

KENTOURS SACCO SOCIETY LIMITED

CHAIRMAN'S SPEECH DURING THE 37TH ANNUAL GENERAL MEETING HELD ON 20TH

MARCH 2021 AT PANARI HOTEL, NAIROBI.

Our guests from the **Ministry of Agriculture, Livestock, Fisheries and Co-operatives, our Auditors, Ronalds LLP**, Board, Supervisory Committee, Kentours staff, my fellow members, ladies and gentlemen, Good Morning.

On my own behalf and that of the Board of Management, I would like to express my appreciation to you all for having spared time to attend the 37th Annual General Meeting (AGM) of the Society whether physically or virtually, when you could have chosen to be elsewhere attending to your other equally important matters. We thank the Almighty God for the blessing of life and good health and also for His mercies and grace that we are here today despite the challenges experienced by all of us in the wake of the COVID-19 pandemic.

Economic and Political Highlights

The year 2020 will remain in the history books not only in Kenya, but the entire world as the year in which normal life as we knew it changed forever. The coronavirus disease (COVID-19) which was first discovered in the Chinese Wuhan city was declared a pandemic by the World Health Organization in March 2020, and the nations of the world took a raft of measures in a bid to protect their citizens. The spread of the deadly virus and disease has left national economies and businesses counting losses, as governments struggle with never before heard of measures to tackle its spread, including lockdowns and capping restrictions.

A survey by the Kenya National Bureau of Statistics shows that 1.72 million Kenyans lost their jobs between April and June 2020. Many of these were in the Tourism and Hospitality Industry.

Kenya's economy has been hit hard through supply and demand shocks on external and domestic fronts, interrupting its recent broad-based growth path.

Apart from the COVID-19 pandemic, the locust attacks which started in early 2020, affected many parts of Kenya especially the North Eastern front. This has had a negative impact on food security and growth of the agricultural sector in the country. Real gross domestic product (GDP) growth reduced from an annual average of 5.7% (2015-2019) to 1.5% in 2020. However, if it takes longer than expected to bring the COVID-19 pandemic under control, a delay in the projected recovery to 5.2% growth in 2021 will be experienced.

It is hoped that multiple coronavirus vaccines approvals and the launch of vaccinations in some countries will boost hopes of an eventual end to the pandemic, although the world economy

continues to face exceptional uncertainty which is made worse by the new waves of COVID-19 infections and variants of the virus which pose greater risks.

Kenya's tourist arrivals through its two main airports dropped significantly in 2020 as COVID-19 cut international travel, curtailing tourism activities. The East African nation received 439,487 tourists in 2020 through Jomo Kenyatta and Moi international airports, down from 1.54 million in 2019. Between April and July, tourist arrivals were almost nil as the pandemic hit the country and major tourist source markets including Europe and America. Kenya in April received only 12 international tourists, with the disease having been detected in the country in mid-March, but arrivals recovered from September, where they stood at 20,164 to peak at 47,406 in December 2020. The sector was on the verge of collapse in 2020 due to travel restrictions occasioned by the pandemic, but it is now recovering slowly. With full recovery expected in 2021, we are hopeful that the hotels and lodges that have been closed down would be up and running and our Sacco members from the affected units will be back in gainful employment.

Membership Summary

This was a very tough year in terms of recruitment drive and therefore we saw our membership at the close of the year standing at 2,962 with only 158 new members joining the Sacco and 821 leaving / dormant members. Sadly, during the year, 11 of our members passed on. Their death is a big blow to both the Sacco and their families. We convey to the families our heartfelt condolences.

May the Almighty God rest their souls in Eternal Peace. Amen.

It was unfortunate that during the year, we didn't have any new Employer Unit coming on board.

Member Education

Though we had put in our budgets the cost of member education in 2020, the Board only managed four education visits within Nairobi and two outside Nairobi while the marketing officer visited two units. This was because apart from revenue constraints, many companies ceased operation due to the COVID pandemic.

This year, the Board will be more aggressive in marketing and member education both to existing units and to the envisioned new ones.

Nomination of a minor as next of kin:

Due to legal challenges involved in contracting with a minor upon the death of a member, it is important for members to appoint a guardian whenever a minor is nominated as a next of kin. The Board rolled out the newly designed nominee cards and members who had previously nominated minors are requested to fill in these new nominee cards.

Members Funds and Financial Performance at a glance

		2020 {Kshs}	2019 { Kshs}	Increase/(Decrease)
1	Total Revenue	107,833,417	143,258,406	(25%)
2	Member Deposits	956,992,507	1,120,448,601	(15%)
3	Member Loans	664,783,919	841,807,723	(21%)
4	Total Assets	1,172,657,644	1,388,955,255	(16%)

The above extract of the financial results is a reflection of the unfavorable economic environment in which we operated during the year 2020. The Board did put in place cost cutting measures to minimize losses.

Factors that affected the growth on interest income were:

- 1) The number of members who were sent on unpaid leave by employer units, hence lacking income with which to service new and/or existing loans.
- 2) Lack of guarantors to secure new loans.
- 3) Members failing to repay their loans from other sources.
- 4) Huge withdrawal by members as a result of job losses.

We encourage those without loans to borrow from the Sacco and utilize these loans the best way possible.

Appropriation of Net Surplus

From the financial statements, the Board has recommended payment to members as follows:

- ✓ 2.55% Interest on deposits (7.70% in 2019)
- ✓ 7.55% Dividends on Share Capital (9.70% in 2019)

Interest on members' deposits upon approval, will be calculated using the **Weighted Average Method**. This takes into account the time value of money hence more equitable than the straight-line method.

Developments

Regulation by SASRA (The SACCO Societies Regulatory Authority):

The Cabinet Secretary for Agriculture, Livestock, Fisheries and Co-operatives in May 2020, published the Sacco Societies (Non-Deposit Taking Business) Regulations 2020 through legal Notice No. 82 referred to as the Regulations 2020, which prescribe the prudential and market conduct measures to be complied with by all SACCO Societies undertaking the specified non-deposit taking business popularly known as Back Office Service Activity (BOSA).

All Saccos with deposits above 100 million, are required to secure compliance with the Act and the Regulation 2020 effective from 1st January 2021 and have been given up to 30th June 2021 to be fully compliant.

The Board has already initiated the compliance process and should be fully compliant on or before the specified deadline.

Management Information System:

The Integrated Financial and Enterprise Resource Planning Software (Microsoft Dynamics Navision 2018) system is now fully customized. We request members to make use of the member portal where they can login in and access their Sacco account.

Strategic Plan:

Our strategic plan for the year 2016 – 2020 ended last year. In my last year's speech, I indicated that the Board would initiate the process of developing another plan that would guide the SACCO in the next 5 years. However, because of the pandemic, this was not possible. This has been included in this year's budget.

Kentours Mobile Loan > M-Jisort

In my last AGM speech, I mentioned that we suspended M-jisort Mobile money facility in November 2019 due to hitches that were being experienced in accessing the mobile loans services. The service provider, Inukapap Limited, explained that they were upgrading their systems but this unfortunately stalled. The Board later learnt that Inukapap Limited exited the mobile loans business. The Sacco has initiated legal proceedings against Inukapap Limited.

Challenges

Fellow members, the Society has not been without challenges and more so this year, 2020, due to the Covid-19 pandemic. The challenges experienced have always been our enemy to overcome. Some of these are:

- Dormant accounts where members are not servicing their loans as they are on unpaid leave. The effect is the provisioning of loans in line with IFRS 9, which is forward looking and calls for increased allowance for loans that remain unpaid for 90 days, as opposed to its historic looking predecessor, IAS 39 on one hand, and SASRA guidelines, which require provisioning on all the five loan categories it has provided, on the other hand.

- Members' withdrawal as a result of the pandemic rendering them jobless.
- Closure of member units due to low number of tourists.
- Low loan demand by members leading to excess funds which earns minimal interest in the money market.
- Delay in remittance of Sacco funds by some employers.
- Loan defaulters and non-performing loans.

Sacco Magazine

As has been the trend over the years to have an annual print, this year we shall not have one due to budget constraints. However, the Education team has organized a brochure and circulation is on-going.

Maximum Borrowing Powers

The Board seeks an approval to borrow not more than Kshs.**36 million** in the next twelve months only if need arises.

Insurance premiums.

Upon death of a Sacco member, the loans and deposits are paid by the Insurance Company as the two are insured. The insurance premiums are paid by all the members in equal instalments and deducted through the payroll and bank deposit for individual members. The Board is today seeking a resolution that these premiums instead of being deducted from the payroll, be recovered from interest on deposits and dividends upon approval at the AGM.

Amendment to the By-laws.

During the last AGM, a members brought some AOB items but being items that required amendment to the By-laws, the ministry recommended that they ought to have been included in the AGM notice to the members and therefore they were deferred to the next AGM where the Board would include them in the notice. The matters in question were:

1. That former members who exited Kentours Sacco Limited for various reasons be allowed to rejoin the Sacco as long as they satisfy the conditions for being a member.
2. That individual members be allowed to vie for and if elected hold not more than one third (1/3) of the positions in the Management Board (3) and Supervisory Committee (1). Any individual member wishing to vie must satisfy all conditions necessary as stipulated in the By-Laws
3. That not more than a third of the Management Board (3) and Supervisory Committee (1) positions may be occupied by members from one Employer Unit at any one given time.

We have also some other amendments proposed by the Board in order to be compliant with the regulatory requirements.

I request members to deliberate on the above so the Board can have a direction.

Revised Budget 2021 and Budget 2022

Our target for the year 2020 as per the approved budget was not attained as a result of the pandemic that affected the hospitality industry. This led to reduced income hence reduced interest on member deposits and dividends.

More details are as provided in the budgets to be presented today.

There are certain capital expenditure items in the year 2021 and 2022 for which we shall be seeking members' approval.

Corporate Governance

Corporate governance is important to investors since it shows a company's direction and business integrity. Good corporate governance helps organizations build trust with investors and the community. As a result, corporate governance helps promote financial viability by creating a long-term investment opportunity for market participants.

An organization's board of directors is the primary force influencing corporate governance. Bad corporate governance can cast doubt on a organization's reliability, integrity, and transparency, which can impact its financial health.

As leaders we should practice good corporate governance.

Elections

In line with the Co-operative Societies Rules set by the parent Ministry, one third (1/3) of Board and Supervisory Committee members retire at every Annual General Meeting on a rotational basis.

The Sacco has a vetting policy which provides for a vetting committee whose composition is;

1. Ministry representative
2. The Auditor
3. The Sacco Lawyer
4. The Sacco CEO (serving as secretary)

A circular for the vacant positions was sent out to the membership for application on the same.

This year we have three Board Members and one Supervisory Committee member who are retiring namely;

Board Members:

1. Zedekiah Ongoma
2. Phillip Muchiri
3. Joseph Kagema

Supervisory committee:

James Kamau

The retiring Board members and Supervisory Committee member are offering themselves for re-election in their respective positions. They have been vetted and cleared.

Conclusion

The COVID-19 pandemic caught everyone unawares and am sure we have learnt a lot from it.

Mother Teresa said, Life is an opportunity, benefit from it. Life is beauty, admire it. Life is a dream, realize it. Life is a challenge, meet it. Life is a duty, complete it. Life is a game, play it. Life is a promise, fulfill it. Life is sorrow, overcome it. Life is a song, sing it. Life is a struggle, accept it. Life is a tragedy, confront it. Life is an adventure, dare it. Life is luck, make it. Life is too precious, don't destroy it. Life is life, fight for it.

Lastly I would like to take this opportunity to thank all Kentours Sacco members, my fellow Board members, Supervisory Committee members, Unit Representatives and Kentours staff whose contribution has helped to make Kentours Sacco Society Limited what it is today.

I wish you all a prosperous 2021.

God bless you all, God bless Kenya and God bless Kentours Sacco Society Ltd.

Joseph Kagema.

CHAIRMAN