Members sought to know the status of loans repayments by Board of Directors, SC members and staff. A review by the SC showed that all related parties had *regularized loan repayment status* as of 31 December 2022. None of the Loans held by Board of Directors and SC members were at default as at year end.

7) LOAN GUARD INSURANCE COVERAGE: 2022 - 2023

The has had a Loan Guard insurance cover to insure loans so that incase of death, the Sacco can claim compensation. The SC noted that the Sacco Loan Guard Insurance coverage for 2021/2022 expired on 14th June 2022. It was said the Insurance premiums for renewal went up in the market as guided by the Insurance Regulatory Authority (IRA). The Sacco got a 1-month renewal running from 15th June 2022 to 14th July 2022 at **KES 2,763,595 pm** (or **KES 33.16 million pa**). The SC established that the Loan Guard policy for renewal had been running from April 2011.

However, for the period 15th July 2022 to 14th July 2023, the Sacco took a loan cover at a cost of **KES 34.50 million** with another Insurance Company with **Asset Capitalization of KES 1.4 billion**,

yet the Loan book was almost 6 times that value. As per the audited Financial Statements, the UN Sacco loan book was at KES 10 billion held by members with age distribution as shown below.

Graph 7.1 – Loan book held Analysed by Age bracket

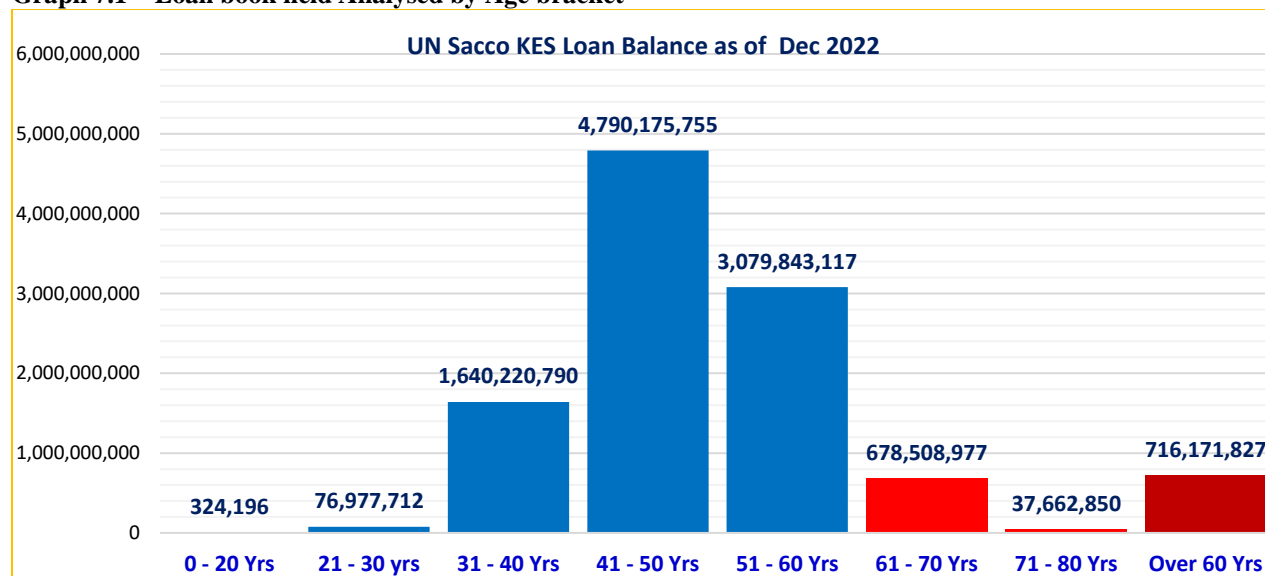


Table 7.1 - Loan book held Summarized by Age bracket

Member Age Bracket	KES Loan Balance
0 - 20 Years	324,196
21 - 30 Years	76,977,712
31 - 40 Years	1,640,220,790
41 - 50 Years	4,790,175,755
51 - 60 Years	3,079,843,117
61 - 70 Years	678,508,977
71 - 80 Years	37,662,850
Over 60 Years	716,171,827

A review of the Cash and Cash Equivalents of the new Insurance company awarded the Loan Guard contract revealed that as of 31 Dec 2021, the company had only **KES 7.5 million** in Cash and Cash Equivalents. The cash was noted from overdrafts.

19. CASH AND CASH EQUIVALENTS	2021	2020
	KShs	KShs
Cash at bank and in hand	20,940,110	35,806,458
Expected credit losses	(56,653)	(237,996)
	20,883,457	35,568,462
For the purposes of the statement of cash flows, the year-end cash and cash equivalents comprise the above.		
Cash and bank balances	20,883,457	35,806,458
Bank overdraft	(90,163,901)	(72,663,019)
Deposits with financial institutions (Note 20)	76,760,539	72,591,713
	7,480,095	35,735,152
Weighted average effective interest rate for the bank overdraft at the reporting date was 13% (2020:13%).		
The carrying amounts of the Company's cash and cash equivalents and bank overdrafts are all denominated in Kenya Shillings.		

It is the opinion of the SC that the UN Sacco LOAN book is not *adequately covered*, and the Organization remains exposed to high risk of loss in case of death of a member (members) with high loan balances.

The SC recommends that the Sacco get an adequate Loan Guard insurance cover as soon as possible.

Recommendation 7.1 – Sacco to get an adequate Loan Guard insurance cover

It is herein recommended that that the Sacco get an adequate Loan Guard insurance cover as soon as possible.

8) STAFF AND WORKING ENVIRONMENT & WHISTLEBLOWER POLICY

The SC brought to the attention of the Board of Directors the status of the working environment at the Sacco and importance of giving life to the Whistle blower policy. The Board agreed to put in place measures to prevent any possible negative psychosocial effects on staff. Staff mental health and psychosocial wellbeing is to be prioritized. One of the measures may be provision of staff counselling services among many others to be put in place by the Board of Directors.

9) JOHN GATHU MATTER

The SC shared with the Board on its findings on the John Gathu matter and referred to other internal reports on the matter from 2016 and 2019. While it had been recommended that the matter have an additional external validation from SASRA and Government, the Board will find an interim solution by end of June 2023 as the investigations continue.

Recommendation 9.1 – Board to find an Interim solution to John Gathu Matter

It is herein recommended that the Board of Directors find an interim solution to the John Gathu matter by 31 Mar 2023.

10) STRATEGIC PLAN: THE 2023-2027 UN SACCO

The UN Sacco is now operating on 2023-2027 Strategic Plan (SP) which was launched in early February 2023. The SP provides important benchmarks for Annual Budgets reviews and annual Performance Appraisals of the Organization. The SC invites members to read and acquaint themselves with its contents.

The SC further requests all to use the SP as strategic ‘Member Recruitment Tool’ to help improve our membership numbers.

11) NEW OFFICE SPACE CONTRACT AND NEW UN SACCO BUILDING

In line with approved budget for Year 2021, the Sacco acquired *Additional Office space on Lease* at Gigiri Square. The lease runs for the five years from October 2021 to 31st October 2026. In the year under review, the SGM of 24th September 2022 approved purchase of Office building.

Real benefits can be expected to start accruing when Sacco operations move to the NEW building. Otherwise, Sacco costs will continue to increase - opportunity costs as well as depreciation expenses which were not previously being booked. Depreciation expense reduces the profitability position of the Sacco to the extent of the amount booked as depreciation over the life of the Asset.

12) NEW ENTERPRISE RESOURCE PLANNING (ERP)

The SC notes that the Sacco acquired a NEW ERP starting from January 1st, 2023. Member data was migrated, and the new system can only give Member Transactional Statements from 1st January 2023.

While the project roll over plan is still on, there have been member concerns about accuracy of their member data and information.

To **verify** and **validate** that member account information as 31st Dec 2022 was ‘migrated’ accurately to new the ERP, the Sacco needs to generate and send to all members FULL ACCOUNT STATEMENTS from 1st January 2022 to 31st December 2022. That way, the 2022 ending balances would be verifiable and comparable with the Balance brought forward on 1st January 2023 in the new ERP.

Recommendation 12.1 – Sacco to provide Members with Transaction Account statements for Year 2022

It is herein recommended that that the Sacco provides to all members a FULL Account Statement from 1st January 2022 to 31st December 2022. This is to validate ending balances as of 31 Dec 2022 to be same as or comparable with the beginning balances as of 1st January 2023 in the NEW ERP.

13) WANAMATAIFA INVESTMENT COMPANY

13.1 Status of Recoveries of 2019 and 2020 Management Fees

In the 2020 and 2021 SC reports, it was recommended that Management Fees which had been paid out from Retained Earnings of 2019 and 2020 Financial Years be fully recovered from the beneficiaries.

The table below shows the “Impact of Management Fees Recoverable” on the Profitability/Retained Earnings of the WICL.

Year	2019	2020
Profit/(Loss) with Management Fees	(3,161,814)	(148,151)
Management Fee (Recoverable)	900,000	639,536
Profit/(Loss) without Management Fees	(2,261,814)	491,385

Evidently, had 2020 Management Fees not been charged/expensed, the Company would have turned a loss position to a profit position.

The SC updates that over **KES 630,000** was fully recovered satisfactorily.

However, some amount is still recoverable from some beneficiaries - **KES 503,525**. As this relates to related parties and related party risk, the same will first be transmitted to the Sacco regulator for record and resolution given that the Wanamataifa is wholly owned by the Sacco. This will be in addition to some **KES 45,200** recoverable for payments made for an irregular meeting held on 15th Nov 2020 (said to have been for the Sacco).

Failing to effect recoveries from related parties erodes confidence that members have on the Wanamataifa and its recovery efforts.

In Financial Year 2021, to the credit of the Wanamataifa Board then, *No Management Fees* was expensed in the books of the account.

Recommendation 13.1 – Recoveries due from Related Parties to be reported to SASRA for Record

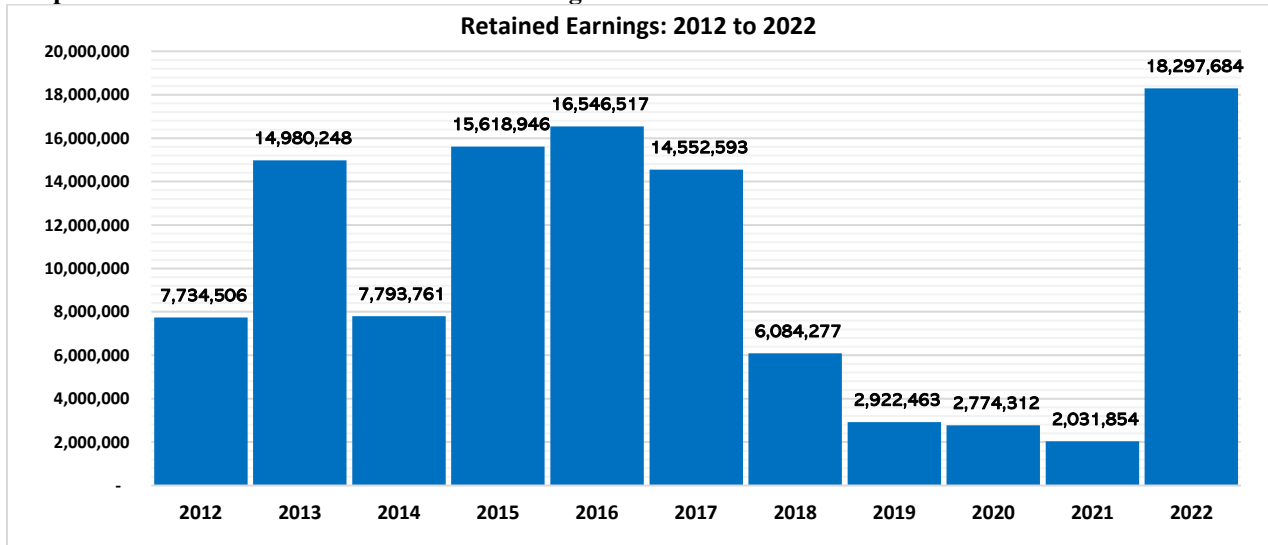
Unrecovered amounts due from related parties to be submitted to SASRA for Record and resolution given that the beneficiaries are legally referenced as ‘Sacco Officers’.

13.2 The 2022 Activity and Performance Highlights

a) Retained Earnings Turn-Around

As noted from the WICL Financial Statements, the Company Retained Earnings have now reversed from downward trend to upward. The value increased from KES 2.0 million to KES 18.3 million. Measured against the base share capital of KES 1 million that the Sacco invested as **Equity**, the based capital has now grown more than 18 times.

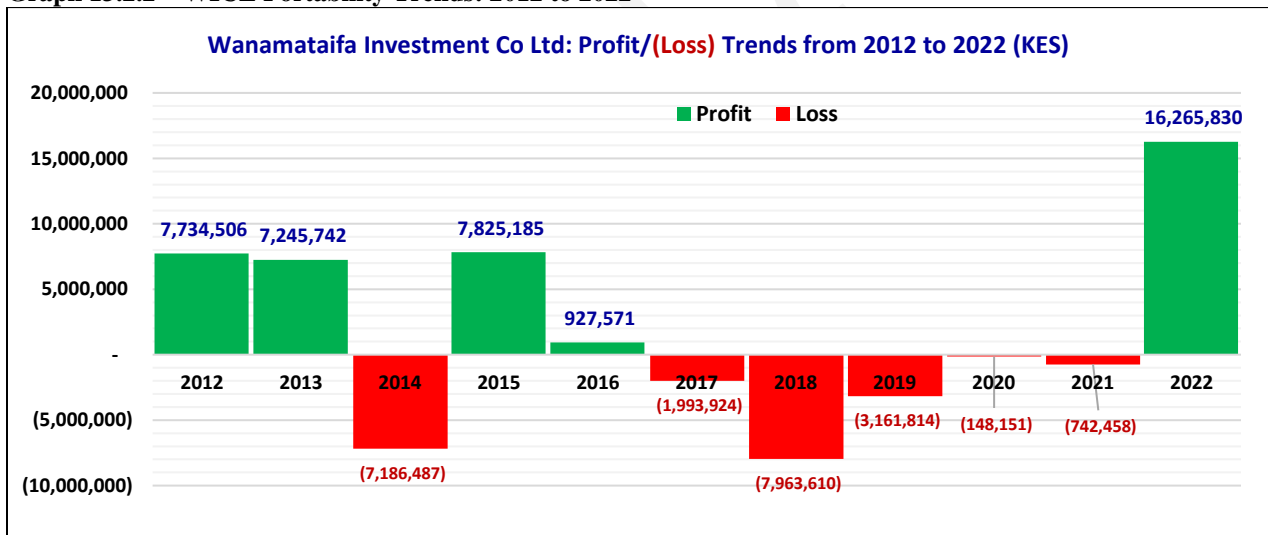
Graph 13.2.1 – WICL Trends of Retained Earnings



b) Profitability Turn-Around

As for profitability, the SC wishes to update as per below

Graph 13.2.2 – WICL Portability Trends: 2012 to 2022



The Company profitability position moved from loss of **KES 742,458** in Year 2021 to profit of **KES 16,265,830** in Year 2022. This is the first reported profit since 2016.

13.3 Other Comments on Performance

Although the Company seem to have turned around in profitability and improved turn around, it is still not yet 'out of the woods'. The following is to be noted: -

- (a) The company borrowed KES 25 million to complete purchase of plots and paid back KES 15 million and by year-end, the company is reported to have had a short-term loan balance of **KES 9,877,853 (Note 10)**. The Cash and Cash Equivalents of WICL were at **KES 9,041,57**.
- (b) The Company held KES 39.9 million of customer deposits recorded as Differed Income. This is simply monies that customers can recall unless a Land Board's Consent has been obtained to transfer a plot from the Company to the Customer. It is herein recommended that the Company completes plot **Title Deeds and Land's Board Consent** to Transfer as soon as possible to clear off this liability.

Recommendation 13.3a – WICL to develop a Robust Financing Strategy

It is recommended that a viable business *financing* strategy to be in place to enhance execution and completion of the turn-around plan. This should include a prudent Cashflow Management and Operational Strategy. The Board informed that they are exploring ways of direct borrowing from external financial institutions or/and borrowing from the Sacco given that the WICL is a corporate member.

Recommendation 13.3b – Complete Issuance of Title Deeds for Kantafu Project Plots

It is again recommended that the process of issuing title deeds to buyers be completed as soon as possible. After then, if a solid financing strategy is in place, the WICL can explore other frontiers for more members to benefit.

CONCLUSSION

The Supervisory Board (Committee) wishes to appreciate the role played by the honorable members, the staff, and the Board of Directors. The Sacco recorded growth indicators despite the challenges faced in 2022. We remain committed to do that which you elected us to do as per the law.

Thank you.



Gladys Ogombo
SC Member
03.03.2023



Lt Peter Wangai
SC Secretary
2nd March 2023



CPA Charles Wambua
SC Chairman
2nd March 2023