

Annual Report
& Financial
STATEMENT
2020



Up Coming Projects

This April



Affordable Housing



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Board Members



Peter Gichangi
Chairperson

Peter is an opportunity development specialist driven by a passion to deliver innovative yet practical local solutions that have global impact. Peter has over 13 years' experience spanning software development, solution architecture & design, product & services development, innovation, strategy and business development.

Peter holds a Master of Science degree in Information Technology from Strathmore University, a Master of Science Certificate in Business Analysis from the George Washington University School of Business and a Bachelor of Science degree in Information Technology from Jomo Kenyatta University of Agriculture and Technology.

Peter is also Certified by the International Coach Federation (ICF) as an Engagement and Productivity Coach.



Tom Macakiage
Board Vice Chairperson

Tom Macakiage, formerly Head of Information Technology at CFC Stanbic Bank and Regional IT Manager at Unilever East and Southern Africa has had over 14 years distinguished career leading large IT teams deliver turn-key and mission-critical IT enabled systems that transform the way firms do business. He holds a BSc. in the Management Information Systems from Greenwich University, MBA from University of Free State, South Africa, Bsc. Agric. Engineering – Egerton University (1993)

PMP, ITIL, MCSE+I, CISA, CISM, Certified Ethical Hacker v7 and Masters in Technology Entrepreneurship from University of Maryland, College of Engineering, USA. Tom is currently the Country Director at Servetech Systems Limited tasked with Client stakeholder engagement, Projects onboarding and PnL for the business. He is also the Chair of Sendy Ltd, a logistics Marketplace that he has been with since inception.



Rabecca Bisanju
Hon. Secretary

Rabecca Bisanju was elected into SIC management committee in year 2018. She has vast experience in customer relations having worked over 10 years across various functions in Customer Operations. She also has good experience in coaching and people management having attended various leadership & coaching programs during the course of her career. She is currently a Team Leader in Customer Experience Department in Safaricom PLC.

Rabecca holds a Bachelor of Education degree from Kenyatta University, is a Certified PRINCE2 Practitioner (professional project management) and is also a certified Internal ISO Auditor.



Vincent Opiyo
Board Treasurer

Vincent Opiyo, FCCA, is the Head of Financial Planning Analysis & Investor Relations at Safaricom PLC having served in various senior Finance roles spanning over 10 years in the company. He is a Bachelor of Commerce (Accounting Major) and holds MBA qualification. He has wide experience in the core Finance functions having previously worked in Airtel, Total Kenya, Uchumi Supermarkets and African Banking Corporation at various stages of his career. He is also a member of the Institute of Certified Public Accountants of Kenya (ICPAK) and Enterprise Risk Management Academy (ERMA). As an International Coach Federation (ICF) certified coach, he has a passion for developing young Accountants into solid professionals through coaching. Vincent enjoys driving corporate social responsibility agenda in the areas of education, water, agriculture and sports. When away from his Finance duties. He also has long experience in Co-operative affairs having served as Chairman and before that Treasurer of Safaricom Sacco and Treasurer of Yes Sacco.



Agnes Marete
Board Member

An Associate Consultant and trainer with Kenya Institute of Management (KIM), College of Human Resource Management (CHRM) and Kenya School of Government in Management, Strategy, Performance Management and HR. She is an Organizational Performance Index (OPI) assessor for the COYA Awards assessing HR and Leadership. A lecturer at the CHRM.

She hold an MBA in Strategic Management from USIU, Bed Kenyatta University, Diploma in Project Management (KIM), Higher National Diploma in Human Resource Management and Certificate in Counseling.



Judy Runo
Chairlady

Judy Runo is a credible assurance expert. She is a B.Comm, CPAK, SMLP and certified coach. She is respected as a credible voice in assurance and governance with her senior management experience spanning over 7 years. Currently, in her role as a

senior manager, Safaricom PLC, she oversees the business controls and project assurance. She began her career in assurance with Deloitte. She takes a vision and makes it reality through sound strategy development.

Judy intuitively sees the threads of opportunity that wind through an organization, brings them together into a coherent whole, helps others extend their thinking, and drives business advantage.



Peter Mukera
Secretary

Peter Mukera is an ambitious result-oriented professional with an educational background in Computer Science. He has over 10 years' experience in Information Technology, Project Management, Customer Service and Retail Operation. He has served in supervisory

committee at Safaricom Investment Co-operation in different capacity/s since 2017. Currently he is the committee chairperson. During which he has gained a lot of experience, attended trainings on Governance, strategy management, risk management and the business process. He has a bachelor of science in computer science degree and Prince2 project management above other certifications.

Supervisory Committee

Board Members



✔ **Eng. Emily Kilongi**
Member

Eng. Emily Kilongi is a Civil Engineer with over 15 years' experience in design, supervision and contract management of large water and sanitation infrastructure. She holds a Bsc Degree in Civil Engineering and Msc Degree in Civil Engineering. She is a professionally registered Engineer with the Engineers Board of Kenya (EBK) and is a member of Institution of Engineers of Kenya (IEK). She has undertaken corporate Governance training and is a member of Institute of Directors (IOD) and Women on Boards Network (WOBN). She started her career at H P Gauff Consulting Engineers where she worked for 3 years and later joined a Government parastatal, Athi Water Works Development Agency, where she worked for 11 years. She is currently working with the African Development Bank (AfDB) in the Water and Sanitation sector. She has vast experience in Project Management and infrastructure development and has worked with various development partners.



✔ **Jackson Mulwa**
Board Member

Jackson Mulwa has a wealth of experience in cooperative management and leadership. He joined SIC board in 2016 where he served in various capacities, the last one being Board Treasurer in 2018. Jackson holds MBA(Finance) from the University of Nairobi, Bachelor of Business Administration from Maseno university and CPA(K). He is a member of ICPAK and of good standing. He has wide range of experience in customer management, Financial management & Accounting, contract negotiation and management, tax compliance and stakeholder management. Currently working for Safaricom PLC as Accounts payable Manager, he has also served in other various capacities over the last 10 years.



✔ **Edward Njoroge**
Board Member

Edward Njoroge is an assurance and risk Management professional with over 13 years experience in the provision of advisory / consulting in the areas of Governance, IT, Finance, legal compliance, risk management and business process re-engineering. Edward's career began at KPMG, where he established himself as a trusted advisor for management and boards across varying industries ranging from banking, insurance, telecommunications, manufacturing, services, government and public sector development in multiple countries across Africa. In his current role, as a Senior Manager in Safaricom Internal Audit, he provides assurance and advisory services on governance, risk management and controls around Technology systems.

He has a Bachelor of Science (BSc) in Computer Science and is currently pursuing Master of Science degree in Professional Accountancy at the University of London. He has an advanced diploma in Business and accounting, is a chartered accountant with certification from ACCA (Association of Chartered Certified Accountants), a certified internal auditor and a certified information systems auditor (CISA) as well as certified security manager by (CISM)



✔ **Mike Akal**
Board Member

Michael is a corporate leader with 15 years professional experience in different fields in Sales and Distribution, Trade marketing, Channel management, Account management, Retail and Operations management and Project management amongst others. Michael brings in a wealth of experience to Safaricom Investment Cooperative(SIC) in the area mobilization of membership from Regional Sales and Operations and Call centre Operations. He has great ideas in sales and revenue generation that will shore up the income of the Investment. Apart from his career ambitions, Michael is a Christian leader that mentors a number of youth and professionals in Kenya. Through this he has been able to connect and working closely with other Christian leaders



✔ **CPA Beth Wambui Mwangi**
Member

CPA Beth Wambui Mwangi is a Accountant (CPA K) and a Certified Public Accountants of Kenya. She has Master's in Finance and Accounting Option, ICPAK. She also has Bachelor of Science

in Agribusiness Management and is currently pursuing a PHD in Business Management.

She has career experience of over 8 years in customer service, financial management, training and accounting. She has worked for Safaricom Ltd in regional operations and customer service departments where she gained a number of business competencies which includes but not limited to customer focus.



✔ **John Owuor**
AG CEO

Mr. John Owuor joined Safaricom Investment Co-operative as a business development manager in May 2019. He was appointed to the current position of the acting CEO from April 2020. He has over 13 years' experience in Banking, cooperative management, and Financial and Investment analysis.

His experience and skills has been gained through his professional engagement with the following firms, Barclays Banks of Kenya, Kenya commercial Bank, Rafiki Microfinance Banks, Family Bank and Cyton Investment where he has championed the teams in various positions.

John has gained vast skills and experience in Business Development, Debt management, investment strategy development and management.

He holds MBA Finance from Egerton University, BSC in Mathematics Statistics from University of Nairobi, PGD in Business Management and CPA 5 currently pursuing CPA6. John is also a member of Kenya Institute of Management.

Chairperson's Report

1. PREAMBLE

The year 2020 has been one of the most dynamic years in recent history for our country and the world at large. When we met for our 11th AGM on 8th February 2020, none of us would have anticipated how rapidly and dramatically things would change in the next few months. Needless to say, the COVID pandemic has accelerated the success and downfall of companies as much as it has the evolution and re-invention of others. I am glad to note that Safaricom Investment Cooperative weathered the tide and has come out stronger and poised for long term success. It is fulfilling to note that none of our staff have so far been taken ill with COVID-19. This is a strong indication that the guidelines and personal care initiatives adopted have borne fruit. We continue encouraging our staff to remain vigilant and adhere to the health and safety guidelines already in place. On the counter side, we note the slower pace in achieving some of our goals and obligations owing to COVID related tough economic times afflicting most Kenyans and by extension our clients, as well as the slow down in most government land registries. Our diversification plans were also impacted by these tough economic conditions as well as national counter measures employed during the pandemic such as movement restrictions. Consequently, real estate remained our anchor business line in 2020.

2. KEY MACRO-ECONOMIC DEVELOPMENTS

The overall real estate sector registered a reduction in transactions on account of the Covid-19 pandemic that had adverse effects on the sector in the year 2020. These effects of the pandemic manifested from April 2020 slowing down growth in the sector to 4% from 5.3% the previous year in quarter 2¹. It is worth noting that the country's GDP contracted by 5.7% in the same quarter signaling better resilience of the real estate sector compared to most of the other sectors of the economy.

Growth in the real estate sector was sustained largely due to²:

- Infrastructural developments such as improved roads, utility connections, upgrade of key airports
- Stable GDP growth which has averaged at 5.4% over the last 5 years against a Sub-Saharan average of 4.1%
- Demographic trends such as rapid urbanization at 4.4% per annum against the world's 2.5% and population growth averaging at 2.6% per annum against the world's 1.1%
- High total returns averaging at 25.0% against 12.4% in the traditional asset classes.
- Growth of the Middle Class who have higher disposable income to invest in real estate

¹ KNBS Quarterly Gross Domestic Product Report, Third Quarter 2020

² Cytonn article: Current Real Estate Trends in Kenya & How They Affect Investors (<https://cytonn.com/blog/article/current-real-estate-trends-in-kenya-and-how-they-affect-investors>)

Other key macro developments during the year 2020 that may affect our operations include:

- a. Affordable housing development where various developers broke ground and made good progress in sale of units.
- b. Kenya Mortgage Refinancing Company (KMRC) signing agreements with various banks and SACCOs to provide Kshs. 2.64B at 5% to the financial institutions for onward lending to mortgage seekers. This is likely to accelerate mortgage consumption from the current less than 30K mortgages which compares unfavorably with some countries in the region such as Rwanda that has approximately 45K mortgages.
- c. Sectional properties act 2019 coming into force in 2020 and providing for the division of buildings into units that are owned by individual proprietors with common property owned as tenants in common
- d. Nairobi Securities Exchange (NSE) operationalized the Unquoted Securities Platform (USP) that intends to achieve three main goals
 - i) To enable companies not quoted at the NSE but which have a register of shareholders to enjoy price discovery and increase liquidity of their shares³
 - ii) To increase transparency as well as access to information for investors with share prices published daily
 - iii) To offer issuers an opportunity to access the capital markets for long term funding through private placements whilst enjoying flexibility of less onerous listing requirements and obligations compared to the primary securities exchange

3. AREAS OF FOCUS BY THE BOARD IN 2020

1. **Covid 19 response** – when the COVID-19 pandemic hit our country, many aspects of life and business as we knew them changed fundamentally. This meant that organisations had to review their plans and identify ways of riding the tide and SIC was no different. We reviewed various operating procedures, updated various protocols in our operations and realigned our execution to be in line with the situation. We allowed staff to work from home especially when curfew hours were tight. For this to be achieved, we provided members of staff with additional facilitation on connectivity. We further provided staff with various instruments to protect themselves including sanitisers and face masks.

³ For companies that make their shares available through the USP, every investor will be required to open and maintain a USP securities trading account where they shall be identified by a unique trade identification code generated by the platform. An investor shall buy or sell his/her USP securities by placing a buy or sale order through his/her USP securities dealer. The platform will enable unlisted commercial banks, cooperative societies and private companies access the benefits of an efficient over the counter market anchored on leading technology capabilities and resources. Home Boyz group was the first company to publish their shares, albeit performing much lower than anticipated

Chairperson's Report (Cont.)

To manage our operating costs, we rationalised board costs to allow for more meetings as was necessary during the pandemic. We also elected not to propose honoraria for board members (this being the second year without honoraria for the board). We also undertook to renegotiate various contracts, review our capital expense plans by delaying purchase of a new office car included in the previous budget, hold online member forums and seek moratoriums from banks with which we had credit facilities. We also instituted review of our cost of sales (COS) with notable areas already addressed (refer to the treasurer's report on cost saving measures – page 10). More opportunity exists here and we will continue evaluating every line to achieve the maximum efficiencies.

2. **Titling** – as committed during the last AGM, the board and staff spent an enormous amount of time and energy in improving our title issuance rate notwithstanding the COVID-19 pandemic. This is reflected in the number of titles processed in 2020 compared to 2019 which grew over 100% (refer to the real estate committee report on land projects – page 17). These efforts also heavily drove our ability to recognise revenues within the year.
3. **Governance and ethics** – the board continued its focus on stronger adherence, accountability and responsibility across the organisation. We noted no governance concerns relating to board members during the year. We however had separation with various staff over multiple reasons including poor performance, failure to adhere to SIC processes and resignations. I must commend both the supervisory team and the central management team for collaborating effectively in driving better governance across the organisation.

The organisation currently has 3 active court cases relating to contractual disagreements. In the year 2020, SIC was able to conclude 1 court case, settle another and resolve 1 investigation by the Department of Criminal Investigations (DCI). Two matters are still under investigation by DCI, one of which is at SIC's request with SIC having received two additional demand notices through law firms.

4. **Strategic risk management** – the board and supervisory committee continued to monitor key strategic risks facing SIC as highlighted last year. One of the previously identified risks relating to compliance is now considered well managed. During the year, we updated the mitigations on the remaining risks in a bid to reduce and, where possible, eliminate impact to the organisation.

Strategic Risk	Impact on Organization	Activity Undertaken
Historical land issues	<ul style="list-style-type: none"> • Negative reputation • Buyer apathy • Financial risks • Litigation risks 	<ul style="list-style-type: none"> • Formation of the historical and problematic lands (HPL) board committee • Projects audit on all SIC projects
Governance structures and processes	<ul style="list-style-type: none"> • Project risk • Financial risk • Reputational risk 	<ul style="list-style-type: none"> • Updated policies (enhanced due diligence) • Hiring an internal auditor • Strict disciplinary action on non-adherence
Delayed title issuance	<ul style="list-style-type: none"> • Reputational risk • Buyer apathy • Revenue recognition • Financial risk 	<ul style="list-style-type: none"> • Issuance of completion certificates • Sale of projects only when titles are ready • Resolution of historical projects where SIC has already sold but is yet to acquire titles
Debtors portfolio	<ul style="list-style-type: none"> • Reduced cashflows 	<ul style="list-style-type: none"> • Cash sales initiatives • Early repayment incentives • External debt collection agency

Table 1: Strategic risks summary

5. **Business performance** – the board drove business performance by monitoring critical aspects of the business:

- Growing membership – our gross member additions for the year were 193 compared to 106 the previous year
- Shares trading – the secondary market saw sale of 651,753 shares during the year compared to 420,611 the previous year
- Financial performance – we turned positive in a very tough year compared to a financial loss of Kshs. 88.5M in 2019. Our gross sales were Kshs. 437.9M, with gross surplus at Kshs. 187.4M and net surplus at Kshs. 17.6M. The detailed financials are in the treasurer's report on page 10 and the financial statement on page 35.
- Title processing – the year 2020 had unprecedented challenges, however, we were able to double the number of titles processed from 860 titles in 2019 to 1,573 titles in the year. This indicates the team's resilience and ability to prevail through a harsh environment, as evidenced by this huge achievement. We are determined to continue delivering on this promise, while surpassing our own target in the new financial year.

4. SIC JOURNEY AT A GLANCE

Over the last 11 years, SIC has achieved various great milestones:

- Members – have grown to 4,644 over this period
- Projects – We have deployed over 130 projects cumulatively worth Kshs. 5.6B. Our flagship projects include Bluebells, Ruaka Ridge, Rongai Villas and Zaria Village. We have sold over 8,000 individual units at various stages of payment by our clients

Chairperson's Report (Cont.)

- Title issuance – we have issued 2,240 titles since inception against 5,542 units fully paid for. We will continue accelerating title issuance as we target to match these to units sold
- Turnover – we have generated cumulative revenue of Kshs. 2.7B since inception
- Rebates to members – we have paid rebates worth Kshs. 2B since inception with 40.4% (Kshs. 795M) paid out in 2018 and 2019

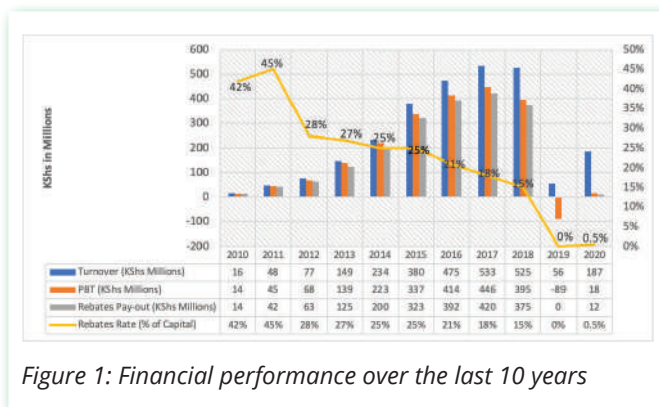


Figure 1: Financial performance over the last 10 years

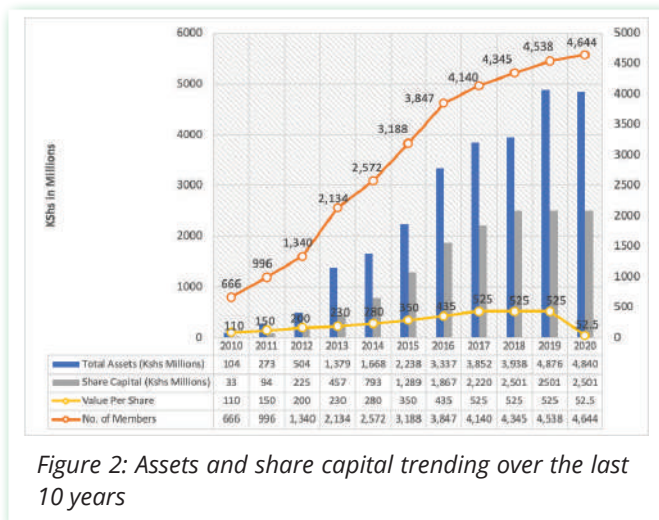


Figure 2: Assets and share capital trending over the last 10 years

5. A BRIGHT FUTURE AHEAD...

In the year 2021, the board will focus on the following strategic thrusts:

- Strategic plan review** – As we set the organisation on a new growth trajectory, we will review the strategic plan to ensure it can power our plans into the future. This strategic plan will be shared with the members as we develop it prior to the final version being published. The review will cover various aspects including our business model; our asset allocation plan and policy; our diversification plan; our capacity building plan; our risk management plan; our capital raising plan; our cost optimisation plan; our customer excellence plan among others

- Re-organisation** – to support the new strategy, drive accountability and enhance performance, we have identified the need to re-organise our staffing structure. We intend to implement the organisational change in parallel with the strategic plan review as we strive to meet our ambitious targets for the year 2021
- Affordable housing project** – as you will note from the real estate committee report on page 18 we have made significant progress in planning for our affordable housing project that will be in Ruaka. We intend to break ground and start construction within the first half of 2021 and target to start selling houses within the course of the year. We encourage members to patronise and publicise this project extensively. It is worth noting that we are heavily evaluating enhancing our value proposition to members including higher discounts to members who patronise our projects.
- Strategic partnerships** – as we reposition the organisation for long term success, we have identified strategic partnerships as a key propelling aspect. We anticipate to enter into various strategic partnerships across real estate and new business areas as we continue to perfect this model of business that has given us great value in the Zaria project. We anticipate achieving similar and even greater success in future partnerships.
- Resolution of historical and problematic lands** – historical and problematic lands, as enumerated in the committee's report on page 19 remain the biggest strategic risk to the organisation. We purpose to continue the great work done in 2020 and target to close most of the remaining historical issues in the year 2021. Our primary focus is in resolving projects where buyers have paid but are yet to acquire their ownership documents and consequently any other projects that are in our books as stock but have not completed the process of transfer to our name
- Automation through the ERP** – during the year 2020, we started the ERP project and have gone live with certain aspects of the ERP. We are finalising on the remaining aspects and target to switch over to the new system by mid 2021. We anticipate huge operational efficiencies by going live with the system but have elected to take more time getting the migration as close to seamless as possible.
- Brand positioning** – in the year 2020, we managed to start positioning SIC as a thought leader in the real estate sector. We look forward to accelerating this image in the year 2021 with much

Chairperson's Report *(Cont.)*

more aggressive marketing and advertising (prime time TV and radio, bill boards, social media and influencers). We have found a great co-relation between our mentions and customer demand for our projects. We are keen to continue leveraging the same and are confident that this will deliver for us the impact anticipated.

- viii) **USP listing readiness** – the board is conscious that share trading on our secondary market has been extremely slow. We are conscious that we have had several years of discussions on the best way to resolve this for the long term. The board is clear that the best way to achieve a lasting solution is to provide some form of public trading of shares to both members and non-members. We are thus going to evaluate in detail the option of floating our shares on the Unquoted Securities Platform (USP) launched in 2020 by the NSE. We are however conscious that this may not be achieved in one year and will strive to achieve share mobility by delivering better results (that give existing members more confidence in the organisation leading to a reduction in floated shares as well as attracting more new members to the organisation) and stepping up our member recruitment drive activities. That said, we anticipate to start trading our shares on the USP in 18 to 24 months time.

6. AOBs RAISED IN THE LAST AGM

In the 11th AGM, the two matters noted and addressed below were raised as AOB's:

1. Capping of the number of shares to be traded within a certain defined period of time – after board deliberations, it was agreed that introduction of such a process would limit transparency in the share trading process and cause even greater anxiety amongst members. It was thus agreed not to carry on with this proposal.
2. Proposal to increase non-Safaricom employee directors from the current 3 to 4 – the board deliberated this proposal and agreed that it was one worth having further discussions on. However, it was agreed that the time is not right at the moment. It was further agreed that the matter should be revisited in the future.

7. PROPOSED RESOLUTIONS FOR THE 12TH AGM TO BE HELD ON 20TH FEBRUARY 2021

The following resolutions are proposed by the board for ratification and adoption, if agreeable to members, during the upcoming 12th AGM scheduled for 20th February 2021. The board:

1. Recommends appointment of Ronald's & Associates LLP as the Independent Auditor for the year 2021. This has been arrived at after engaging and reviewing six potential auditors being KPMG (SME division), Grant Thornton, PKF, Baker Tilly, Orwa & Associates and Ronald's & Associates LLP. The board recommends Ronald's & Associates LLP for their fairly priced commercial proposal, their cooperatives client references and that they are part of the panel of consultants for NSE Ibuka programme
2. Proposes that Board members indemnity be and is hereby retained at Kshs. 3M per person
3. Proposes that the borrowing ceiling for the Society be raised to Kshs. 2.5B from Kshs. 2B
4. Proposes that on specific borrowing, SIC Board be authorized to borrow against properties currently owned or those to be acquired by SIC with a view to subsequently develop and/or dispose provided that the total indebtedness of SIC will not exceed the sum of Kshs. 2.5 Billion (borrowing limit)
5. Proposes that the Society pays out a special rebate of 68.7% of surplus (being higher than the society's dividend policy of paying 60% of surplus and retaining 40% for general and statutory reserves); this translating to Kshs. 0.15 per share and totaling to a gross sum of Kshs. 12.13M.
6. Proposes to award a staff bonus payout of Kshs. 2M for performance related to the year 2020

If any member has a clarification, comment or counter proposal on the resolutions above, kindly make your submissions to the Honorary Secretary of the board by 10 am (East African Time) on Friday, 19th February 2021 via info@sic.co.ke. Make sure to include your full name and member number to your clarification, comment or counter proposal. Any questions received after this time will be collated and responded in a circular by the Honorary Secretary after the AGM.

Finally, I wish to thank all our clients, the members, the Cooperatives Department, the SIC staff and all our business partners for your immense support and contributions to SIC's recovery during the year 2020 amid the COVID-19 adversity. I particularly want to single out the Board members for their selfless service and dedication to the organisation. They have sacrificed a lot of time and energy to sustain the organisation. I am certain that SIC can continue to rely on all of its stakeholders' commitment, engagement and support to deliver our ambitious plans for the year 2021.



Peter Gichangi
Chairperson

Treasurer's Report

1. BACKGROUND

The year 2020 was difficult for businesses globally and our Co-operative quickly adjusted to this new operating environment with the key focus being business continuity.

The Covid-19 pandemic and associated effects have impacted countries in ways that have no historical precedence. The measures to combat it have in turn produced significant adverse effects on businesses, economies and livelihoods. Economic forecasts are pointing out to a strong rebound for 2021, as the virulence of the virus seem to wane with the availability of vaccines and new therapeutic measures.

2. ECONOMIC ENVIRONMENT

a. GDP Growth

The Kenya National Bureau of Statistics (KNBS) Quarterly Gross Domestic Product Report shows the Kenyan economy recorded a 5.7% contraction in Q2 2020 down from a growth of 5.3% recorded in a similar period in 2019. This is the first contraction since the third quarter of 2001 when the country recorded a 2.5% contraction. Recently released Q3 GDP figures had improved contraction of 1.1% demonstrating some recovery.

However, if it takes longer than expected to bring the Covid-19 pandemic under control, GDP could see a delay in the projected 5.2% growth in 2021. The downside risks include a protracted global recession undermining Kenya's export, tourism and remittance inflows, further exacerbating the Covid-19 health response measures, disruption of domestic economic activity, fiscal uncertainty and weather-related shocks.

b. Inflation

Consumer prices increased 0.98% in seasonally adjusted month-on-month terms in December, easing from November's 1.07% increase. December's print reflected higher prices for food and non-alcoholic beverages, housing, water, electricity and gas.

Inflation came in at 5.6% in December, picking up from November's 5.3%, and marking the highest inflation rate in eight months.

c. Property sector performance

Real estate, construction and manufacturing sectors grew at 2.2%, 3.9% and -3.9% respectively, compared to a growth of 6.0%, 7.2% and 4.0% in 2019.

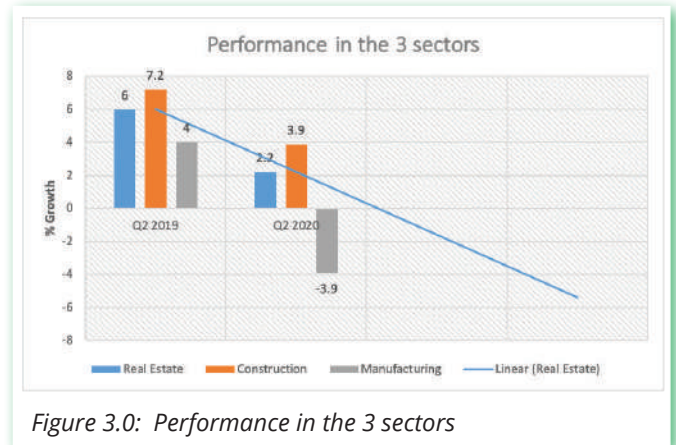


Figure 3.0: Performance in the 3 sectors

3. OPERATING ENVIRONMENT

a. Compliance and controls

In the year under review, the society has spent time to put in place and ensure compliance to the policies in place, specifically land acquisition, procurement, human resource and onboarding an Internal Auditor. This will remain an area of focus to strengthen internal controls and ensure that the Society's assets are safeguarded.

Our financial statements are fully compliant with IFRS 15 and we continue working closely with our auditors to adopt best practice in our financial disclosures. We have also gone ahead to ensure that our customers are given control of their land on completing the payments by giving them a certificate of completion as they await title deeds issuance within 30-60 days.

As captured in the Real Estate Committee report, there was accelerated issuance of title deeds to our members as well as focus on addressing historical land challenges and wish to commend the HPL Committee for their effort in this task.

b. IBUKA program and share trading

As updated at our last AGM, we continue to pursue this avenue to create liquidity in our shares for those who wish to buy and sell. Engagements with NSE continued in the year with plans now underway to join NSE Unquoted Securities Platform that will assist in solving the backlog in the secondary market. The platform has the below advantages:

Treasurer's Report *(Cont.)*

- Price discovery through the forces of demand and supply.
- Floated shares can only last for 30 days after which clients are required to float a fresh.
- A wider market for potential clients to buy the shares.
- The platform is well regulated.

c. Cost saving measures

We are putting in place cost saving measures with a target of 30% cost reduction year on year. Among the measures implemented is publishing a rate card showing the ceiling prices for our direct costs. This is in addition to transparency around land acquisition through public notices for prospective vendors to apply. We are also reviewing our processes including existing vendors to ensure that we achieve efficiency and cost effectiveness.

4. FINANCIAL PERFORMANCE

This year's income statement has been modified in line with IAS 1 to disclose gross revenue and the respective cost of sale. Revenue comprises the fair value of the consideration received or receivable for the sale of land or houses.

Revenue from sale of land is recognized when the transaction with the buyer is substantively complete which coincides with the transfer to the buyer of the significant risks and rewards of ownership and the entity retaining neither continuing managerial involvement to the degree usually associated with ownership nor effective control over land.

Our revenues grew compared to last year and this is attributed to targeted digital marketing activities, competitive offers on products, resilience of our customers despite the reduced disposable income in our target markets in the financial year under review.

The Society's gross profit increased by 335% from Kshs. 55.95M in 2019 to Kshs. 187.4M in 2020 while net surplus for the year improved from a loss of Kshs. 88.5M to a profit of Kshs. 17.6M over the same period. Expenses as well increased from Kshs. 144.5M to Kshs. 169.8M. The growth in expenses is driven by Kshs. 42.1M expenditure from the provision that had been set aside for prior year projects.

Our balance sheet remains in line to the position in 2019 but would wish to call out that our trade receivables remain high at Kshs. 1.2B as end of current year, a 20% reduction from Kshs. 1.5B in 2019. We continue to deploy efforts to unlock this working capital through debt collectors, issuing title deeds and resolving historical land issues. Although our liabilities closed at the same level as previous year, member interest earning deposits continues to drive growth and wish to encourage our members to patronize our products.

I also wish to draw to the attention of members the negative reserves of Kshs. 101M as a result of prior year loss and withdrawals from reported projects. Going forward, we shall work together in rebuilding our reserves through retaining more earnings and addressing challenges giving rise to project withdrawals.

5. STATISTICAL HIGHLIGHTS

Year	2015	2016	2017	2018	2019	2020
Gross Profit ('000)	379,953	474,684	533,293	525,273	55,945	187,440
PBT('000)	337,076	413,501	446,305	395,356	(88,537)	17,648
Rebates Pay-out (-000)	322,500	392,000	420,000	375,000	0*	12,130
Rebates Rate	25.0%	21.0%	18.0%	15.0%	0.0%	0.285%
Total Assets (000)	2,238	3,337	3,852	3,938	4,240	4,488
No.of Members	3,188	3,847	4,140	4,345	4,538	4,644
Share Capital (Million)	1,289	1,867	2,220	2,501	2,501	2,501
No.of Shares	5,244	6,641	7,750	8,094	8,094	80,870
Value Per Share ('000)	350	435	525	525	525	52.5
Market Capitalization (Million)	1,835	2,889	4,069	4,249	4,249	4,246
ROC	26.0%	22.0%	19.0%	15.0%	0.0%	0.16%
Return On Assets	15.0%	12.0%	14.0%	10.0%	0.0%	0.363%

Table 2: Statistical Highlights

Treasurer's Report *(Cont.)*

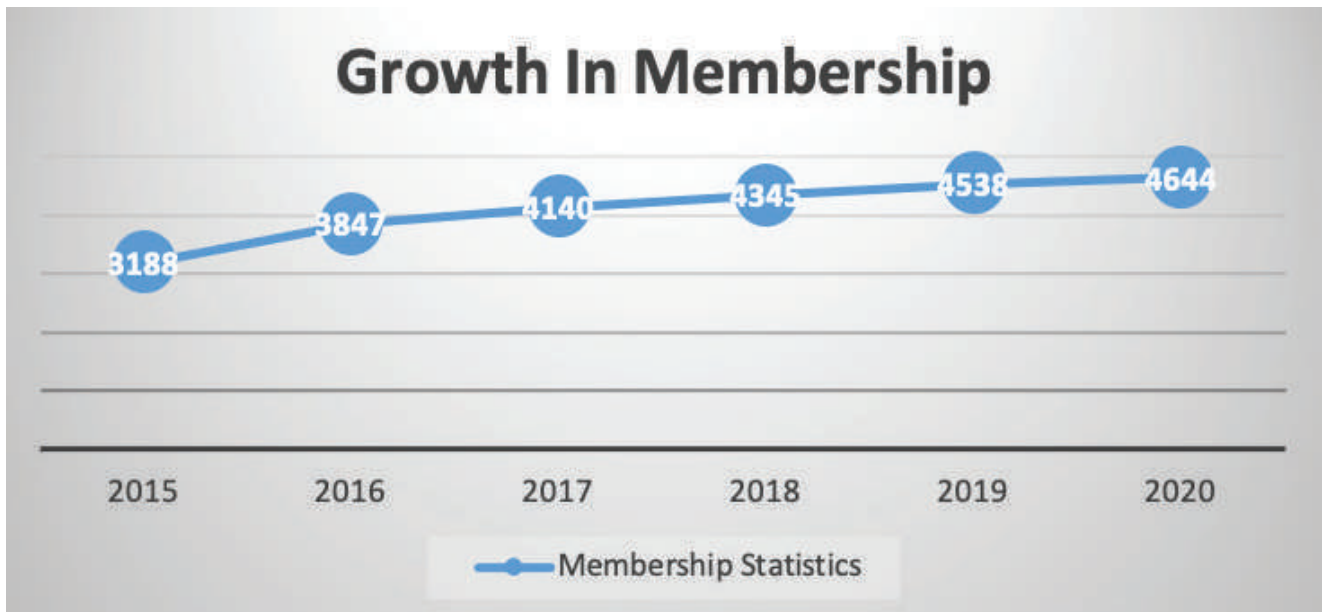


Figure 4.0: membership trends

6. MEMBERSHIP DEMOGRAPHICS

Our membership is comprised of 206 groups, 17 companies and 4,421 individuals. Of the 4,421, individuals, 2,224 are female while 2,197 are male.

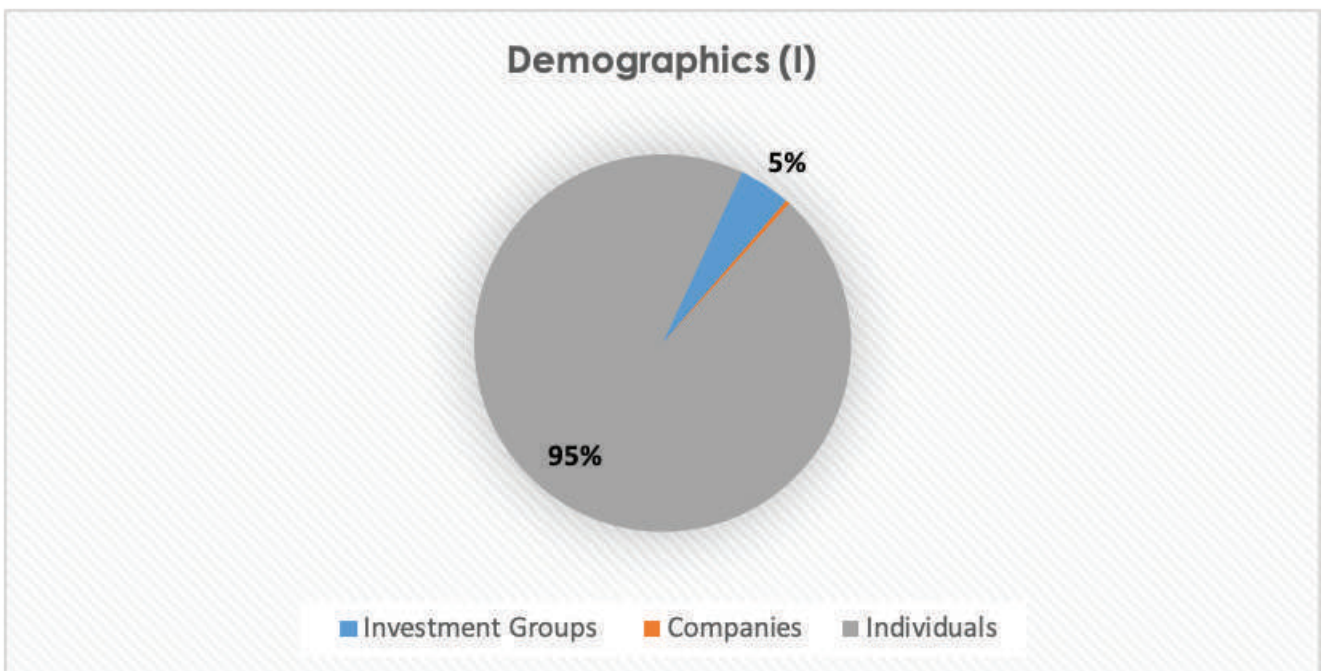


Figure 5.0: membership composition

Treasurer's Report *(Cont.)*

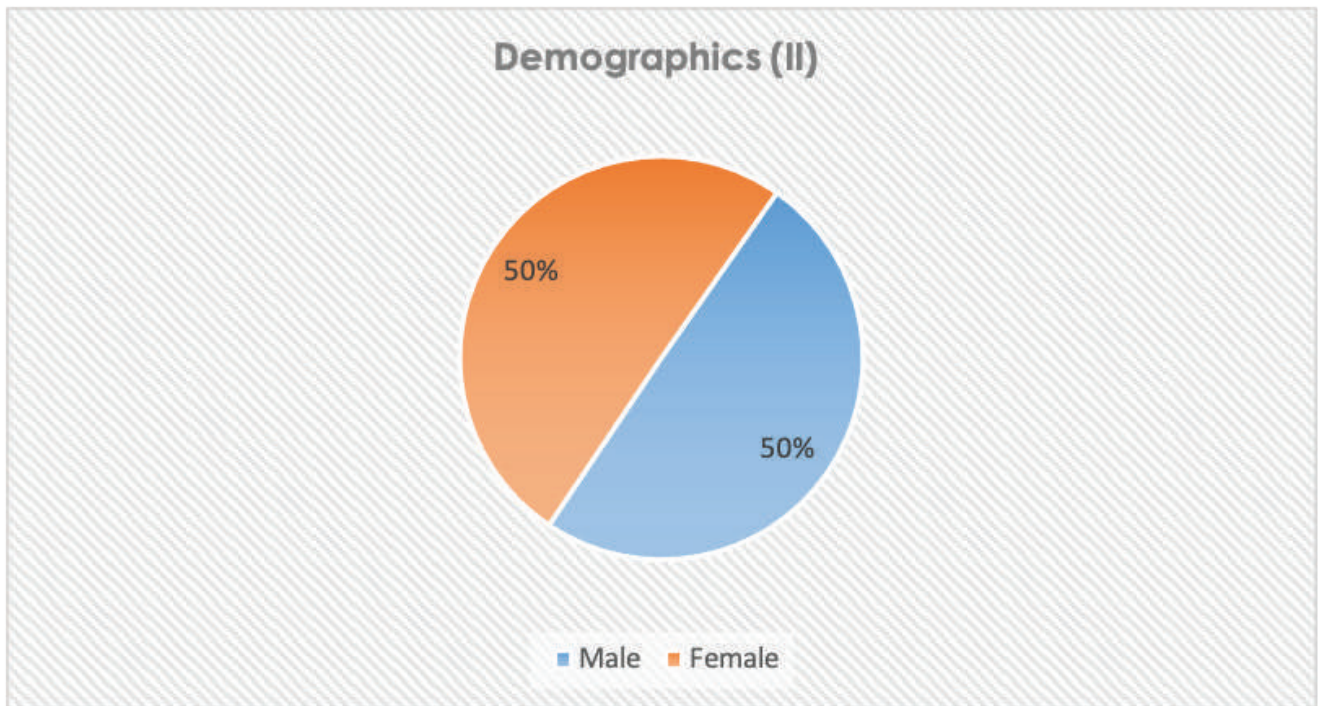


Figure 6.0: membership split by gender

7. OUTLOOK FOR 2021

The Management Committee has embarked on an ambitious process to transform our Society into a strong player in the industry. We are focused on boldly addressing the historical land challenges, building our member confidence and harnessing our joint synergies to grow. Some work has commenced including reviewing our strategic plan to innovatively explore new and existing growth opportunities, but this will require patience from our members. Our budget statement presented at this AGM captures our first intent to pursue this turnaround.

In conclusion, I would like to express my gratitude to our shareholders, the Management Committee, staff members and all stakeholders who have worked tirelessly to see the growth of Safaricom Investment Co-operative.


.....

Vincent Opiyo

Treasurer

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Business Development Committee's Report 2020

1. OVERVIEW

The Business Development Committee exists to drive the fulfillment of a key pillar of our 2018 – 2023 strategy to enhance financial growth and sustainability through diversification from the traditional real estate business and the purchase and sale of land.

Business development committee presented its 2020 focus areas to you during the last AGM. These included Zaria Village partnership, Kokoto venture which is a processing of construction ballast via a crushing plant, hospital investment and agency partnerships (where we sell on behalf of other investors).

Our focus areas were affected by the global economic down time arising from the COVID 19 pandemic that led to the slowdown in investments including the diversification areas we had focused on.

As a committee we reassessed our promised investments for 2020 to focus on the Zaria Village partnership and areas of quick wins such as distressed investments. With this focus, we managed to deliver a profit of Kshs. 13M. We also completed 37% of the infrastructure in Zaria village and sale of 30% of the project, the bulk of whose income will be realized in 2021.

2. BUSINESS DEVELOPMENT OPERATIONS

Our target investment areas have been in the health, agribusiness, and energy sectors as well as new lines in real estate such as agency and distressed properties. 2020 was a unique year that provided us with various business opportunities like Inuka Hospital partnership, Nana Uwezo motorbike financing partnership, large scale poultry farming for export amongst many others. The year also presented many challenges and learning areas in partnerships that has helped us manage the business model better going forward

The Covid 19 crisis gave rise to various challenges that affected the operating environment and demanded a change of focus to the following key areas of investment that we had already on boarded:

- 2.1 Zaria Village partnership project
- 2.2 Kitisuru distressed project
- 2.3 Agency partnerships and other line of investments

2.1 Zaria Village Partnership project

Zaria village was the flagship business development project for the year 2020. This is a partnership project that was launched in September 2019 in which our key mandate is to deliver high end value added plots to our customers.

The project faced headwinds early in the year in getting the county approvals and heavy rains that impacted the delivery of infrastructure implementation. We were able to overcome these challenges and the project has gained shape through our delivery of 37% of the infrastructure milestones with a target to deliver 100% by April 2021.

We were also able to surmount the Covid 19 pandemic effects on disposable income to sell 30% of the project and to create huge visibility of the project across the Globe. Most of the revenue earned will be recognized in the year 2021 as we complete our obligations.



Figure 7: Club house gaining shape



Figure 8: Internal Cabro works ongoing

Business Development Committee's Report 2020 *(Cont.)*

This remains our key project of focus this year with a target to deliver 80% of the infrastructure by April 2021 and 80% of the sales and revenue benefit by end of 2021.

2.2 Kitisuru Distressed project

This was also a focus line to the committee. We invested in this distressed project which we expected to turn around quickly. 100 % of the units purchased were sold within the year and transferred to customers. The successful delivery of the project has helped us create a new business model for projects within the real estate sector that have a quick return on investment.



Figure 8: Kitisuru Gardens completed units

2.3 Agency and Other Investments

During the year 2020, the committee reviewed various investments in the health sector, energy sector, agribusiness as well agency partnership in real estate.

Arising from this, we entered into an agency partnership for the sale of Rose Wall serviced plots in Kitengela that is fast selling out. This is a non-funded line of partnership that only requires limited financial investment to cover marketing costs. It is our intention to pursue more partnerships of this nature where we leverage our superior selling abilities to sell on behalf of other investors for a commission. We are pleased to offer an opportunity to our members to partner with us in this line of business.

3. 2021 PROJECTS OF FOCUS

Zaria village remains our key project of focus in 2021. We intend to complete the infrastructure works by April and reap the benefit of our marketing investments by selling the project fully in 2021. This would allow for recognition of 80% of the revenue within the year.

Our outlook is to deliver on the following projects in 2021:

Project Name	Engagement	Target
Zaria Village	Joint Venture	<ul style="list-style-type: none"> Complete infrastructure by April 2021 Sell 100% by end of 2021
Agribusiness	Contractual horticulture farming	<ul style="list-style-type: none"> Produce twice in 25 acres by end 2021
Distressed properties	Quick Investments	<ul style="list-style-type: none"> Launch and sell 2 projects by end of 2021
Energy Sector	Partnership deal	<ul style="list-style-type: none"> Launch 3 depots by end of 2021
Property Management	Agency Model	<ul style="list-style-type: none"> Launch management of 5 projects by end 2021

Table 3

4. SUMMARY

As a team, we remain committed to delivering profitable opportunities while mitigating the risks involved in venturing in new lines of investments in order to grow our members wealth. The resilience demonstrated by our business in 2020 and the strategy we have in place gives us the confidence that 2021 will be a fruitful year.

We invite our esteemed members to share with us business opportunities to keep our pipeline full in favor of SIC. Kindly forward any proposals and ideas to info@sic.co.ke

Agnes Marete

Chairperson

Business Development Committee

Real Estate Committee Report 2020

1. OVERVIEW

The real estate committee is mandated with identification, acquisition, development and sale of Land and Housing projects. 2020 was a challenging year for the real estate committee with the onset of the Covid-19 Pandemic that had adverse negative impacts on the health of the global community as well as the economic and social sectors across the globe. The Kenya real estate sector was affected by the diminishing disposable income by a majority of Kenyans as a result of loss of livelihoods. This posed a challenge for the various land and housing products that SIC had put up in the Market. The challenging environment however, brought out our collective resilience as an organization and we were able to refocus our energies on aggressive digital marketing that enabled SIC to successfully deliver a gross revenue of Kshs. 437.9M on Land and housing projects.

2. OPERATING ENVIRONMENT DURING THE COVID-19 PANDEMIC

The real estate market in Kenya was affected by the Covid-19 Pandemic which resulted in moderate market activities during the year 2020. SIC leveraged on digital marketing to reach its customers when there was restricted physical interactions. There were various challenges as well as opportunities that affected operating environment as shown below;

2.1 Challenges

The main challenges that SIC faced during the year included;

1. Reduced disposable income for many people as a result of loss of livelihood which was a threat in terms of available customers to consume our products.
2. Slowdown in collections from customers who had paid deposits on various products and had balances to complete. This affected cash inflows for SIC.
3. Reduced funding to the sector from financial institutions due to risk aversion as a result of the Pandemic.
4. Slow operations at the Land registries and in some instances, total closure of the registries for considerable period of time leading to slow progress in titling processes.

2.2 Opportunities

Despite the challenging environment, SIC leveraged on several opportunities such as;

1. Leveraging on technology to connect with customers within the country and in the diaspora digitally, therefore reaching a wider group of potential customers.
2. Favourable environment created by the Government for implementation of Affordable Housing project under the Big 4 Agenda.
3. Improvement of land acquisition internal processes with an aim to shorten the period of time of issuing titles to buyers and also make processes more efficient.
4. Undertaking market surveys to ensure all products being acquired by SIC are based on market demand.

3. REAL ESTATE PERFORMANCE 2020

The real estate committee focused on three key areas during the year 2020;

1. Land projects (ongoing and new)
2. Ongoing Housing projects
3. Affordable housing project

3.1 Land Projects

In 2020, SIC successfully onboarded 4 new land projects to complement the already running projects. The title deeds for all the new parcels of land are in SIC name. This is in line with SIC commitment to ensure that transfer processes to buyers are faster and more efficient when the mother title is already in SIC name at the point of sale.

On the Land parcels that were already on sale at the beginning of 2020, SIC had a target of selling 418 units. Despite the challenging environment, SIC managed to successfully sell 308 units representing 74% of the target. This was commendable considering the operating environment during the Covid-19 Pandemic. The remaining units will be sold off during the first quarter of 2021.

In 2019, SIC processed a total of 860 title deeds of which 363 were transferred to buyers' names. In comparison, in 2020 SIC processed a total of 1,573 titles of which 856 were transferred to buyers' names. This was a great achievement in light of difficulties encountered at the land registries which were operating with reduced staff due to the Covid-19 pandemic and in some instances, closure of the registries. SIC team put in immense effort to ensure that we meet our customer's expectations.

In 2020, we offered our products to 13 counties including; Kilifi, Kwale, Machakos, Kajiado, Kisumu, Kitui, Makueni, Kiambu, Nakuru, Uasin Gishu, Laikipia, Narok and Siaya counties. This focus ensured that we have adequate reach

Real Estate Committee Report 2020 *(Cont.)*

of our products to all our customers in their specific areas of interest. As we look forward to 2021, SIC undertook a market research on counties where there is high demand for Land. The counties that had strongest demand and which will be our 2021 focus for onboarding new products include; Machakos, Kisumu, Nakuru, Kiambu, Laikipia, Migori, Trans nzoia and Uasin Gishu.

In our efforts to continue supporting our customers, there was a deliberate effort to keep our buyers updated on the status and progress of completion of various land projects which they have patronised, through targeted project communication.

3.2 Ongoing Housing Projects

At the beginning of 2020 our housing stock had 35 units which were spread in various projects including; Ruaka, Blue bells, Rongai and Kantafu. We managed to sell 26 units during the year and closed with 9 units. SIC has put in place sale strategies that will ensure all remaining housing units are sold out in 2021.

3.3 Affordable Housing Project

In 2020, SIC embarked on an ambitious mission of implementing an Affordable Housing project which is in line with the Government's Big 4 Agenda. The Project will be located in Ruaka in a 3.5acre master planned urban community carrying 398 modern apartments. The modern apartments will consist of a mix of studio, one bedroom, two bedroom and three-bedroom units. The facilities will include; parks and manicured lawns, playground, rooftop terrace, play courts, children play area and club house.



Figure 10: Proposed Affordable Housing Project

Ruaka is one of the fastest-growing neighbourhoods around Nairobi and is only 30-minute drive from the CBD via both Redhill Road and Limuru Road. The site lies in close proximity to shopping malls such as Two Rivers Mall and Village Market. The adjacent suburbs of Runda and Rosslyn also make the location quite secure and attractive for investors. Major hospitals within the vicinity include Gertrude's Hospital and Aga-Khan Hospital.

During the year, SIC engaged a Development Manager, to assist in developing the Affordable Housing concept, undertaking designs, construction supervision and project management. The consultant commenced his assignment in August 2020 and is currently finalizing on the designs. Procurement of a contractor to undertake the construction is expected to be finalized by end March 2020 and Ground-breaking for the project by May 2021. The construction period will be 18 months.

Members are highly encouraged to invest in this exciting project.

4. FUTURE FOCUS

Our focus for 2021 is to deliver ready products to the market and to limit the time taken to complete our obligation to the purchaser. We are engaging other players in the real estate space to identify areas of partnering.

To leverage on current trends and technologies and ensure SIC remains relevant, competitive in the market and the investor of choice.

To enhance market research in order to deliver products that have clear demand.

Timely delivery of titles to buyers and stakeholder engagement.

Customer care continues to be key to us. We commit to continue providing prompt, frequent, targeted and project-based updates to our customers. Please direct any queries on the products that you have patronised to info@sic.co.ke

As the Real Estate Committee, our promise continues to be providing Quality, Affordability and Value for money for our customers and better returns for our investors.

Thank You,

Eng. Emily Kilongi
Chairperson
Real Estate Committee

Report of the Historical Problematic Lands (HPL) Committee 2020

1. OVERVIEW

In February 2020, the Central Management Committee (CMC) presented a plan to the AGM to create a task force dedicated towards the resolution of historical issues impacting past SIC projects. This would allow the Real Estate committee to focus on the traditional real estate business while the Business Development Committee concentrated on the creation of new business opportunities.

The proposition to create the taskforce together with a request for approval of a budget were presented in the Annual General Meeting held in February 2020 where it received overwhelming support from the members.

2. MANDATE

The task force was constituted in the first meeting of the CMC following the AGM and comprised of a sub-committee of the CMC supported by a team from the secretariat. The taskforce was named HPL and was mandated by the CMC to identify past projects that were facing difficulties and devise ways of resolving those issues. The objectives of HPL were to:

- Expedite the delivery of titles to customers
- Secure the ownership of SIC assets by ensuring that all properties have proper titles.

The benefits expected from these activities are:

- Restoration and boosting customer confidence resulting in repeat business and increased sales
- Foster collection of debts owed to SIC by delivering on the organization's contractual obligations to its customers.
- Properly supported ownership of assets would enhance the business's ability to access funding to take advantage of emerging investment opportunities.

3. APPROACH

3.1 Delivery

In executing its mandate, the HPL committee adopted a systematic risk-based approach to identify problematic properties and in defining the root causes underlying the failure to successfully close those projects. An early observation was that the aggressive pursuit of returns in the past had inadvertently distracted focus from addressing

issues preventing the closure of past projects. The creation of the HPL committee was therefore a good opportunity to address these issues.

At the start of the year, the taskforce conducted a detailed review of the full listing of projects and to identify and document the specific problems facing each project and to determine the actions required to resolve the issues. The key issues revolved around:

- Changes in land regulations such as restriction in minimum plot sizes by some counties and the introduction of Capital Gains Tax.
- Unsuitability of some properties to fulfil the purpose for which they were acquired.
- Unsatisfactory performance by service providers resulting in delayed payments to them and to Government entities impacting transfer processes.
- Potential litigation and unfavourable contracts.

Having delved into the details of the issues affecting each parcel, it was evident that all the issues affecting historical projects were capable of being resolved given the right amount of focus, creativity and resource allocation. The committee set priorities for the office and tracked the completion of actions as defined and agreed on by the task force. In addition, committee members actively engaged in the execution of some of the activities where staff required support such as in negotiations with various stakeholders with the aim of securing SIC's interests, reducing costs while managing the relationships to ensure optimal outcomes.

HPL adopted agility and creativity as pillars to support the resolution of the challenges identified. This meant adopting unconventional solutions to the obstacles the organisation was facing in closing on some projects such as negotiation of debt swaps against slow-moving stock to clear bills with service providers thus preserving cash while at the same time unlocking projects held back by pending bills.

3.2 Challenges

The COVID 19 crisis presented unique challenges to the operations of the HPL team severely curtailing the speed at which we could work towards meeting our objectives. Key restrictions included:

Report of the Historical Problematic Lands (HPL) Committee 2020 *(Cont.)*

- Limitation of travel to certain parts of the country during the first half of the year.
- Scale down of operations in Government offices slowing down processing of transfers.
- Closure of the Ngong land registry that handles several SIC properties.
- Registry Government Audit which affected the smooth flow of operations .
- Despite the early adoption of technology by SIC as a means of communication, some activities still required physical interaction to facilitate inspection of properties, exchange of original documents and negotiations. Health and safety concerns for our staff and the third parties hampered these activities.
- The slowdown in economic activity meant that funds were not always immediately available to facilitate the completion of planned actions.

4. OUTCOMES

The year 2020 afforded us an opportunity to clearly delineate actions required to correct the course with respect to problematic projects. We identified, engaged and negotiated with relevant stakeholders including service providers, vendors and Government officials to agree on the way forward.

Despite the challenges highlighted above, HPL was able to unlock 46% of the problematic projects that it was dealing with. An additional 10% do not require any additional work as problematic lands and are undergoing various stages of title processing for buyers.

This outcome has not only improved customer sentiment in the market but also eased debt collection efforts and improved relations with our service providers.

5. LOOKING AHEAD

The year 2020 afforded us an opportunity to clearly delineate actions required to correct the course with respect to problematic projects. We have identified and engaged with relevant stakeholders including service providers, vendors and Government officials involved in historical problematic projects to agree on the way forward. In the coming year our focus shall be Completion of the specific actions defined for each project. We anticipate that with the gradual resumption of Government services at near-full capacity, we should be able to complete processing of the pending titles for our customers in 2021.

A few of the projects being handled by HPL have the potential for litigation. Our assessment is that we have sufficient documentary and legal support to secure our investments.

Our customer delight journey has only just begun, and we still have quite a bit of work to do. HPL shall contribute to the overall customer experience strategy by actively addressing issues related to historical projects and providing feedback for proactive communication to customers.

We remain committed and have no doubt that we will prevail.

Thank You,



Edward Njoroge

Chairperson

HPL Committee

Supervisory Committee's Report 2020

1. MANDATE

The Supervisory Committee mandate is spelt out under section 28 of the Co-operative Societies Act Cap 490 and the Bylaws of the society. In a nut shell, we are tasked with the responsibility of counter-checking the effectiveness of the Society's internal control system through carrying out investigations as may be necessary and establishing whether management of the society use managerial tools like budgets, trial balances, economic reports, long term plans and others and making recommendations to the Board.

In the year under review we established the Audit and risk management department within SIC to mature the governance and risk management of the organization.

2. GENERAL OBSERVATION

The year 2020 started on a positive note until in March 2020 when the first Corona virus case was reported in the country. As many will recall, the country went into partial lock down with the government advising that people work from home. Many businesses were affected as the global economy went into economic lull. Organizations were thus forced to rethink their strategies and redraw their plans to factor in the effects aggravated by this global pandemic.

The year had a tough economic environment with an average inflation rate of 5.6% in December 2020 compared to 5.2% in December 2019 and dwindling household budgets. Provisional estimates of gross domestic product indicate that the economy expanded by 1.5% compared to 5.2% per cent for the year 2019.

In the year under review the Supervisory committee performed its mandate as required. Ladies and gentlemen, the team is pleased to present the following specific areas:

a) Corporate Governance

The SIC Board:

The SIC Board has the appropriate mix of skills, knowledge and experience to perform its role effectively.

The SIC Board meetings were held as prescribed in the various governance frameworks including the Co-

operative Societies Act Cap 490 and SIC Bylaws. There were no exceptions with regards to the individual member attendance of scheduled meetings.

The Board has continued to exercise accountability, transparency, fairness, good leadership and stakeholder management.

Management of Conflict of Interest:

The Supervisory committee members, Board members and all employees of SIC are obligated to fully disclose any conflict of interest, which comes to any member/ employee's attention, whether direct or indirect. The statutory duty to avoid situations in which the member/ employees have or may have interests that conflict with those of SIC in the year under review. All business transactions with all parties, Supervisory committee members/ Board members /employees or their related parties are carried out at arm's length.

b) Risk management

SIC remains committed to robust risk management as an integral part of strong governance and good management. The SIC board continued to render appropriate support and ownership towards risk management that ensured a positive risk culture across the organization.

We continuously review the risk management framework, which provides the foundation and arrangements for identifying, treating, reporting, monitoring, reviewing and continually improving risk management throughout the organization. Our risk management framework entails:

- Risk identification – risk assessments done biannually.
- Risk analysis and evaluation – to measure the likelihood and impact of the risk.
- Risk remediation – to treat the risk
- Monitoring and reporting –continuous update on progress in managing the risks.

The following are the principal risks that continue to have close management attention:

- Adverse impact on our business operations due to COVID-19 pandemic – three quarters of FY2020 were

Supervisory Committee's Report 2020 *(Cont.)*

adversely impacted by the COVID-19 pandemic due to added pressure on already difficult macro-economic environment. Further many land registries were closed for extensive periods impacting adversely on title processing and operational activities.

- Heightened competitor activity and digitization - Competition in the Property industry was on the rise in terms of product and service offerings. We faced increased competition from a variety of new technology platforms, which aimed to build alternative product offerings and customer journeys that helped businesses to connect and function under extreme circumstances.
- Performance management in the 'new normal' of working - the imperative of social distancing, work from home and the introduction of lockdowns challenged the traditional way of performance management with a shift from monitoring of activities to results focus.
- Historical Problematic Land issues resolution - the HPL Committee had successfully resolved 46% of the problematic parcels in the year 2020. The Committee faced several external challenges including the closure of land registries and delays in the physical land activities due to the impact of COVID-19. Some of the disputes and issues on the historical have a potential risk of future litigation. The Society nonetheless has all the required documentation and legal capacity to handle the cases as and when they crystalize. The Board has extended the term of this committee by another year to enable them complete the task.
- Customer support - SIC is still unable to meet the customer expectations in terms of service quality, response time, or overall customer experience. It is important to note that part of these challenges will be resolved through the implementation of Customer Relationship Management system, a customer charter and re-organization.

Recommendations

- Business reinvention to combat the challenging economic environment - create positive innovations that not only cushion against the economic shocks but also open new market ventures.

- Move with speed to create digital platform for alternative product offerings and customer journeys that will help us to connect and function under this 'new normal'.
- Enhance efforts to close on all historical land issues in the coming year.
- Instill a culture of customer obsession within SIC staff and execution of a robust end to end customer delight strategy.

c) Internal Control:

Audit reviews:

During the year 2020, the supervisory committee undertook evaluations of the Society's internal control environment through the various planned audits and special reviews.

Even though the internal control environment of SIC continues to mature, our reviews revealed some internal control weakness around significant deviation from the performance targets, customer value management, revenue recognition, project management, supplier payments, credit collection, working capital tied up in slow moving land and housing stocks. Management continues to address the improvement opportunities identified.

To improve internal processes and bring efficiency in the society's operations, management acquired an ERP system in the year under review. The implementation of the system is currently underway with data migration ongoing. Internal Audit and management continue to work together to assure on the integrity, accuracy and completeness of the data being transferred to the new system.

Addressing fraud and corruption:

We undertook several forensic investigations during the year 2020 that revealed fraudulent activities undertaken by senior officers of the society. We however report that there were no financial losses incurred by SIC from these fraud cases.

The following actions were taken based on the fraud investigations:

- 1 staff was dismissed.
- 4 staff were issued with disciplinary warnings.

Supervisory Committee's Report 2020 *(Cont.)*

- That advocacy programs be implemented by management and board to sensitize staff members on the importance of ethical behaviors;
- Implementation of whistle blowing policy to identify and remediate on any fraudulent activities;
- Establish anti-corruption and fraud monitoring measures in place to drive behavioral changes through collective action.

d) Review of FY 2020 Accounts

As per the audited financial statement for the year 2020, SIC posted a net surplus of Kshs. 17.6M compared to a net deficit of Kshs. 88.5M in the previous year. This performance was achieved despite the challenges in the year occasioned by the Covid-19 Pandemic. While we welcome this more, we recommend the following to be adopted by the board and management:-

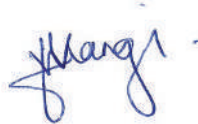
- Review of the organizational strategy, operating model, product propositions and connection to our customers to be fit for the 'new normal';
- Effective strategy cascade of the strategy (paper to pavement) to the staff. Alignment of the objectives to the strategy with agreed SMART deliverable by each staff.
- Month on month performance reviews with effective and timely remedial measures for target achievement. Effective performance management and instill a culture of 'result focus' within SIC to deliver commitments made to the investors. This will remediate on the current culture of not delivering on the investors performance expectations as agreed per the approved budget.
- Release the working capital held up in long outstanding land stocks to improve in the organizational funding and return on investor capital;
- Close on all pending titles for customers who have fully paid for their land purchases. This will go a long way in reducing the poor reputation, customer apathy and credit collection as part of the debts are tied to failure to transfer land in the purchaser's name;

- Review the product development process to achieve cost leadership in acquisition, construction and other and pre-sale activities.
- Embrace data driven decision making at senior management and Board level.

3. CONCLUSION

As I conclude, I want on behalf of the Supervisory Committee to thank all SIC investors for giving us the opportunity to serve them in this committee. We also want to thank Board, management and the entire SIC staff fraternity for the strong support accorded to us in the year.

Signed by:



.....
Judy Runo,
Chairperson



.....
Peter Mukera
Secretary



.....
Beth Mwangi
Member

THE *Zania* VILLAGE



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1/4 acre from Kes. 7.3m

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Society's Information

The management committee submit their report and audited financial statements for the period ended 31st December, 2020.

PRINCIPAL ACTIVITIES

The principal activities of the society are as listed below:-

- Real Estate
- Marketable Securities
- Private Equity

MANAGEMENT COMMITTEE MEMBERS

The following served during the year:-

Peter Gichangi	:	Chairperson
Tom Macakiage	:	Vice Chair Person-Wef 17th Feb,2020
Rebecca Bisanju	:	Secretary
Vincent Opiyo	:	Treasurer- Wef 17th Feb,2020
Rosemary Chege	:	Treasurer- Up to 8th Feb,2020
Agnes Marete	:	Committee Member
Emily Kilongi	:	Committee Member
Edward Njoroge	:	Committee Member
Jackson Mulwa	:	Committee Member- Wef 17th Feb,2020
Michael Akal	:	Committee Member- Wef 17th Feb,2020

SUPERVISORY COMMITTEE

Judy Runo	:	Chairperson- Wef 17th February, 2020
Peter Mukera	:	Secretary- Wef 17th February, 2020
Beth Mwangi	:	Member

BANKERS

- a. Co-operative Bank of Kenya Limited-Westlands Branch
- b. Bank of Africa
- c. Safaricom Sacco FOSA Account
- d. Sidian Bank

With Partners

- a. KCB Bank Limited
- b. Stanbic Bank

AUDITORS

Mbaya & Associates
 3rd Floor, Western Heights
 Karuna Road, Westlands
 P.O Box 45390 - 00100
 Nairobi. Kenya

Report of the Management Committee

The members of the Management Committee submit their annual report together with the audited financial statements for the year ended 31st December 2020.

INCORPORATION

The society is incorporated in Kenya under the Cooperative Societies Act. Cap 490 of 1997 amended 2004 and is domiciled in Kenya.

PRINCIPAL ACTIVITIES

The principal activities of the society are as listed below:-

- Real Estate
- Marketable Securities
- Private Equity

RESULTS

	2020 Kshs.	2019 Kshs.
Surplus/Deficit before tax	5,517,665	(88,537,213)
Income Tax Expense	-	-
Net Surplus(deficit) after Tax	5,517,665	(88,537,213)
Proposed rebates on members' share capital	(12,130,617)	-


MANAGEMENT COMMITTEE

The members of the Management Committee who served during the year and to the date of this report are listed on page 1.

AUDITORS

Mbaya & Associates, Certified Public Accountants (K), were re-appointed during the year and have served the Co-operative society for 3 years.

By order of management committee

Signature 
Hon. Secretary.

Date 06/02/2021

Independent Auditor's Report

To the Members of Safaricom Investment Co-operative Society Limited

Report on the Audit of the Financial Statements

OPINION

We have audited the financial statements of Safaricom Investment Co-operative Society Limited set out on pages 37 to 47, which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of Safaricom Investment Co-operative Society Limited as at December 31, 2020, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Co-operative Societies Act Cap 490.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants, Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming Our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER

How our audit addressed the key audit matter

1. Land and plot acquisition

Land and plot acquisition and sales form the backbone of the Society's main operations. The land or plots are bought and sold at a mark up. We read through the policy document to ensure its adequacy and covers all areas of land acquisition. The Land Acquisition guidelines were drafted and approved at the end of the year ended 31st December 2019. We obtained sampled land purchase agreements done under the policy to verify their compliance.

We considered this a key audit matter because land acquisition and sales forms the core business of the society and any deviation poses a financial risk. We also read through a sample of the due diligence reports prepared under the policy guidelines to ensure they are in tandem with the policy.

OTHER INFORMATION

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act 15 of 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue

Independent Auditor's Report *(Cont.)*

as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material

uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We conducted our audit in accordance with International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the financial statements section of our report. We are independent of the Society in accordance with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B) (IESBA Code) and other independence requirements applicable to performing audits of financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code and in accordance with other ethical requirements applicable to performing audits in Kenya. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In our opinion the information given in the report of the directors on page 4 is consistent with the financial statements.

The engagement partner responsible for the audit resulting in this independent auditor's report was CPA Andrew Bulemi Practising Certificate No. 2071.

Mbaya & Associates
 Mbaya & Associates

 Date 9 February 2021

MBAYA & ASSOCIATES
 CERTIFIED PUBLIC ACCOUNTANTS
 P. O. Box 45390-00100, NAIROBI.

Statement of Management's Responsibilities

The Co-operative Societies Act Cap 490 require the Management Committee to prepare accounts for each financial year, which give a true and fair view of the state of financial affair of the society at the end of the financial year, and the operating result.

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.

The Management Committee accept responsibility for the Financial Statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgments and estimates, in conformity with generally accepted accounting practice and in the manner required by the Co-operative Societies Act Cap 490.

The Management Committee are of the opinion that the accounts give a true and fair view of the state of the financial affairs of the society and the operating results.

The Management Committee further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of accounts, as well as adequate systems of internal controls.

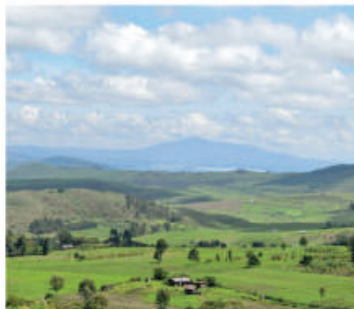
Nothing has come to the attention of the members of the Board of Directors to indicate that the Society will not remain a going concern for at least the next twelve months from the date of this statement.

CHAIRMAN: 

SECRETARY: 

TREASURER: 

BASK IN THE WILD BEAUTY OF NAIVASHA



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~~600,000~~

1/8th Acre NOW at

570,000

Limited Offer Discount!!

Live overlooking the breathtaking beauty of Lake Naivasha and Mt. Longonot. The plots are located along the Naivasha - Mai Mahiu road, only 1.6 kms from Longonot centre.



FINANCIAL
REPORT
2020

2021 & 2022 Budget

	2020 APPROVED BUDGET	2020 ACTUAL	2020 VARIANCE	2021 BUDGET	2022 BUDGET
INCOME					
Revenue from Housing Projects	295,000,000**	122,078,000	(172,922,000)	255,860,000	319,825,000
Cost of Sales	(219,000,000)**	(73,246,800)	145,753,200	(178,337,634)	(191,895,000)
Housing Projects Income	76,000,000	48,831,200	(27,168,800)	78,000,000	128,000,000
Revenue from Land Projects	969,000,000**	317,791,521	(651,208,479)	1,235,365,733	1,544,207,166
Cost of Sales	(706,000,000)**	(195,770,046)	510,229,954	(739,622,247)	(926,524,300)
Land Projects Income	263,000,000	122,021,475	(140,978,525)	496,000,000	618,000,000
New Business	116,000,000	13,832,480	(102,167,520)	169,000,000	212,000,000
Other Income	19,000,000	2,754,627	(16,245,373)	22,000,000	28,000,000
TOTAL INCOME	474,000,000	187,439,781	(286,560,219)	765,000,000	986,000,000
EXPENDITURE					
Administration	17,000,000	19,480,761	(2,480,761)	17,000,000	21,000,000
Personnel	65,000,000	66,918,386	(1,918,386)	75,000,000	86,000,000
Financial & professional	22,000,000	10,712,720	11,287,280	28,000,000	30,000,000
Governance	17,000,000	9,948,879	7,051,121	16,000,000	19,000,000
Depreciation/Amortisation	5,000,000	2,142,259	2,857,741	5,000,000	5,000,000
Provision for pre-2017 projects	100,000,000	42,049,040	57,950,960	65,000,000	-
Business Development	47,000,000	18,539,276	28,460,724	59,000,000	60,000,000
TOTAL EXPENDITURE	273,000,000	169,791,321	103,208,679	265,000,000	221,000,000
PBT Deferred Income b/f	201,000,000	17,648,460	(183,351,540)	500,000,000	765,000,000
Net PBT	201,000,000	17,648,460	(183,351,540)	500,000,000	765,000,000

** The budget has been modified in line with IAS 1 to disclose Gross revenue and the respective Cost of Sale.

Capital Budget

Item	Qty	Unit Cost	Total Cost
New Laptops	10	80,000.00	800,000
Double Cabin	1	6,000,000	6,000,000
TOTAL			6,800,000

Statistical Information

Number of Members	2020 4,644	2019 4,538
MEMBERS' FUNDS		
	Kshs.	Kshs.
Share Capital	2,500,715,663	2,500,715,663
Statutory Reserves	15,579,346	14,475,812
Proposed Rebates to Members	12,130,617	-
ASSETS		
Property, Plant and Equipment	7,019,892	7,895,883
Intangible Assets	20,093,807	1,276,865
Current Assets	3,339,747,345	2,562,026,683
Non-current Assets	1,121,201,084	1,201,885,558
LIABILITIES		
Non Current Liabilities	1,025,659,293	600,363,412
Current Liabilities	1,415,055,918	1,820,372,528
PROFITABILITY RATIOS		
Turnover	456,456,628	55,945,419
Surplus/(Deficit)	5,517,665	(88,537,213)
Interest on Members Deposits as % of total Share Capital	0.485%	0%
Return on Members Deposit as a % of turnover	3%	0%
LIQUIDITY RATIOS		
Current Ratio	2.4	2.7
Acid Test Ratio	1.4	0.6
RETURN RATIOS		
Return on Assets	0.363%	1%

Statement of Comprehensive Income

	Notes	2020 Kshs.	2019 Kshs.
Revenue:			
Revenue - Sale of land and houses	2	437,871,534	70,477,889
Cost of sales - Purchase of land and houses	3	(269,016,847)	(44,048,680)
Gross surplus- sale of land and houses		168,854,687	26,429,209
Interest Income	4	7,269,151	6,859,041
Rental income	5	1,591,079	3,345,050
Other Income	6	9,724,864	19,312,119
		187,439,781	55,945,419
Expenses:			
Administration	7	19,480,761	14,662,916
Personnel	8	66,918,386	62,773,280
Financial & Professional	9	10,712,899	4,932,819
Governance	10	9,948,879	9,734,488
Business Development	11	18,539,276	31,570,406
Provision for prior year projects	12	42,049,040	18,300,000
Depreciation/Amortisation	13	2,142,259	2,508,724
		169,791,500	144,482,633
Net operating surplus before Rebates		17,648,282	(88,537,213)
Rebates to Members		(12,130,617)	-
Net operating surplus before tax		5,517,665	(88,537,213)
Income Tax Expense	34	-	-
Net surplus for the year		5,517,665	(88,537,213)

Statement of Financial Position

	Notes	2020 Kshs.	2019 Kshs.
ASSETS			
Cash and Bank	14	151,863,679	135,034,281
Receivables and Prepayment	15	91,268,641	14,505,071
Trade Receivables	16	1,234,060,270	1,505,756,510
Non-current assets held for sale	17	1,279,401,891	1,275,524,905
Housing Stock for sale	18	126,900,818	172,229,527
Kitusuru Gardens WIP		-	66,620,000
Land held for Investment	19	75,515,117	75,515,117
Land held for Housing Projects	20	522,263,152	507,412,922
Investment in Zaria LLP	21	341,744,970	438,000,000
Investment in Top Farm Ltd		3,000,000	3,000,000
Farming Infrastructure	22	41,985,047	41,314,737
Other Financial Assets	23	196,362,651	33,619,171
Property and Equipment	24	7,019,892	7,895,883
Intangible Assets	25	20,093,807	1,276,865
Current Income Tax Receivable	26	10,195,883	10,195,883
Deferred COS	27	738,327,163	588,516,058
		4,840,002,981	4,876,416,930
EQUITY AND LIABILITIES			
Deferred Income	28	938,809,343	878,822,798
Trade Payables	29	464,115,959	941,549,729
Proposed Rebates to Members	30	12,130,617	-
Interest Bearing Liabilities	31	1,025,659,293	600,363,412
		2,440,715,211	2,420,735,940
Equity & Reserves			
Share Capital	32	2,500,715,663	2,500,715,663
Reserves	33	(101,427,896)	(45,034,673)
		2,399,287,767	2,455,680,990
Total Liabilities and Equity		4,840,002,981	4,876,416,930

The financial Statements on pages 38 - 47 were authorized for issue by the management committee on 05.02.2021 and signed on its behalf by:

Chairman



Treasurer



Secretary



Statement of Changes In Equity

	Share Capital Kshs.	Statutory Reserve Kshs.	Retained Earnings Kshs.	Total Kshs.
Balance as at 01.01.2019	2,500,715,663	14,475,813	29,026,728	2,544,218,157
Profit/loss for the year	-	-	(88,537,213)	(88,537,213)
20% statutory reserve	-	-	-	-
Proposed Honoraria	-	-	-	-
Additional Shares	-	-	-	-
Balance as at 31.12.19	2,500,715,663	14,475,813	(59,510,486)	2,455,680,943
Balance as at 01.01.2020	2,500,715,663	14,475,813	(59,510,486)	2,455,680,991
Profit/loss for the year	-	-	5,517,665	5,517,665
20% statutory reserve	-	1,103,533	(1,103,533)	-
Proposed Honoraria	-	-	-	-
Prior year project withdrawals	-	-	(61,910,888)	(61,910,888)
Balance as at 31.12.2020	2,500,715,663	15,579,346	(117,007,242)	2,399,287,767

Cash Flow Statement

	2020	2019
	Kshs.	Kshs.
Cash Flows from operating activities		
Receipts from customers and debtors	456,456,628	55,945,419
Payments to employees and suppliers	(424,535,471)	(138,352,861)
	31,921,157	(82,407,442)
Increase/Decrease in Operating Assets		
Receivable & prepayment	194,932,671	363,187,651
Decrease/(increase) in housing stock	111,948,708	88,308,603
Increase /decrease in land held for sale	(3,876,986)	(329,976,901)
Decrease/(increase) agribusiness	(670,310)	1,537,980
Decrease/(increase) in land for housing projects	(14,850,230)	(23,485,378)
Decrease/increase in deferred income	(89,824,561)	217,819,259
Increase/Decrease in Operating Liabilities		
Creditors	(477,433,770)	476,363,339
Net Cash from operating activities before taxes	(247,853,321)	711,347,112
Tax paid	-	(4,077,448)
Net Cash from operating activities after taxes	(247,853,321)	707,269,664
Cash Flows from Investing Activities		
Increase in fixed assets	(20,083,208)	(1,412,304)
Loss on asset disposal	-	(331,434)
Changes in investment	(162,743,480)	51,983,696
Kitusuru Gardens WIP	-	(66,620,000)
Investment in Zaria LLP	96,255,030	(438,000,000)
Net cashflow from investing activities	(86,571,658)	(454,380,043)
Cash Flows from Financing Activities		
Loans received	800,787,074	662,318,643
Loan Repayment	(375,491,193)	(498,618,989)
Project withdrawals	(61,910,888)	-
Dividend Payment	(12,130,617)	(375,000,000)
Net cash from Financing Activities	351,254,376	(211,300,346)
Net Increase in Cash and Cash Equivalent	16,829,397	41,589,276
Cash and Cash Equivalent at the Beginning of the Year	135,034,281	93,445,004
Cash and Cash Equivalent at the End of the Year	151,863,679	135,034,281

Notes to the Financial Statement

1 Summary of significant accounting policies

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

a Statement of compliance & basis of preparation

The financial statements are prepared in accordance and comply with International Financial Reporting Standards and the provisions of the Co-operative Societies Act and the regulations issued thereto. Financial statements are presented in the functional currency, Kenya shillings and prepared under historical cost convention, as modified by revaluation of certain assets as prescribed by International Financial Reporting Standards.

b Revenue recognition

The Society adopted IFRS 15 in the previous year ended 31st December 2019. Under this Standard, revenue is recognised when the goods or services are transferred to the customer, at the transaction price. An entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The society is in compliance with the provisions of this standard. This year's Income Statements have also been modified in line with IAS 1 to disclose Gross Revenue and the respective Cost of Sale.

c Depreciation

Depreciation is calculated on a reducing balance basis to allocate the costs or revalued amounts over their estimated useful lives as follows:

	Rate
Computer Software	30.00%
Computers	30.00%
Motor Vehicle	25.00%
Furniture & Equipment	12.50%

d Land amortization

Land amortization is done depending on the remaining lease years of each leasehold property. The asset's residual value and lives are reviewed, Adjusted if appropriate at each balance sheet date.

e Financial Assets

The society has classified its financial instruments into the following categories:

i) **Held to maturity investment:** These comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the society has a positive intention and ability to hold to maturity.

ii) **Trade receivables:** These comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, and excludes assets which the society intends to sell immediately or in the near-term or those which the society upon initial recognition designates as at fair value through profit or loss .

iii) **Available-for-sale :** These comprise non-derivative financial assets that are not classified under any of the other categories of financial assets.

Notes to the Financial Statement *(Cont.)*

f Tax

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

g Statutory Reserves.

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

h Trade and other payables

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

i Cash and cash equivalents

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

j Investment properties

Investment properties are long-term investments in land and buildings that are not occupied substantially for own use. Investment properties are initially recognized at cost and subsequently carried at fair value representing open market value at the reporting date and is determined annually by independent external registered values. Changes in fair value are recorded in profit or loss.

Subsequent expenditure on investment properties where such expenditure increases the future economic value in excess of the original assessed standard of performance is added to the carrying amount of the investment property. All other expenditure is recognized as an expense in the year which it is incurred.

Gains and losses on disposal of investment property are determined by reference to their carrying amount and are taken into account in determining operating profit.

Notes to the Financial Statement *(Cont.)*

	2020 Kshs.	2019 Kshs.
2. Revenue		
Income from Sale of Land	317,791,522	43,276,173
Income from Housing Project	122,078,000	13,500,000
Income from Zaria	12,947,555	-
Agency Commission	884,925	-
Loss from Farming	-	(1,792,929)
Interest on Extended payment	(15,830,468)	15,494,645
	437,871,534	70,477,889
3. Cost of Sales		
Purchase of land and houses	269,016,847	44,048,680
4. Interest Income		
Interest on Fixed Deposits	4,274,708	3,777,977
Interest on Tenancy Purchase	2,994,443	3,081,064
	7,269,151	6,859,041
5. Rental Income		
Rental Income	1,591,079	3,345,050
6. Other Income		
Project Exit Fee	4,352,275	5,770,588
Entrance Fees	2,139,101	3,460,000
Dividend income	2,078,887	1,510,753
Share Transfer Fees	688,989	5,306,935
Forex Gain	465,612	-
Sale of Tenders	-	75,304
2018 agm savings	-	39,859
Prior year Rebates	-	148,680
2018 honoraria & staff bonus savings	-	3,000,000
	9,724,864	19,312,119

Notes to the Financial Statement *(Cont.)*

	2020 Kshs.	2019 Kshs.
7. Administration Expenses		
Internet Domain	6,907,062	2,125,071
Office Expenses	3,752,102	3,610,127
Office Rent	2,562,311	2,578,484
Team building	1,535,685	-
Traveling & Subsistence	1,450,174	875,250
Motor Vehicle expenses	960,594	1,039,128
Software Maintenance	960,470	2,924,257
Postage	741,90	350,601
Printing and Stationery	610,454	828,562
Assets written off	-	331,434
	19,480,761	14,662,916
8. Personnel Expenses		
Salaries and Wages	53,735,903	50,089,478
Staff Medical	9,784,850	10,121,128
Recruitment Expenses	543,467	1,340,080
Education and Training expenses	532,967	983,714
Modem Data Bundles	177,000	147,000
Performance Based Rewards to Employees	2,100,000	-
Professional Subscription	44,200	91,880
	66,918,386	62,773,280
9. Financial and Professional Expenses		
Consultancy/Legal Fees	8,634,447	2,604,286
Bank Charges	1,579,132	1,776,453
Audit Fee and VAT	499,320	508,080
Supervision & Recoverable Expenses	-	44,000
	10,712,899	4,932,819
10. Governance Expenses		
Committee Expenses	7,736,079	5,676,410
AGM Expenses	1,500,000	3,500,000
Committee Education	712,800	441,429
Entertainment	-	37,450
Ushirika Day Celebrations	-	79,200
	9,948,879	9,734,488

Notes to the Financial Statement *(Cont.)*

	2020	2019
	Kshs.	Kshs.
11. Business Development		
Marketing & Advertisement	16,205,338	25,247,270
Research & Development	1,470,635	5,456,065
Members Training	611,403	555,857
Strategic Planning Expense	251,900	311,214
	18,539,276	31,570,406
12. Provision for Prior Year Projects	42,049,040	18,300,000
13. Depreciation and Amortisation		
Depreciation	1,759,200	1,961,495
Amortisation	383,060	547,228
	2,142,260	2,508,724
14. Cash and Bank		
Co-operative Bank - Current Account	70,332,564	12,349,194
Co-operative Bank - Savings Account	25,969,540	12,449,230
Co-op Bank Escrow Account **	14,447,782	-
Mpesa Paybills	12,569,552	24,351,984
Sidian Bank	11,384,466	-
SACCO FOSA Account	9,411,016	8,492,810
Bank of Africa	7,029,090	73,709,110
Co-op Bank USD Account	518,232	3,401,491
Petty cash	201,437	280,460
	151,863,679	135,034,281

** The Escrow account is an account for the sale of Blue Bells House projects which is held as a security for the mortgage loan advanced by Co-operative Bank for the construction of the Blue Bells Houses.

Notes to the Financial Statement *(Cont.)*

	2020 Kshs.	2019 Kshs.
15. Receivables and Prepayment		
Zaria LLP	87,107,800	10,959,700
Prepaid Medical Insurance	2,252,676	1,827,391
Rent Receivable	1,337,610	1,144,400
Refundable Rent Deposits	450,000	450,000
Total Kenya - Motorvehicle Deposit	100,000	100,000
Prepaid Motor vehicle Insurance	20,555	23,581
	91,268,641	14,505,071
16. Trade Receivables		
Receivable within 1 year		
Land	561,323,528	754,969,512
Housing	194,298,974	176,144,215
	755,622,502	931,113,727
Receivable after 1 year		
Land	258,914,184	239,985,584
Housing	219,523,584	334,657,199
	478,437,768	574,642,783
Total	1,234,060,270	1,505,756,510
17. Non-Current Assets Classified Held for Sale		
Kajiado County	557,055,472	407,962,069
Machakos County	286,777,898	351,218,075
Kiambu County	113,474,455	165,345,340
Makueni County	95,441,476	91,678,469
Kitui County	68,095,801	68,095,801
Kilifi County	66,262,039	39,497,365
Nakuru County	31,550,967	50,548,588
Laikipia County	18,549,515	19,487,741
Kisumu County	15,891,690	14,234,784
Narok County	14,011,908	16,789,034
Siaya County	7,757,873	2,280,750
Kwale County	3,502,830	43,743,137
Uasin Gishu County	769,322	4,383,107
Kirinyaga County	260,645	260,645
	1,279,401,891	1,275,524,905

Notes to the Financial Statement *(Cont.)*

	2020 Kshs.	2019 Kshs.
18. Housing Stock for Sale		
Ruaka	59,489,073	64,897,170
Blue Bells 1	37,843,435	32,458,456
Kantafu Serene Homes	15,997,500	15,997,500
Kitisuru Garden Villas	8,327,500	-
Blue Bells 2	5,243,311	48,323,139
Rongai Villas	-	10,553,262
	126,900,818	172,229,527
19. Land held for Investment		
Ruaka 2	66,895,400	66,895,400
Juja 1	6,190,980	6,190,979
Kitengela KCA	2,428,737	2,428,738
	75,515,117	75,515,117
20. Land held For Housing		
Ruaka III Housing	197,946,452	183,096,222
Boutique Hotel & Holiday Homes	188,096,700	188,096,700
Athi River Housing	108,046,000	108,046,000
Kiserian Shopping Mall / Apartments	28,174,000	28,174,000
	522,263,152	507,412,922
21. Zaria LLP		
Investment in Zaria LLP**	341,744,970	438,000,000
	341,744,970	438,000,000

**Zaria is a joint venture project between SIC and Palm Ridge LTD that is located in Kiambu County and which was initiated in 2019. The total project cost is Kshs. 2B (being cost of land plus infrastructure developed on it). SIC has invested Kshs. 404M into the project. The Investment is being amortised with every sale in the project and will eventually be zero when the project is sold out.

Notes to the Financial Statement *(Cont.)*

	2020 Kshs.	2019 Kshs.
22. Agribusiness Investment		
Land held for SIC farming	41,985,047	41,314,737
	41,985,047	41,314,737
23. Other Financial Assets		
Fixed Deposit account ***	161,323,337	-
CO-OP Trust Investment **	23,381,087	21,302,200
African Alliance **	9,633,227	10,291,971
CIC Group Shares **	2,025,000	2,025,000
	196,362,651	33,619,171

** Co-op Trust Investment, African Alliance and CIC Group shares are investment portfolio of various listed company shares that earn dividends at end of the year.

*** The Fixed Deposit account is comprised of Faulu Bank (Ksh 10M) with a rate of return of 10.5% p.a, Bank of Africa (Kshs. 120M) with a rate of return of 7.5% p.a, CIC Insurance Company (Kshs. 15M) with a rate of return of 9.01% p.a and Britam Holdings (Kshs. 15M) with a rate of return of 9.16% p.a

24 Property & Equipment Movement Schedule

	Phones & Accessories Kshs.	Computers Kshs.	Motor vehicle Kshs.	Furniture & Equipment Kshs.	Totals Kshs.
Rate	33.30%	30.00%	25.00%	12.50%	
Cost					
As at 01.01.2020	-	6,351,067	5,421,439	6,966,884	18,739,390
Additions	-	883,208	-	-	883,208
Write off	-	-	-	-	-
As at 31.12.2020	-	7,234,275	5,421,439	6,966,884	19,622,598
Depreciation					
As at 01.01.2020	-	4,240,596	4,211,208	2,391,703	10,843,506
Adjustment	-	-	-	-	-
Write off	-	-	-	-	-
Charge for the Year	-	872,303	302,558	584,339	1,759,200
As at 31.12.2020	-	5,112,899	4,513,766	2,976,042	12,602,706
Net Book Value					
As at 31.12.20	-	2,121,376	907,673	3,990,842	7,019,891
As at 31.12.19	-	2,110,471	1,210,231	4,575,181	7,895,883

Notes to the Financial Statement *(Cont.)*

	2020 Kshs.	2019 Kshs.
25 Intangible Assets		
Software		
As at start of Year	1,276,865	1,825,099
Adjustment	-	(1,005)
Additions	19,200,000	
Amortization	(383,060)	(547,228)
At end of Year	20,093,805	1,276,865
26 Current Income Tax Payable		
Opening Balance	(10,195,883)	(6,118,435)
Charge for the Year	-	-
Paid during the Year	-	(4,077,448)
Tax receivable	(10,195,883)	(10,195,883)
27 Deferred Cost of Sale	738,327,163	588,516,058

Deferred cost of sale represents the total cost of sale for units whose revenue is yet to be recognized. When revenue is recognized for these units, we move the revenue amount from deferred revenue to revenue (sales) and the cost of sale amount to the Cost of Sale accounts.

	2020 Kshs.	2019 Kshs.
28 Deferred Income		
IFRS 15	874,054,842	806,335,317
Interest on Tenancy Purchase Scheme	38,927,761	46,215,965
Housing Income	25,826,740	25,826,740
Premium on Extended Payments	-	444,776
	938,809,343	878,822,798

The deferred income is inclusive of part of the Kshs. 217.8M which was deferred from the previous year ended 31 December 2019 as a result of transitioning from IAS 18 to IFRS 15 which requires that revenue shall only be recognized when parties to a revenue transaction have fulfilled their obligation as per the contract.

	2020 Kshs.	2019 Kshs.
29 Trade Payables		
Zaria Provisions	224,123,316	354,897,989
Projects creditors	179,666,612	542,092,769
Agency Deposits	27,978,709	
Trade creditors	16,042,396	2,061,332
IED & Pepea interest provisions	6,182,483	31,908,907
Deposits received	3,386,176	2,942,188
Audit Fees	499,320	552,080
AGM Expenses	1,854,338	3,500,000
Payroll Deductions	1,632,608	2,844,463
Accrued Expenses	750,000	750,000
Honoraria & Staff Bonus	2,000,000	-
	464,115,958	941,549,728

Notes to the Financial Statement *(Cont.)*

	2020 Kshs.	2019 Kshs.
30 Proposed Rebates to Members	12,130,617	-
<p>Proposed rebates will be paid in full if approved by the shareholders. This is a special consideration by the board and the same will have a direct impact on the amount taken to reserves.</p>		
	2020 Kshs.	2019 Kshs.
31 Interest Bearing Liabilities (Pepea, IED & Bank Loans)		
Opening Balance	600,363,412	436,663,759
Receipts in the year	800,787,074	662,318,643
Payments	(375,491,193)	(498,618,989)
Closing Balance	1,025,659,293	600,363,412
32 Share Capital		
Opening Balance	2,500,715,663	2,500,715,663
Additions During the Period	-	-
Capitalized Rebates	-	-
Closing Balance	2,500,715,663	2,500,715,663
33 Reserves		
Statutory Reserve		
Opening Balance	14,475,812	14,475,812
Provided During the Period	1,103,533	-
Closing Balance	15,579,345	14,475,812
Retained Earnings		
Opening Balance	(59,510,485)	29,026,728
Proposed Honoraria	-	-
Prior Years Withdrawals	(61,910,888)	-
Retained Earnings for the Year	5,517,665	(88,537,213)
Transfer to Statutory Reserve	(1,103,533)	-
Closing Balance	(117,007,241)	(59,510,486)
	(101,427,896)	(45,034,673)
34 Income Tax Computation		
Net operating surplus before tax	5,517,665	(88,537,213)
Prior Year Adjustment tax adjustment	-	-
Tax Penalties	-	-
Farming Loss	-	1,792,929
Closing Balance	5,517,665	(86,744,284)



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